GCP Student Living Plc - Annual Financial Report

GCP STUDENT LIVING PLC

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ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

GCP Student Living plc, (the "Company" or together with its subsidiaries, the "Group"), which was the first student accommodation REIT in the UK, today announces its results for the financial year ended 30 June 2018.

The full annual report and consolidated financial statements and the Notice of the annual general meeting can be accessed via the Company's website at www.gcpstudent.com or by contacting the Company Secretary by telephone on 01392 477500.

AT A GLANCE

	2016	2017	**2018**
Value of property portfolio	£424.8m	£634.6m	**£784.4m**
EPRA NAV[2,4] per ordinary share	136.93p	139.08p	**149.12p**
Dividends per ordinary share	5.66p	5.75p	**5.95p**
Net operating margin[4]	79%	78%	**78%**
Share price per ordinary share	130.75p	145.00p	**147.00p[1]**
Student rental growth[4]	4.5%	3.9%	**4.1%**

HIGHLIGHTS FOR THE YEAR[3]

- Annualised shareholder return since IPO[4] of 12.5%, in excess of the Company's target return of 8-10%.
- Dividends of 5.95 pence per share paid or declared in respect of the year.
- Delivery of a strong set of results, generating total rental income for the year of £35.8 million.
- Successful equity raise of £70 million through a substantially oversubscribed placing of ordinary shares.
- First forward-funded development at Scape Wembley, London, completed on schedule for the 2017/18 academic year, generating a material valuation uplift of c.£12 million at completion and providing a further c.580 modern beds.
- Second forward-funded development asset, Circus Street, Brighton, commenced construction, which is expected to provide 450 beds on completion ahead of the 2019/20 academic year.
- Acquisition of Podium, which offers 178 beds in the same locality as the Company's 'The Pad' asset, together providing c.400 beds adjacent to RHUL.
- EPRA NAV[4] (cum-income) per ordinary share of 149.12 pence and EPRA NAV (ex-income) per ordinary share of 147.61 pence at 30 June 2018.
- High-quality portfolio of ten assets with c.3,600 beds located primarily in and around London, with a valuation of £784.4 million at 30 June 2018.
- The Company's properties continue to benefit from the supply/demand imbalances for high-quality, modern student facilities, with the portfolio fully occupied and student rental growth[4] of 4.1% for the 2017/18 academic year.
- Completion of the refurbishment of Scape Bloomsbury in time for the 2018/19 academic year, providing 432 beds.
- Post year end, completion of a redrawable credit facility of £45 million with Wells Fargo & Company and entry into a forward-funding agreement to fund Scape Brighton.

1. Share price at 29 June 2018.
2. EPRA NAV is equivalent to the NAV calculated under IFRS for the year.
3. The Company's financial statements are prepared in accordance with IFRS. The financial highlights above include performance measures based on EPRA best practice recommendations which are designed to enhance transparency and comparability across the European real estate sector. See glossary for definitions.
4. APM - see glossary for definitions and calculation methodology.

Robert Peto, Chairman, commented:

"I am pleased to report another year of strong operational results for the Company. This year marks the fifth anniversary since the Company's £70m IPO as the UKs first REIT focused on student residential assets in May 2013. During that period, its EPRA NAV per share has grown from 97.00 pence to 149.12 pence and its annual dividend per share has grown from 5.5 pence to 5.95 pence. The Company has delivered an annualised shareholder return since IPO of 12.5%, exceeding its target of 8-10% and almost double the return of the FTSE All-Share index over the same period.

The Company continues to provide shareholders with a portfolio of properties which benefit from supply and demand imbalances for student accommodation in its core markets. The portfolio, which is focused on assets in and around London, has benefited from a like-for-like valuation uplift over the year of 7.3%, driven by full occupancy, rental growth of 4.1% and yield compression.

Outside of London, the Company focuses on those markets where the Investment Manager believes sector fundamentals mirror that of the London market. This is illustrated by the acquisitions of the forward funded developments Circus Street, Brighton in the year and Scape Brighton, post year end. Circus Street is on-track for completion in September 2019 with Scape Brighton expected to open the following year. These properties will provide c.1,000 private beds in a market with strong student numbers and restrictive planning, thereby offering attractive supply and demand dynamics for private student accommodation.

Recent market transactional activity provides further evidence of the attraction of London for investors in private student

residential assets, with yields continuing to tighten, driven by investor demand and restrictive planning. In this respect the Company's ability to deliver its own pipeline through future contractual arrangements has been a key factor in its success since IPO. The Company's current assets under development or refurbishment are well placed to provide potential rental and earnings growth, in addition to NAV growth prospects, over the short to medium term. In particular, the Board is pleased to note that the refurbishment of Scape Bloomsbury, located in the heart of London WC1, will be complete in time for the 2018/19 academic year.

The Board remains confident that the Company's portfolio should continue to deliver stable performance and is encouraged by the Investment Manager's ability to secure attractive assets in locations which it believes will support the Company's long-term total return prospects."

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ABOUT US

GCP Student Living plc was the first real estate investment trust in the UK to focus on student residential assets.

The Company seeks to provide shareholders with attractive total returns in the longer term through the potential for modest capital appreciation and regular, sustainable, long-term dividends with RPI inflation-linked income characteristics.

It invests in properties located primarily in and around London where the Investment Manager believes the Company is likely to benefit from supply and demand imbalances for student residential accommodation and a growing number of international students.

The Company has a premium listing on the Official List of the UKLA and trades on the Premium Segment of the Main Market of the London Stock Exchange. The Company had a market capitalisation of £566 million at 30 June 2018.

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

INVESTMENT OBJECTIVES AND KPIs

The Company invests in UK student accommodation to meet the following key objectives:

Total return	**Portfolio quality**	**Diversification**
To provide shareholders with attractive total returns in the longer term.	To focus on high-quality, modern, private student residential accommodation and teaching facilities primarily in and around London.	To invest and manage assets with the objective of spreading risk.
Key Performance Indicators		
The Company has generated an annualised shareholder total return[1] since IPO of 12.5%.	The Company's investment portfolio has been fully occupied since IPO, with average annualised rental growth[1] of 3.9%.	The Company's property portfolio comprises nine modern standing student accommodation buildings and one development asset.
5.95p Dividends paid or declared for the year	**Full** Occupancy[1] for 2017/18 academic year	**3,561** Number of beds at 30 June 2018
12.5% Annualised shareholder total return since IPO [1]	**4.1%** Student rental growth[1] for the year	**10** Number of assets at 30 June 2018

Further information on company performance can be found below.

1. APM – see glossary for definitions and calculation methodology.

CHAIRMAN'S STATEMENT

Full occupancy, above RPI rental growth and valuation uplifts have all contributed to another year of strong results for the Company.

Introduction

On behalf of the Board, I am pleased to report another year of strong operational results for the Company. The focus on assets in and around London has delivered robust NAV and income performance for the year. The Company delivered a positive shareholder total return[1] of 5.7% over the year and 12.5% annualised since IPO.

The Company's performance during the year has been driven by a combination of key factors. Operationally, the Company has benefited from a fifth consecutive year of full occupancy and year-on-year rental growth has delivered dividend growth for shareholders. Further, the Company's portfolio has benefited from valuation gains on all of its assets partly as a result of yield compression arising from competitive market activity for private student accommodation assets.

This year marks the fifth anniversary since the Company's £70 million IPO as a REIT in May 2013. During that period, its EPRA NAV[1] per ordinary share has grown from 97.00 pence to 149.12 pence and its annual dividend has increased from 5.5 pence per ordinary share to 5.95 pence per ordinary share. The Company has delivered an annualised shareholder total return since IPO[2] of 12.5%, exceeding its target of 8-10% per annum and almost twice the return of the FTSE All-Share index over that period. At 30 June 2018, its market capitalisation was £566 million.

Portfolio

At 30 June 2018, the portfolio comprised ten assets providing c.3,600 beds which were either fully operational or expected to complete construction or refurbishment over the next two academic years. At that date, the property portfolio was valued at £784.4 million, with 94% by value located in and around London, representing a like-for-like uplift in value over the year of 7.3%.

The valuation uplift has been driven by full occupancy, rental growth and yield compression. The blended net initial yield of the operational portfolio at 30 June 2018 was 5.04%.

In September 2017, Scape Wembley opened its doors to students. The property was the Company's first forward-funded development asset, acquired in September 2016, and benefited from a material valuation uplift during the year. This success evidences the potential for forward-funded developments to enhance the total return profile of the portfolio.

At the year end, the portfolio included two assets which were under construction or refurbishment. Construction of the Company's second forward-funded development at Circus Street, Brighton, remains on track for completion in September 2019. Similarly, the Board is pleased to note that the substantial refurbishment of Scape Bloomsbury, located in the heart of London WC1, will be completed following the year end, with the property opening to students in mid-September 2018.

The portfolio continues to deliver strong operational performance, having achieved full occupancy for the 2017/18 academic year and generating rental income of £35.8 million. The Company achieved year-on-year student rental growth[1] of 4.1% across its operational assets, substantially ahead of the national average for private student accommodation of 2.9%.[2] Bookings for accommodation in respect of the 2018/19 academic year currently remain in line with expectations.

Acquisitions

During the year, the Company completed the acquisitions of Circus Street, Brighton, and Podium, Egham. Circus Street is the Company's second forward-funded development asset, following on from the successful completion of construction of Scape Wembley. It is expected to provide 450 beds and 30,000 square feet of commercial office space in a prime Brighton location ahead of, and during, the 2019/20 academic year respectively.

In December 2017, the Company acquired Podium, which offers 178 beds, in the same locality as the Company's 'The Pad' asset, together providing c.400 beds adjacent to RHUL. Podium, which is operational, was acquired through a conditional forward purchase agreement which was entered into in April 2016.

In October 2017, the Company entered into a similar arrangement to acquire Scape Canalside which is adjacent to QMUL, in the same locality as the Company's 588-bed Scape East asset. If acquired, Scape Canalside will provide 410 beds for the 2019/20 academic year. The aggregation of beds in the same locality should benefit the Company through greater operational efficiencies over the longer term, particularly relative to smaller offerings.

As with forward-funded developments, the use of forward-purchase agreements to acquire assets enables the Company to secure attractively located assets in areas with few existing properties and scarce development opportunities.

Post year end, the Company announced that it had entered into a conditional agreement to acquire and forward-fund the construction of Scape Brighton which will provide c.550 beds and extensive communal areas with c.1,500 sq ft of retail space. The property is located on the primary campus of University of Brighton and is currently expected to be operational in September 2020.

Scape Brighton will be the Company's second asset in Brighton. The Directors are of the view that Brighton demonstrates strong supply and demand imbalances for private student residential accommodation which the Group believes is essential to maximise shareholder returns from this asset class. Its acquisition will provide further portfolio diversification and allow the Company to partner with a wider range of HEIs and benefit from the significant demand from international students.

The costs of the land acquisition for Scape Brighton have been funded by the Company's redrawable credit facility ("RCF") and its available cash resources. The costs of funding its construction will be initially partly funded by the RCF and the Company's available cash resources, supplemented by additional debt and, if appropriate, new equity.

Financial results

The EPRA NAV[1] per ordinary share has increased by 7.2% during the year from 139.08 pence to 149.12 pence at 30 June 2018. The Company's property portfolio generated £35.8 million of rental income, delivering profit (including valuation gains) of £61.1 million (£13.5 million excluding valuation gains).

Dividends

The Company has paid or declared dividends in respect of the year ended 30 June 2018 of 5.95 pence per share. The dividends were paid or declared as 4.02 pence per share as a PID and 1.93 pence per share as a non-PID. The Company increased its dividend by 3.5% year-on-year, in line with RPI.

The dividends were 67% covered by adjusted EPS[3] of 4.01 pence. The dividends paid by the Company are expected to be fully covered by earnings when the Company's portfolio is fully operational.[4]

Financing

The Company conducted an oversubscribed equity capital raise in July 2017, raising gross proceeds of £70 million, which have been used to fund the acquisition and construction of Circus Street, Brighton.

Post year end, the Company entered into a three-year RCF with Wells Fargo & Company for an aggregate amount of up to £45 million. The new facility has a prevailing margin of 1.85% above three-month LIBOR. It is currently intended that the RCF will be used partly to fund the acquisition and initial construction costs of Scape Brighton and complete the construction of Circus Street, Brighton, as well as for general corporate purposes.

The Board

The Board is delighted to welcome Gillian Day who was appointed as a non-executive Director of the Company on 23 February

2018.

Mr Dunscombe will be retiring from the Board at the annual general meeting of the Company this year. Mr Dunscombe has served as a non-executive Director since the Company's IPO. The Board thanks him for his substantial contribution to the Company over the past five years and wishes him well for the future.

Continuation vote

The Company's articles of association include provisions for a continuation vote to be held at its fifth annual general meeting, which will be held in November 2018, and at each third annual general meeting thereafter.

In light of the Company's performance since IPO, the quality of its investment portfolio and the ongoing support from shareholders as a whole, the Board recommends that shareholders vote in favour of resolution 10 in respect of the continuation of the Company, as set out in the notice of the annual general meeting circulated along with this annual report.

Outlook

The Company provides shareholders with a property portfolio which continues to benefit from supply and demand imbalances for student residential accommodation. The Company's focus on assets located in and around London has demonstrably benefited shareholders since its IPO five years ago. The Board and the Investment Manager also see London-like characteristics in a handful of other locations, including Bristol and Brighton, whilst remaining cautious of markets with a greater risk of oversupply and/or weak demand.

The attraction of London for owners of private student residential accommodation remains evident, as illustrated not only by the occupancy levels and rental growth achieved by the Company, but also by market transactional activity. Recent notable deals include two large London portfolios where reported pricing indicates that yields are continuing to tighten, driven by investor demand and restrictive planning approvals for such assets in the capital. In this respect, the ability of the Company effectively to deliver its own pipeline through forward-purchase agreements and forward-funded construction projects has been a key factor in its success since IPO.

The risks of Brexit remain unknown and, accordingly, are difficult to quantify. Notwithstanding this, in the period since the UK referendum, the number of international students in the UK, a substantial number of whom attend HEIs in and around London, has continued to rise. Education remains one of the UK's most valuable exports and London remains a cosmopolitan, global centre of academic excellence.

The Company continues to operate through uncertain political and macroeconomic times and has, to date, delivered on its stated objectives. The Board remains confident that the Company's portfolio should continue to deliver stable performance and is encouraged by the Investment Manager's ability to secure attractive assets in locations which it believes will support the Company's long-term total return prospects.

Robert Peto

Chairman

5 September 2018

1. APM - see glossary for definitions and calculation methodology.

2. Cushman & Wakefield, UK Student Accommodation report, December 2017.

3. Refer to note 14.

4. Information set out above is for illustrative purposes only and is not intended to be, and should not be, taken as a profit forecast or estimate.

STRATEGIC REPORT

STRATEGIC OVERVIEW

The Company's investment objective is to provide shareholders with attractive total returns in the longer term through the potential for modest capital appreciation and regular, sustainable, long-term dividends with RPI inflation-linked characteristics.

Business model

The Company's investment strategy is set out in its investment objective and policy below. It should be considered in conjunction with the Chairman's statement and the full strategic report which provide an in-depth review of performance and future strategy.

Investment objective

The Company's investment objective is to provide shareholders with attractive total returns in the longer term through the potential for modest capital appreciation and regular, sustainable, long-term dividends with RPI inflation-linked characteristics.

Investment policy

The Company intends to meet its investment objective through owning, leasing and licensing student residential accommodation and teaching facilities to a diversified portfolio of direct let tenants and HEIs. The Company will mostly invest in modern, purpose-built, private student residential accommodation and teaching facilities located primarily in and around London, where the Investment Manager believes the Company is likely to benefit from supply and demand imbalances for student residential accommodation. The Company may also invest in development and forward-funded projects which are consistent with the objective of providing shareholders with regular, sustainable dividends and have received planning permission for student accommodation, subject to the Board being satisfied as to the reputation, track record and financial strength of the relevant developer and building contractor.

Rental income will predominantly derive from a mix of contractual arrangements including direct leases and/or licences to students ("direct let agreements"), leases and/or licences to students guaranteed by HEIs and/or leases and/or licences directly to HEIs. The Company may enter into soft nominations agreements (*pari passu* marketing arrangements with HEIs to place their students in private accommodation) or hard nominations agreements (longer-term marketing arrangements with HEIs of between two and 30 years in duration). Where the Company invests in properties which contain commercial or retail space, it may derive further income through leases of such space. Where the Company invests in development and forward-funded projects, development costs will typically be paid in stages through construction, with a bullet payment at completion.

The Company intends to focus primarily on accommodation and teaching facilities for students studying at Russell Group universities and other leading academic institutions, regional universities with satellite teaching facilities in and around London and at specialist colleges.

The Company may invest directly or through holdings in special purpose vehicles and its assets may be held through limited

partnerships, trusts or other vehicles with third party co-investors.

Borrowing and gearing policy

The Company may seek to use gearing to enhance returns over the long term. The level of gearing will be governed by careful consideration of the cost of borrowing and the Company may seek to use hedging or otherwise seek to mitigate the risk of interest rate increases. Gearing, represented by borrowings as a percentage of gross assets, will not exceed 55% at the time of investment. It is the Directors' current intention to target gearing of less than 30% of gross assets in the long term and to comply with the REIT condition relating to the ratio between the Group's 'property profits' and 'property finance costs'.

Use of derivatives

The Company may invest through derivatives for efficient portfolio management. In particular, the Company may engage in interest rate hedging or otherwise seek to mitigate the risk of interest rate increases as part of the Company's efficient portfolio management.

Investment restrictions

The Company invests and manages its assets with the objective of spreading risk through the following restrictions:

- the Company will derive its rental income from a portfolio of not less than 500 studios;
- the value of any newly acquired single property will be limited to 25% of gross assets, calculated as at the time of investment;
- the Company mostly invests in modern, purpose-built, private student residential accommodation and teaching facilities located primarily in and around London. Accordingly, no less than 75% of the Group's property portfolio will comprise assets which are located in and around London, calculated as at the time of investment;
- at least 90% by value of the properties directly or indirectly owned by the Company shall be in the form of freehold or long leasehold (over 60 years remaining at the time of acquisition) properties or the equivalent;
- the Company will not (i) invest more than 20% of its gross assets in undeveloped land; and (ii) commit more than 15% of its gross assets to forward-funded projects in respect of such undeveloped land, such commitment to be determined on the basis of the net construction funding requirements (and associated advisory costs) of such projects at the time of commitment up to their completion, in both cases as measured at the time of investment;
- the Company will not invest in completed assets which are not income generative at, or shortly following, the time of acquisition; and
- the Company will not invest in closed-ended investment companies.

The Directors currently intend, at all times, to conduct the affairs of the Company so as to enable it to qualify as the principal company of a REIT Group for the purposes of Part 12 of the CTA (and the regulations made thereunder).

In the event of a breach of the investment guidelines and restrictions set out above, the Investment Manager shall inform the Directors upon becoming aware of the same and, if the Directors consider the breach to be material, notification will be made to a Regulatory Information Service.

No material change will be made to the investment policy without the approval of shareholders by ordinary resolution.

Business and status of the Company

The Company is registered as a public limited company and is an investment company within the terms of section 833 of the Companies Act 2006. The Company is a REIT for the purposes of Part 12 of the CTA. The Company will be treated as a REIT so long as it continues to meet the REIT conditions in relation to any accounting period.

The Company was incorporated on 26 February 2013. Its shares trade on the Premium Segment of the Main Market of the London Stock Exchange.

The Company's performance, along with the important events that have occurred during the period under review, the key factors influencing the financial statements and the principal risks and uncertainties for the financial period are set out in the Chairman's statement and on the following pages.

INVESTMENT MANAGER'S REPORT

The Investment Manager, Gravis Capital Management Limited, is responsible for the management of the Company's assets in accordance with its investment policy, subject to the overall supervision of the Board.

The Company's portfolio has delivered a strong set of results for the year and continues to meet its long-term return objectives.

The UK student accommodation market

The UK has some of the highest-ranking universities in the world, with three in the top 10 in 2017/18.[1] Education remains a core sector for the UK economy, generating £95 billion for the economy and supporting nearly one million jobs across the nation.[2]

Transactional activity

The Investment Manager continues to see strong institutional investor demand for private student accommodation assets in the UK and, more specifically, in the Company's core London market. Investment volumes in 2017 saw c.£4.7 billion of investment in student accommodation in the UK, with a further c.£2 billion traded or under offer in H1 2018.

In particular, the Investment Manager notes the recent transactions involving the London-focused Pure Student Living and Chapter portfolios which together have an aggregate estimated value of c.£2.4 billion. This investment activity has resulted in yield compression across the London market, with the Pure portfolio traded at an estimated yield just above 4%, which the Investment Manager believes to be consistent with the yield achieved on the partial sale of the Chapter portfolio of London assets. This is driven by large investors willing to pay premiums for portfolios, reflecting strong demand for student assets offering substantial exposure to London.

Supply and demand imbalances supporting occupancy and growth

The Investment Manager maintains a positive outlook for the student accommodation sector in the UK and, more specifically, in a limited number of 'core' markets which it believes benefit from attractive demand characteristics supported by constrained supply.

Student numbers supportive of occupancy and growth

Demand for higher education in the UK remains strong. Acceptances to full-time higher education courses for the 2017/18

academic year were broadly consistent with the prior year, which in turn saw the highest number of acceptances on record. Furthermore, application numbers continue to exceed the number of places available, with one in four applicants unable to secure a place in higher education, equating to c.170,000 applicants.

The attraction of the UK to international students is evidenced by the continued growth in the number of international students accepted onto full-time courses, which has grown for the fifth consecutive year with 2017/18 being the highest level on record.

Non-EU student acceptances grew 5% year-on-year, with the number of EU students being accepted continuing to remain above the levels seen prior to the EU referendum.

Demand for full-time higher education courses in London remains strong relative to the rest of the UK. London is home to 22 universities, with more universities ranked in the top 40 by The Times Higher Education World University Rankings than any other city in the world. One-third of the 2.3 million students in the UK study in London and the South East.

International students, in particular, favour London as a destination for higher education given its reputation as a global centre of academic excellence; a quarter of all international students in the UK choose to study in London. With 94% of the Company's portfolio located in and around London and 74% of the tenants being international students, current market dynamics are strongly supportive of the Company's investment objective and underpin its ability to deliver fully occupied assets with long-term rental growth prospects.

Looking ahead to the 2018/19 academic year, data published in July 2018 by UCAS indicates a modest year-on-year decline of 2% to the overall number of applications for university education across the UK. This decrease has been widely attributed to the decline in the population of 18 year-olds in the UK, which is forecast to reverse in 2020.[3] Applications received from international students wishing to study in the UK continues to grow, with a year-on-year increase in applications from both non-EU applicants (6%) and EU applicants (2%), the latter suggesting that any material impact of Brexit on the attractiveness of the UK for EU students remains to be seen.

1. Times Higher Education World University Rankings 2018.

2. The Impact of Universities on the UK Economy, Universities UK.

3. The Office for National Statistics.

Strong supply-side barriers

The supply of purpose-built student accommodation varies substantially across the UK. The Company focuses on the London market as it presents not only strong demand characteristics supported by large international student numbers, but also because London suffers from a structural undersupply of private purpose-built student accommodation.

High land values and the difficult planning environment which prioritises social housing and residential schemes over student accommodation in London has seen the market continue to be structurally undersupplied, with only 3,000 new private student beds delivered in 2017/18, the lowest level in a decade. Planning for new private student accommodation developments remains tightly constrained, with a 77% decrease in the number of beds now under development as compared with five years ago.[1]

The beneficial impact of these barriers on the Company's portfolio of properties when coupled with high student numbers in London is reflected by the growth in NAV per share and rental growth achieved to date. Looking forward, the latest draft 'London Plan' issued for consultation in December 2017 has proposed policies which could potentially create additional barriers to the development of student schemes. These could include requirements for affordable student rooms which may negatively impact viability. The consultation period ended on Friday, 2 March 2018. Greater London Authority officers are currently registering all representations received and preparing a report which will summarise the main issues.

London and beyond

While the Company invests in private, purpose-built student accommodation assets primarily in and around London, its investment policy permits limited investment outside London, with the Investment Manager focusing on those markets where it believes the sector fundamentals mirror that of the London market. This is illustrated by the Company's acquisitions of the forward-funded developments, Circus Street, Brighton in the year, and Scape Brighton post year end.

The city of Brighton is home to both the University of Sussex (a UK top 20 university) and the University of Brighton, with in aggregate c.36,000 students, including c.7,500 international students. The city is also home to two of the largest English language foundation course providers. Brighton, like London, is structurally undersupplied with c.6,800 beds available to students, of which only 240 beds are in direct let private purpose-built student accommodation.

Looking forward, restrictive planning on further private student accommodation developments means that currently only c.500 beds have been consented for private development, excluding Circus Street and Scape Brighton. These supply and demand dynamics make Brighton a highly attractive market which the Investment Manager believes share many of the attractions of the London market. Other markets of interest to the Investment Manager, for similar reasons, include Bath, Bristol, Cambridge and Oxford.

Portfolio performance

The key drivers of the Company's returns are based on the three fundamentals as set out in the full annual report which form the basis of how the Investment Manager seeks to add value. These key drivers support occupancy levels and the Company's ability to grow its rental income, in addition to generating the shareholder total return since IPO.

During the year under review, the Company's portfolio has continued to perform in line with the Investment Manager's expectations, demonstrating the benefits to shareholders of owning a portfolio of assets located in a highly selective number of markets (primarily London) which meet the needs of discerning students and offer operational efficiencies through scale and design. The Company's net operating margin[3] for the year has remained broadly stable at 78%.

The operational assets in the Company's portfolio delivered a fifth consecutive year of full occupancy and rental growth. Scape Wembley, the Company's first forward-funded development asset, was operational for the 2017/18 academic year having opened its doors to students in September 2017 and has delivered a material valuation uplift to shareholders of c.£12 million against its book cost.

At the year end, the Company's two assets which were not operational, Scape Bloomsbury and Circus Street, Brighton, remained on track to complete refurbishment and construction respectively in line with the Investment Manager's expectations.

Scape Bloomsbury is due to open in time for the upcoming academic year in September 2018. The property was acquired in April 2017 and has undergone a substantial refurbishment befitting of the Scape brand and quality of asset which the Company seeks to provide for students. The refurbishment programme is further expected to optimise rental growth and occupancy levels. The forward-funded construction of the Circus Street student building is expected to be completed ahead of the 2019/20 academic year. The property will provide 450 beds and 30,000 square feet of commercial office space, with the commercial space completing during the 2019/20 academic year. The student accommodation will be contracted on a 21-year lease, with annual uplifts of RPI plus 50 basis points, capped at 5% and floored at 2%, to a subsidiary guaranteed by Kaplan Inc, a global education provider. The Company benefits from a licensing fee providing a 5.5% coupon on drawn funding through the construction phase.

Dividend cover

The Investment Manager's core focus is on delivering a diversified portfolio of investments which will provide sustainable, long-term dividends through strong occupancy levels and rental growth. This long-term focus may result in short-term periods of reduced dividend cover as investments are made which reduce this cover but are expected to contribute positively in the future.

Whilst the Company is forward funding the construction or refurbishment of an asset, its earnings relative to those generated by operational assets will be reduced, thereby reducing its dividend cover. The Investment Manager does not believe it to be appropriate to focus on short-term dividend cover in such cases as these investments enhance the overall quality of the portfolio, provide the Company with access to stock where suitable operational properties may be unavailable and enhance its earnings per share and rental growth prospects over the longer term. The dividend was 67% covered by adjusted EPS[2,3] of 4.01 pence for the year ended 30 June 2018.

On the basis of an investment portfolio which is fully operational, and assuming current occupancy levels across the portfolio, the Investment Manager expects the dividend to be fully covered.

1. JLL London Housing Report 2017.

2. Refer to note 14.

3. APM – see glossary for definitions and calculation methodology.

Pipeline and outlook

The Investment Manager continues to review a number of attractive investment opportunities. The Company will only seek to make investments where the Board and the Investment Manager believe investments are supportive of long-term returns to shareholders through strong rental growth prospects.

In the five years since IPO, the Company has been highly successful in securing new, modern properties through future contractual arrangements. This has enabled it to create its own pipeline of assets in attractive locations where existing properties may not have otherwise been available.

During the year under review, the Investment Manager was successful in securing another such future arrangement in respect of Scape Canalside, a second property in the same locality as Scape East, adjacent to QMUL. This is in addition to Scape Brighton, situated on the primary campus of the University of Brighton. Further opportunities remain under review, which include operational assets in London and those markets identified above and an opportunity in the same locality as the Company's Scape Surrey asset, which may in due course be acquired by way of a future contractual arrangement.

DRIVING GROWTH THROUGH SELECTIVE DEVELOPMENT[1]

The Company's assets under development or refurbishment at the year end are well placed to provide potential rental and earnings growth, in addition to NAV growth prospects through yield compression, over the short to medium term.

The Investment Manager currently estimates that the completion of construction at Circus Street and Scape Brighton in addition to the re-opening of Scape Bloomsbury, may generate additional net annual rental income for the Company, once these properties are fully operational of between £16 million to £17 million, potentially enhancing annual adjusted EPS[2] by between 2.6 and 3.2 pence after estimated funding costs.

Further, as a consequence of the completion of refurbishment works and stabilisation at Scape Bloomsbury over the coming months, the Company may benefit from yield compression on this property resulting in a potential net valuation uplift of between £8 million and £12 million.

1. Information set out in this section is for illustrative purposes only and is based on certain assumptions made by the Investment Manager, including the properties being fully occupied, development costs being in line with current expectations and market conditions (including estimated rental values and appropriate capitalisation rates) as at 30 June 2018.

2. APM – see glossary for definitions and calculation methodology.

REVIEW OF THE FINANCIAL YEAR

The Company generated rental income of £35.8 million, paid or declared dividends of 5.95 pence per share and delivered an annualised shareholder total return[1] of 12.5%.

Financial results

The Company achieved student rental growth[2] of 4.1% on a like-for-like basis for the 2017/18 academic year, generating rental income for the year ended 30 June 2018 of £35.8 million from the Company's property portfolio, driven by full occupancy throughout the year. Rental income has increased year-on-year principally due to the opening of Scape Wembley in September 2017, which is expected to generate gross rental income of c.£6 million per annum.

Total administration expenses of £7.4 million comprise fund running costs, including the Investment Manager's fee, Asset and Facilities Managers' fees and other service provider costs in the period. Administration costs are carefully monitored and controlled by the Investment Manager and the Board to ensure that the Company receives value for services received. The Company's ongoing charges ratio[2] was 1.3% for the year ended 30 June 2018, calculated in line with the AIC methodology, excluding direct property costs.

Ongoing net finance costs of £6.9 million in the year principally comprise loan interest associated with the Company's financing arrangements. These have increased year-on-year due to incurring interest on the second facility for the full annual period and the drawdown of £15 million of additional debt in order to acquire Podium in December 2017, in line with expectations.

The Company generated total profit before tax and fair value gains on investment properties for the year of £13.5 million.

Total fair value gains on investment properties through revaluation of the Company's investment portfolio were £47.6 million at 30 June 2018, positively impacting operating profit and generating EPS of 15.9 pence. The adjusted EPS[2] for the period was 4.01 pence (excluding fair value gains on investment properties and adjusting for exceptional items and licence fees receivable on forward-funded developments).

Dividends

In order to maintain its REIT status, the Company is required to meet a minimum distribution test for each accounting period for which it is a REIT. This test requires the Company to distribute at least 90% of the property rental profits from its property rental business for each accounting period, as adjusted for tax purposes.

In respect of the financial year ended 30 June 2018, the Company paid or declared dividends of 5.95 pence per ordinary share. The dividends were paid or declared as 4.02 pence per ordinary share as a REIT PID in respect of the Group's tax exempt property rental business and 1.93 pence per ordinary share as an ordinary UK dividend. The Company fulfilled all of its

obligations under the UK REIT regime and was in full compliance with the REIT requirements at 30 June 2018 and at the date of this report.

Dividend cover

Whilst the Company targets a fully covered dividend over the longer term, during periods of investment where there is a continuing programme of acquisitions, this may not be achieved. For further information on this, see above. The dividend of 5.95 pence was 67% covered by adjusted EPS[2] of 4.01 pence.[1]

Capital raises

The Company completed an oversubscribed equity capital raise in July 2017, raising gross proceeds of £70 million. The issue price was 142 pence and the shares were issued at a 6.75 pence discount to the closing mid-price on 12 June 2017 of 148.75 pence and a 3.6% premium to NAV (ex-income). The issue was NAV accretive for existing shareholders.

Cash flow generation

The Company held cash and cash equivalents of £29.2 million at the end of the financial year. A total of £22.2 million of operating cash flows were generated in relation to the Company's student accommodation portfolio. Total equity capital raised in the year amounted to £70 million, which was used in part to fund the construction of Scape Wembley and to acquire Scape Bloomsbury. The remaining cash outflows relate to the cost of servicing the Company's debt facility in addition to payment of dividends, resulting in a net decrease in cash and cash equivalents at the year end.

Financial performance

Income statement

	Notes	**For the year ended 30 June 2018** £'000	For the year ended 30 June 2017 £'000
Rental income	4	**35,790**	28,806
Property operating expenses	5	**(7,946)**	(6,281)
Gross profit (net operating income)		**27,844**	22,525
Net operating margin		**78%**	78%
Administration expenses	5	**(7,434)**	(6,072)
Ongoing net finance costs	9,10	**(6,917)**	(4,794)
Profit before tax and fair value gains on investment properties (realised profits)		**13,493**	11,659
Fair value gains on investment properties		**47,565**	11,855
Profit before tax for the year		**61,058**	23,514

1. Refer to note 14 for detailed calculation.

2. APM – see glossary for definitions and calculation methodology.

Debt financing

The Company's loan facilities total £235 million (of which the full amount was drawn at 30 June 2018) and have a blended cost of borrowing of 2.96% and with an average weighted maturity of c.7 years. The loan-to-value of the Group at that date was approximately 26% and the Company's gearing was 28%. Post year end, the Company entered into a three-year RCF with Wells Fargo & Company for £45 million. The new facility has a prevailing margin of 1.85% above three-month LIBOR.

Asset performance

The Company experienced 4.1% student rental growth[1] for the 2017/18 academic year and marginal yield compression. The valuation of the Company's property portfolio has increased by £117.2 million or 17.6% since the Company's IPO or its acquisition of assets. The portfolio was fully occupied for the 2017/18 academic year.

Lifecycle reserve

The Company's lifecycle cash reserves were £1.5 million at the year end. The reserves are held for future lifecycle expenditure to ensure the properties are maintained at the level needed to sustain the current rents and any assumed future rental growth.

Net assets

Net assets attributable to equity holders at 30 June 2018 were £574.2 million, up from £467 million at 30 June 2017. The increase in net assets since the prior year end is primarily driven by the acquisition of two further properties. At 30 June 2018, there were 385,064,556 ordinary shares in issue, giving an EPRA NAV (cum income) per ordinary share of 149.12 pence.

NAV and share price return

The Company's ordinary shares have traded at an average premium to EPRA NAV (ex-income)[1] of 5.4% since IPO, with an average premium over the financial year of 0.6%.

EPRA NAV (cum income)[1] has increased from 139.08 pence as at 30 June 2017 to 149.12 pence per ordinary share as at 30 June 2018, a 7.2% increase year-on-year. Dividends of 5.95 pence per ordinary share were paid, or declared, to shareholders. At the Group level, the annualised shareholder total return since IPO[1] was 12.5%, which exceeds the annualised target return of 8 to 10%.

Financial performance

Net assets

	Notes	**As at 30 June 2018** £'000	As at 30 June 2017 £'000

Assets			
Investment property	3	**784,424**	634,640
Trade and other receivables		**11,961**	7,825
Cash and cash equivalents	16	**29,213**	55,110
Total assets		**825,598**	697,575
Liabilities			
Trade and other payables		**(8,491)**	(5,148)
Deferred income	18	**(10,126)**	(7,964)
Interest bearing loans and borrowings	19	**(232,771)**	(217,469)
Total liabilities		**(251,388)**	(230,581)
Net assets		**574,210**	466,994
Number of shares		**385,064,556**	335,768,782
EPRA NAV per share (cum-income)[1]	23	**149.12p**	139.08p
EPRA NAV per share (ex-income)[1]		**147.61p**	137.62p

1. APM – see glossary for definitions and calculation methodology.

COMPANY PERFORMANCE

The Company continues to deliver strong performance.

	2018	2017	**Relevance to strategy**
Annualised shareholder total return since IPO[2]	**12.5%**	14.2%	Shareholder total return measures the delivery of the Company's strategy, to provide shareholders with attractive total returns in the longer term.
Adjusted earnings per ordinary share[2]	**4.01p**	4.69p	Adjusted earnings per share reflects the Company's ability to generate earnings from its portfolio.
Dividends per ordinary share for the year	**5.95p**	5.75p	The total dividend reflects the Company's ability to deliver regular, sustainable, long-term dividends and is a key element of total return.
Occupancy[2]	**Full 2017/18**	Full 2016/17	Occupancy is a key measure of portfolio quality and ability to drive rental growth.
Loan-to-value[2]	**26%**	26%	The LTV ratio measures the level of gearing and the Company's cost of debt.
Student rental growth[2] **(Like-for-like)**	**4.1% 2017/18**	3.9% 2016/17	Student rental growth is a key measure of the quality of the portfolio.

EPRA performance measures[1]

The table below includes performance measures based on EPRA best practice recommendations which are designed to enhance transparency and comparability across the European real estate sector.

	2018	2017	**Purpose**
EPRA earnings[2]	**£13.5m**	£11.6m	A key measure of the Company's underlying operating results and an indication of the extent to which the current dividend payments are supported by earnings.
EPRA NAV[2]	**149.12p**	139.08p	Makes adjustments to the IFRS NAV to provide stakeholders with the most relevant information on the fair value of the assets and liabilities within a true real estate investment company.
EPRA net initial yield[1]	**5.04%**	5.00%	A comparable measure for portfolio valuations. This measure increases the comparability of two portfolios.

1. In respect of the operational portfolio in line with EPRA Best Practice Recommendation Guidelines.

2. APM – see glossary for definitions and calculation methodology.

PROPERTY PORTFOLIO

The Company's property portfolio consists of high-quality, modern student accommodation, located primarily in and around London.

Quality, design and brand

At 30 June 2018, the Company's portfolio comprised ten high-quality, modern student accommodation buildings, of which 94% of the value was located in and around London.

The living experience forms a mainstay of each student's university life and the Company has put the quality, design, experience and performance of its assets at the heart of its operational strategy. This is achieved through the Company's investment selection and its choice of Asset and Facilities Managers.

Scape

The Asset and Facilities Manager for the Company's 'Scape' branded assets, The Pad and Podium is Scape. The vision of the Scape brand was to create a new kind of student accommodation; one that was affordable but with modern design. By enlisting

the help of leading interior designers and top architects, Scape continues to ensure that high standards of quality finishes and service are met. Years of hard work and listening to student feedback has resulted in some of the highest quality student accommodation assets in and around London.

Alongside the striking design features, the properties also offer ample common space for students to socialise and study. High-speed internet and wi-fi are available throughout each location. Scape responds proactively to student feedback, which has resulted in the provision of extra facilities and amenities, such as additional private rooms for group study, recreational areas and gyms.

Collegiate

The Asset and Facilities Manager for Water Lane Apartments is Collegiate. Collegiate's management philosophy is based on enhancing the university experience for their residents. It specialises in managing high-specification, design-led schemes with a focus on superior service quality. Collegiate's team has experience in managing a range of diverse student accommodation assets, in over 25 cities, and across over 40 student blocks, serving some 30,000 student tenants.

FEATURED ASSET:

Scape Bloomsbury
432 Number of beds

19-29 Woburn Place, London WC1H 0AQ

In April 2017, the Company acquired Scape Bloomsbury, a private student accommodation asset located at a prime central London position in Bloomsbury, WC1.

The property is a 110,000 sq ft ten-storey building situated on half an acre of freehold land which was previously used as a government office in the mid-20th century, before being converted into student accommodation in 2008 by Unite Students.

Scape Bloomsbury is one of the most prime private student accommodation schemes in London, located in Bloomsbury within a few hundred metres of some of the world's leading universities. The property is within short walking distance of UCL (c.38,000 students from 150 countries), SOAS (c.5,000 students from 133 countries) and two teaching hospitals, UCH and GOSH. LSE, KCL, City and UAL are also within walking distance, bringing the total number of students in close proximity to Scape Bloomsbury to c.100,000.

THE REFURBISHMENT

Following acquisition in April 2017, the Group reconfigured and refurbished the property to the high specification typical of the Group's existing standing assets and the Scape Student Living brand. The refurbishment involved diversifying the mix of accommodation units, offering modern studios and single and double occupancy apartment style accommodation, to optimise rental growth and occupancy levels. The refurbishment has also included the construction of a gym, cinema room, communal kitchens and study rooms.

Further details on Scape Bloomsbury are included in the full annual report.

FEATURED ASSET:

Scape Shoreditch
541 Number of beds

45 Brunswick Place, London N1 6DX

Scape Shoreditch is located in a prime London location in Shoreditch. The property was acquired by the Company in September 2015.

Scape Shoreditch offers students a complete London living solution in one of London's most fashionable districts, Tech City, London's technology and media district. The property is located two minutes from Old Street station, within a 15-minute walk of City (c.18,000 students) and CASS Business School, with LSE, UCL and QMUL all located within a short journey from the location of the property.

At 30 June 2018, Scape Shoreditch was occupied by students from 40 HEIs and of 69 different nationalities, with 90% of tenants coming from outside the UK.

THE PROPERTY

Built over eleven floors, the building comprises 541 studio bedrooms and c.10,000 sq ft of communal areas. The rooms are fully equipped for city living, with integrated storage and work space, fitted kitchenette and dining area and an ensuite shower room. Located on the ground floor of the building are shops and restaurants, a gym, dance studio, study lounge, games room, cinema and large communal kitchen. On the upper levels are landscaped rooftop gardens with four pavilions, including a barbecue terrace, offering spectacular views over London and down through the central glass roof into the commercial space.

Since acquisition in September 2015, in the period to 30 June 2018, the Company has benefitted from a valuation uplift of c. £26 million. The property generates c.£10 million of gross revenue per annum, through a combination of direct let tenancies and commercial income. The commercial lease at the property generates c.25% of total gross annual revenues for Scape Shoreditch.

Further details on Scape Shoreditch are included in the full annual report.

FEATURED ASSET:

Scape Wembley
578 Number of beds

Fulton Road, London HA9 0TF

Scape Wembley is a private student residence located in Wembley, London. The scheme was forward funded by the Company and completed in August 2017 under the Scape brand.

The property is located adjacent to Wembley Stadium and within short walking distance from Wembley Park Station. Scape Wembley comprises high-specification, purpose-built private student accommodation with 578 modern studios and beds with communal areas.

The 28-storey student accommodation scheme was designed by architects HTA Design and was developed by Tide Construction in the fast-track time of twelve months. Each module was manufactured offsite (in the UK), where the furniture, windows, electrical wiring and plumbing were all installed before the modules were transported to the site in Wembley for assembly.

The majority of London's universities are accessible within 30 minutes of the property. The site is located within 14 minutes' travel time to Marylebone, 20 minutes to Bond Street and 25 minutes to King's Cross.

At 30 June 2018, Scape Wembley was occupied by students from 47 HEIs and of 79 different nationalities, with c.70% of tenants

coming from outside the UK.

At 30 June 2018, the Company's portfolio comprised ten high-quality, modern student accommodation buildings, of which 94% of the total capital value was located in and around London.

3,561

Number of beds

£784.4m

Valuation of property portfolio

5.04%

Blended net initial yield

Property	Number of beds	Date of acquisition	Book cost	Valuation at 30 June 2018	NIY
Current					
Scape East	588	May 2013	£94.9m	£139.0m	4.90%
Scape Wembley	578	June 2016	£78.1m	£90.4m	5.25%
Scape Shoreditch	541	Sept 2015	£66.8m	£193.0m	4.45%
Circus Street	450	Aug 2017	£29.2m	£30.5m	N/A
Scape Bloomsbury	432	April 2017	£162.4m	£166.0m	N/A
Scape Greenwich	280	May 2014	£40.4m	£55.4m	4.80%
The Pad	220	Dec 2013	£28.6m	£35.3m	5.75%
Podium	178	Dec 2017	£29.5m	£30.1m	5.75%
Water Lane Apartments	153	Feb 2016	£18.8m	£19.5m	5.75%
Scape Surrey	141	Sept 2015	£19.1m	£25.2m	5.50%
Post year end					
Scape Brighton	550	Jul 2018	N/A	N/A	N/A

CORPORATE, SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

The Company aims to operate a fully sustainable business model with a low carbon footprint for all its wider stakeholders.

Stakeholders

The Company's primary objective is to provide shareholders with attractive total returns in the longer term through the potential for modest capital appreciation and regular, sustainable, long-term dividends.

The stakeholder model below demonstrates how the Company interacts with all of its stakeholders. These relationships provide the foundation for the Group's growth and sustainability, which in return provides benefits to all parties.

Shareholders

The Company creates earnings that benefit shareholders through dividends and capital appreciation. Further information on how the Board engages with shareholders can be found in the full annual report.

Students

The Company aims to provide an inspirational place for students to live and work. Its buildings are designed with this aim in mind to help students to get the very best out of their university experience. The Company also partners with institutions that have pushed the boundaries in education and which can open doors for life after university. The Company works with leading education institutions such as INTO, QMUL, Ravensbourne, ACM and global shared workspace leaders, WeWork.

Society

Infrastructure

By investing in areas that are undergoing regeneration, such as in Wembley, and in Brighton, the Company is helping to improve the local area and reduce pressure on housing stock in areas where there are supply and demand imbalances.

The Company takes a highly selective approach to the locations in which it seeks to invest, with the key focus being on delivering long-term, sustainable rental growth and value. It considers understanding a building's relationship with the community and its contribution to the wellbeing of society an important factor.

Social and community

The Company is committed to being socially responsible and the Directors consider community involvement to be an important part of that responsibility. It is indirectly involved with a number of social and local community initiatives via the Asset and Facilities Managers, such as initiatives to give back to the local area through sponsorship and local events. Positively impacting local communities can help foster community relationships and contribute to local prosperity.

Suppliers

The Group's supply chain comprises primarily UK-based suppliers or specialist contractors providing goods or services in the UK. These are mostly property management related services, such as property maintenance, lifecycle works, as well as other technical services. There are also real estate services such as development, construction and refurbishment. The Asset and Facilities Managers have overall responsibility for the procurement of property management services.

Public sector

The Group contributes to the public sector through payment of taxes, such as VAT, employment taxes, stamp duty land tax and the payment of community levies such as the CIL.

Employees

The Group develops and rewards people both financially and through personal development. Scape has overall responsibility for the supervision and provision of asset management services through oversight and management of the employees of GCP Operations Limited, a subsidiary of the Company.

The engagement and wellbeing of employees is important to the Company. Employee research is conducted through staff forums and surveys and the results are fed back to the board of GCP Operations Limited on a regular basis.

Diversity and equality

The Group is committed to achieving a working environment which provides equality of opportunity and freedom from unlawful discrimination on the grounds of race, sex, pregnancy and maternity, marital or civil partnership status, gender reassignment, disability, religion, beliefs, age or sexual orientation. The Group's policy aims to remove unfair and discriminatory practices and to encourage full contribution from its diverse community. It is committed to actively opposing all forms of discrimination and values diversity amongst its workforce.

Further information on the Group's diversity policy is included in the corporate governance statement in the full annual report.

Gender breakdown

The gender breakdown of the Group's Directors, senior management and employees at 30 June 2018, is detailed below.

At 30 June 2018	Women	Men
Directors	2 (2017: 1)	3 (2017: 3)
Senior management	2 (2017: 3)	5 (2017: 5)
Employees	72 (2017: 39)	49 (2017: 43)

Human rights

The Group respects human rights and aims to provide assurance to internal and external stakeholders that it will carry out its affairs in accordance with the principles of the Universal Declaration of Human Rights. No human rights concerns have arisen within the Group's operations or, to the best of its knowledge, within its supply chain during the year ended 30 June 2018.

The Board is satisfied that, to the best of its knowledge, the Group's principal advisers, which are listed in the full annual report, comply with the provisions of the Modern Slavery Act 2015.

Environmental impact

The Group is committed to being both socially and environmentally responsible and recognises the impact it has on the environment. It has delegated the day-to-day asset and facilities management to the Asset and Facilities Managers, who are responsible for the provision of energy supplies, including the procurement of renewable energy, managing the Group's waste schemes and raising general awareness of environmental impact and waste reduction amongst the Group's employees and residents.

Sustainability

The Group's environmental sustainability measures include the use of highly-efficient combined heat and power systems, ground source heat pumps and intelligent interior heating and lighting to minimise GHG emissions. The Company's property portfolio incorporates green roof space, rainwater harvesting and sustainable waste management, including diverting waste from landfill to generate renewable electricity via the waste management process. In the year to 30 June 2018, Scape procured the conversion of 58% of property waste into renewable energy and 42% into national recycling schemes.

Energy efficiency

The Company's buildings are either procured by the Company or acquired as newly operational and therefore conform to the highest standards of energy efficiency. The properties are designed with energy efficiency in mind, with 100% of the portfolio with an EPC rating of B or above.

Greenhouse gas emissions

Carbon emissions data[1]	**Year ended 30 June 2018**	Year ended 30 June 2017
Absolute energy use:		
Residential gas (kWh)	**9,356,436**	6,526,010
Residential oil (kWh)	**–**	–
Residential electricity (kWh)	**5,701,264**	4,121,815
Absolute CO_2e emissions (tonnes CO_2e)	**3,335**	2,899
Residential gas emissions (tonnes CO_2e) (Scope 1)	**1,721**	1,201
Residential oil emissions (tonnes CO_2e) (Scope 1)	**–**	–
Residential electricity emissions (tonnes CO_2e) (Scope 2)	**1,614**	1,698
Total residential emissions (tonnes CO_2e) (Scopes 1+2)	**3,335**	2,899
CO_2e emissions per sq ft	**0.0043**	0.0050
Residential gas and oil emissions (tonnes CO_2e/sq ft) (Scope 1)	**0.0022**	0.0021
Residential electricity emissions (tonnes CO_2e/sq ft) (Scope 2)	**0.0021**	0.0029
Total residential emissions (tonnes CO_2e/sq ft) (Scopes 1+2)	**0.0043**	0.0050

1.Methodology

The principal methodology used to calculate the emissions reflects the UK Government's Environmental Reporting Guidance (2013 version). The Company has reported on all the emission sources required under the Regulations. An operational control approach was used to define the Company's organisational boundary and responsibility for GHG emissions. The Company owns 100% of the property assets it operates and has therefore reported on that basis. All material emission sources within this boundary have been reported upon, in line with the requirements of the Regulations.

RISK MANAGEMENT

Robust risk assessments and reviews of internal controls are undertaken regularly in the context of the Company's overall investment objective.

Role of the Board

The Directors have overall responsibility for risk management and internal control within the Group. They recognise that risk is inherent in the operation of the Group and that effective risk management is an important element in the success of the organisation. The Directors have delegated responsibility for the assurance of the risk management process and the review of mitigating controls to the audit and risk committee.

The Directors, when setting the risk management strategy, also determine the nature and extent of the significant risks and its risk appetite in implementing this strategy. A formal risk identification and assessment process has been in place since IPO, resulting in a risk framework document which summarises the key risks and their mitigants.

The Directors undertake a formal risk review with the assistance of the audit and risk committee at least twice a year in order to assess the effectiveness of the Group's risk management and internal control systems. During the year under review, the Directors have not identified, nor been advised of, any failings or weaknesses which they have determined to be of a material nature. The principal risks and uncertainties which the Group faces are set out below.

Internal control review

The Board is responsible for the internal controls relating to the Group including the reliability of the financial reporting process and for reviewing their effectiveness.

The Directors have reviewed and considered the guidance supplied by the Financial Reporting Council on risk management, internal control and related finance and business reporting. An ongoing process has been established for identifying, evaluating and managing the principal risks faced by the Group and is kept under regular review by the Board, through the audit and risk committee. This process, together with key procedures established with a view to providing effective financial control, was in place during the year under review and at the date of this report.

The internal control systems are designed to ensure that proper accounting records are maintained, that the financial information on which business decisions are made, and which is issued for publication, is reliable and that the assets of the Group are safeguarded.

The risk management process and Group systems of internal control are designed to manage rather than eliminate the risk of failure to achieve the Company's objectives. It should be recognised that such systems can only provide reasonable, not absolute, assurance against material misstatement or loss.

The Directors have carried out a review of the effectiveness of the systems of internal control as they have operated over the period and up to the date of approval of the report and financial statements.

There were no matters arising from this review that required further investigation and no significant failings or weaknesses were identified.

Internal control assessment process

Robust risk assessments and reviews of internal controls are undertaken regularly in the context of the Company's overall investment objective. The Board, through the audit and risk committee, has categorised risk management controls under the following key headings:

- operational risk;
- market risk;
- financial risk; and
- reputational risk.

In arriving at its judgement of what risks the Group faces, the Board has considered the Group's operations in the light of the following factors:

- the nature and extent of risks which it regards as acceptable for the Group to bear within its overall business objective;
- the threat of such risks becoming reality;
- the Group's ability to reduce the incidence and impact of risk on its performance;
- the cost to the Group and benefits related to the review of risk and associated controls of the Group; and
- the extent to which the third parties operate the relevant controls.

A risk matrix has been put into place against which the risks identified and the controls in place to mitigate those risks can be monitored. The risks are assessed on the basis of:

- the likelihood of them happening;
- the impact on the business if they were to occur; and
- the effectiveness of the controls in place to mitigate them.

This risk register is reviewed at least every six months by the audit and risk committee and at other times as necessary.

Most of the day-to-day management functions of the Group are sub-contracted, and the Directors therefore obtain regular assurances and information from key third party suppliers regarding the internal systems and controls operating in their organisations. In addition, each of the third parties is requested to provide a copy of its report on internal controls each year, which is reviewed by the audit and risk committee.

Going concern

In assessing the Group's ability to continue as a going concern, the Directors have considered the Company's investment objective, risk management policies, capital management (see note 26 to the financial statements), the quarterly NAV and the nature of its portfolio and expenditure projections. The Directors believe that the Group has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future, being a period of at least twelve months from the date of this report. In addition, the Board has had regard to the Group's investment performance, the price at which the Company's shares trade relative to the NAV and ongoing investor interest in the continuation of the Company (including feedback from meetings and conversations with shareholders by the Group's advisers).

Based on their assessment and considerations, the Directors have concluded that the financial statements of the Company and

the Group should continue to be prepared on a going concern basis and the financial statements have been prepared accordingly.

The Directors have also made an assessment of the viability of the Company. The viability statement can be found below.

Principal risks

The Directors have identified the following principal risks and uncertainties and the actions taken to manage each of these. If one or more of these risks materialised, it could have the potential to significantly impact upon the Group's ability to meet its investment objective.

RISK 1: OPERATIONAL RISK

RISK	IMPACT	HOW THE RISK IS MANAGED	CHANGE IN RESIDUAL RISK OVER THE YEAR
Reliance on the Investment Managerand third party service providers The Group relies upon the performance of third party service providers to perform its main functions. In particular, the Group depends on the Investment Manager to provide investment advice and management services. Such services, which include monitoring the performance of the investment portfolio and conducting due diligence in respect of any new investments, are integral to the Group's performance.	Failure by a third party service provider to carry out its obligations in accordance with the terms of its appointment, or to exercise due care and skill, could have a material adverse effect on the Group's performance. The misconduct or misrepresentations by employees of the Group, the Investment Manager, the Asset and Facilities Managers or other third party service providers could cause significant losses to the Group.	The performance of the Group's service providers is closely monitored by the management engagement committee of the Board, which conducts review meetings with each of the Group's principal third party service providers on an annual basis. The audit and risk committee also reviews the internal controls reports and other compliance and regulatory reports of its service providers on an annual basis. The performance of the employees within the Group is monitored by the Board of GCP Operations and Scape and considered regularly by the Board.	**Stable** The Investment Manager continues to provide adequate resource and act with due skill, care and diligence in its responsibilities as Investment Manager and AIFM to the Company.
Due diligence Prior to entering into an agreement to acquire any property, the Investment Manager will perform due diligence, on behalf of the Group, on the proposed investment. The due diligence process may not reveal all the facts that may be relevant in connection with any proposed investment.	To the extent that the Investment Manager underestimates or fails to identify risks and liabilities associated with the investment in question, the Group may be subject to defects in title, to environmental, structural or operational defects requiring remediation, or may be unable to obtain necessary permits which may materially and adversely impact the NAV and the earnings of the Company.	In addition to the due diligence carried out by the Investment Manager, third party technical, insurance and legal experts are engaged to advise on specific risks to an acquisition, whether it be structured via a property-owning vehicle or a direct property acquisition.	**Stable** The Company's property portfolio has continued to perform in line with expectations, generating rental income for year of £35.8 million.
Concentration risk The Company's property portfolio comprised ten assets at 30 June 2018. Substantially all of the Group's assets are currently located in and around London.	As a result of portfolio concentration, the Group may be adversely affected by events, including Brexit, which may damage or diminish London's attractiveness to students (especially overseas students) or London property values.	The Group is focused on the London market because this is where the largest supply/demand imbalance exists in the UK student accommodation market. The Investment Manager and the Asset and Facilities Managers have significant experience in the sector and continuously monitor the market and provide quarterly updates to the Board, to act as an early warning signal of any adverse market conditions ahead.	**Decrease** The Company has acquired its first asset in Brighton under a forward-funding agreement, and post year end, has entered into a similar agreement for a second asset in Brighton. The Directors believe that Brighton demonstrates the strong supply and demand imbalances for student residential accommodation similar to the characteristics that make London attractive.

Net income and capital values Occupancy, rental income and property values may be adversely affected by a number of factors, including a fall in the number of students, competing sites, any harm to the reputation of the Group or the Scape brand amongst universities, students or other potential customers, or as a result of other local or national factors, including Brexit. The failure to collect rents, periodic renovation costs and increased operating costs may also adversely affect the Group.	A decrease in rental income, occupancy and/or property values may materially and adversely impact the NAV and earnings of the Company as well as the ability to service interest on its debt facility in the longer term.	The Investment Manager will only propose to the Board those assets which it believes are in the most advantageous locations and benefit from large supply and demand imbalances that can withstand the entry of new competitors into the market. In addition, the quality of assets that the Group acquires will be amongst the best in class to minimise occupancy risk. The Investment Manager monitors the performance of the Asset and Facilities Managers and provides the Board with performance reports on a quarterly basis, including any operational or performance-related issues which could potentially have an impact on brand confidence or integrity.	**Stable** The Company's portfolio has achieved full occupancy for the fifth consecutive year and year-on-year student rental growth[1] of 4.1%.
Property valuation and liquidity The valuation of the Group's property portfolio is inherently subjective, in part because all property valuations are made on the basis of assumptions which may not prove to be accurate, and because of the individual nature of each property and limited transactional activity.	Valuations of the Group's investments may not reflect actual sale prices, even where any such sales occur shortly after the relevant valuation date. Property investments are typically illiquid and may be difficult for the Company to sell and the price achieved on any such realisation may be at a discount to the prevailing valuation of the relevant investments.	The Company has entered into a valuation agreement with Knight Frank LLP to provide quarterly valuations of all of the Group's assets. Knight Frank LLP is one of the largest valuers of student accommodation in the UK and therefore has access to a large number of data points to support its valuations. In addition to this, the Board of Directors has significant experience of property valuation and its constituent elements.	**Stable** Whilst the Company invests funds with the aim of both capital appreciation and investment income, it has no immediate plans to sell or realise the capital appreciation (and so generate returns) from any increase in the value of its investment properties, except by way of increased rental income.
Compliance with laws and regulations Any change in the laws, regulations and/or government policy affecting the Group, including any change in the Company's tax status or in taxation legislation in the UK (including a change in interpretation of such legislation) may have a material adverse effect on the ability of the Company to successfully pursue its investment policy and meet its investment objective or provide favourable returns to shareholders.	An increase in the rates of stamp duty land tax could have a material impact on the value of assets acquired. In addition, if the Group fails to remain a REIT for UK tax purposes, its profits and property valuation gains will be subject to UK corporation tax.	The Board has appointed Gowling WLG (UK) LLP as legal counsel, Link Company Matters Limited as Company Secretary and Deloitte LLP as tax adviser to ensure compliance with all relevant laws and regulations. The Board has ultimate responsibility for ensuring adherence to the UK REIT regime and monitors the compliance reports provided by the Investment Manager and other third party service providers.	**Stable** The Company's internal compliance procedures continue to operate effectively. In the year under review, the Company has implemented new policies to comply with the General Data Protection Regulation and continues to monitor the impact of recent changes in tax legislation.

RISK 2: MARKET RISK

RISK	IMPACT	HOW THE RISK IS MANAGED	CHANGE IN RESIDUAL RISK OVER THE YEAR

UK property market conditions The Group's performance depends on property values in the UK to a significant extent.	An overall downturn in the UK property market as a result of Brexit and/or other factors and the availability of credit to the UK property sector may have a materially adverse effect upon the value of the property owned by the Group and ultimately upon the NAV and the ability of the Company to generate revenues.	The Investment Manager continuously monitors market conditions and provides the Board with quarterly updates on the student accommodation market and senior debt market to act as an early warning signal of any adverse market conditions ahead.	**Stable** The valuation of the Company's property portfolio at 30 June 2018 was £784.4 million, representing an increase of 7.3% year-on-year on a like-for-like basis.
Government policy and Brexit Changes in government policy which adversely impact the number of students in the UK may have a material adverse impact on the Company's ability to meet its stated objectives. Further, the Group may be subject to a period of significant uncertainty when the UK leaves the EU.	Material reductions to the number of students, including international students, attending HEIs in the UK and/or material adverse impact on the value of student accommodation assets in the UK.	The Board, together with its relevant advisers, closely monitors changes in government policy in respect of UK, EU and international students.	**Increase** There continues to be considerable uncertainty around the outcome of Brexit, with negotiations with the EU ongoing.

RISK 3: FINANCIAL RISK

RISK	IMPACT	HOW THE RISK IS MANAGED	CHANGE IN RESIDUAL RISK OVER THE YEAR
Breach of loan covenants and gearing limits The availability of the Company's debt facilities depends on the Company complying with a number of key financial covenants in respect of loan-to-value and interest service cover.	An adverse change to capital values as a result of a downturn in the UK property market, or a reduction to net income due to factors such as a fall in the number of students or other national factors, may lead to a situation whereby the Company breaches its banking covenants.	The Company's borrowing policy provides for the Company to have no more than 55% gearing in the short term and 30% in the long term. In addition to this, the Investment Manager provides the Board with a quarterly update on the state of the UK property market and the senior debt market.	**Stable** The Company's gearing and loan-to-value ratios remain within long-term targets and the Company is in full compliance with all financial covenants at the year end.

1. APM – see glossary for definitions and calculation methodology.

Viability statement

The Directors have carried out a robust assessment of each of the Company's principal risks and uncertainties detailed above, in particular the risk and impact of a downturn in the UK commercial property market or the international student market which could materially affect the valuation and cash flows of the Company's investments and therefore, impact the viability of the Company. They have also considered the Company's policy for monitoring, managing and mitigating its exposure to these risks.

The Directors have assessed the prospects of the Group over a period longer than the twelve months required by the going concern provision. The Board has determined that a five-year period constitutes an appropriate period to provide its viability statement. The Company does not have a fixed life, it assumes long-term hold periods for the assets in its portfolio and analyses its financial model over a five-year horizon.

This assessment involved an evaluation of the potential impact on the Group of these risks occurring. Where appropriate, the Group's financial model was subject to a sensitivity analysis involving flexing a number of key assumptions in the underlying financial forecasts in order to analyse the effect on the Group's net cash flows and other key financial ratios including loan covenants. This analysis included modelling the impact of severe but plausible downside scenarios that incorporate the principal risks as follows:

- reductions in rental income;
- reductions in property values;
- increases in the Company's operating expenses; and
- deflationary scenarios that could impact on the Company's ability to meet its loan covenants.

The Company's assets derive revenues considered to be dependable due to the inherent supply/demand imbalances of the market in which the Company operates. Additionally, the Company's low leverage comprises fixed rate facilities which mature beyond the five-year horizon. Therefore, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five-year period of their assessment.

This strategic report has been approved by the Board and signed on its behalf by:

Robert Peto

Chairman

5 September 2018

BOARD OF DIRECTORS

Robert Peto – Chairman

Marlene Wood – Chair of the audit and risk committee

Peter Dunscombe – Senior Independent Director and Chair of the remuneration committee

Malcolm Naish – Chair of the management engagement committee

Gillian Day – Director

All Directors are non-executive and independent of the Investment Manager.

EXTRACTS FROM THE DIRECTORS' REPORT

Share capital

On 5 July 2017, the Company issued 49,295,774 ordinary shares at a price of 142 pence per share, with an aggregate nominal value of £492,957.74, raising gross proceeds of £70 million. The placing price represented a 6.75 pence discount to the closing mid-price per ordinary share on 12 June 2017 of 148.75 pence. These shares were issued in accordance with the prospectus in relation to a placing programme published on 2 February 2017. The shares were issued to institutional investors and professionally advised private investors and admitted to trading on the Premium Segment of the London Stock Exchange's Main Market on 7 July 2017.

At the annual general meeting held on 25 October 2017, the Company was granted authority to purchase up to 14.99% of the Company's ordinary share capital in issue at that date, amounting to 57,721,176 ordinary shares. No ordinary shares have been bought back under this authority. This authority will expire at the conclusion of, and renewal will be sought at, the annual general meeting to be held on 6 November 2018. Shares bought back by the Company may be held in treasury, from where they could be re-issued at or above the prevailing NAV quickly and cost effectively. This provides the Company with additional flexibility in the management of its capital base. No shares were held in treasury during the year or at the year end.

At the year end, and as at the date of this report, the issued share capital of the Company comprised 385,064,556 ordinary shares.

At general meetings of the Company, ordinary shareholders are entitled to one vote on a show of hands and, on a poll, to one vote for every ordinary share held. At 30 June 2018, the total voting rights of the Company were 385,064,556, and as at the date of this report, are 385,064,556.

Dividends

Dividends totalling 5.95 pence per ordinary share have been paid or declared in respect of the year ended 30 June 2018 as follows:

	Year ended 30 June 2018 pence	Year ended 30 June 2017 pence
First interim dividend	**1.48**	1.43
Second interim dividend	**1.48**	1.43
Third interim dividend	**1.48**	1.43
Fourth interim dividend	**1.51**	1.46
Total	**5.95**	5.75

No final dividend is being proposed.

STATEMENT OF DIRECTORS' RESPONSIBILITIES
In respect of the annual report and financial statements

The Directors are responsible for preparing the annual report and financial statements in accordance with applicable UK law and IFRS as adopted by the EU.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they present fairly the financial position, financial performance and cash flows of the Group for that year.

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

- select suitable accounting policies in accordance with IAS 8: "Accounting Policies, Changes in Accounting Estimates and Errors" and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- state that the Group has complied with IFRS, subject to any material departures disclosed and explained in the financial statements;
- make judgements and estimates that are reasonable and prudent; and
- prepare financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a strategic report, Directors' report,

Directors' remuneration report and corporate governance statement that comply with that law and those regulations, and for ensuring that the annual report includes information required by the Listing Rules and Disclosure Guidance and Transparency Rules of the UKLA.

The financial statements are published on the Company's website, www.gcpstudent.com, which is maintained on behalf of the Company by the Investment Manager. The work carried out by the Auditor does not involve consideration of the maintenance and integrity of this website and accordingly, the Auditor accepts no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website.

Under the investment management agreement, the Investment Manager is responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Visitors to the website need to be aware that legislation in the UK covering the preparation and dissemination of the financial statements may differ from legislation in their jurisdiction.

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the Group; and
- this annual report includes a fair review of the development and performance of the business and the position of the Company and the Group, together with a description of the principal risks and uncertainties that it faces.

The Directors consider that the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

On behalf of the Board

Robert Peto

Chairman

5 September 2018

NON-STATUTORY ACCOUNTS

The financial information set out below does not constitute the Company's statutory accounts for the year ended 30 June 2018 or the year ended 30 June 2017 but is derived from those accounts. Statutory accounts for the year ended 30 June 2017 have been delivered to the Registrar of Companies and those for 2018 will be delivered in due course. The Auditor has reported on those accounts; their report was (i) unqualified, (ii) did not include a reference to any matters to which the Auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006. The text of the Auditor's report can be found in the Company's full annual report and financial statements at www.gcpstudent.com.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2018

		30 June 2018	30 June 2017
Continuing operations	Notes	**£'000**	£'000
Rental income	4	**35,790**	28,806
Property operating expenses	5	**(7,946)**	(6,281)
Gross profit		**27,844**	22,525
Administration expenses	5	**(7,434)**	(6,072)
Operating profit before gains on investment properties		**20,410**	16,453
Fair value gains on investment properties	3	**47,565**	11,855
Operating profit		**67,975**	28,308
Finance income	9	**323**	70
Finance expenses	10	**(7,240)**	(4,864)
Profit before tax		**61,058**	23,514
Tax charge on residual income	11	**–**	(40)
Profit for the year		**61,058**	23,474
Total comprehensive income for the year		**61,058**	23,474
EPS (basic and diluted) (pps)	14	**15.89**	8.08

The accompanying notes below form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

		30 June 2018	30 June 2017
	Notes	**£'000**	£'000
Assets			
Non-current assets			
Investment property	3	**784,424**	634,640
Deposit for investment property		**2,648**	–
Retention account		**308**	308
		787,380	634,948
Current assets			
Cash and cash equivalents	16	**29,213**	55,110

Trade and other receivables	17	**9,005**	7,517
		38,218	62,627
Total assets		**825,598**	697,575
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	19	**(232,771)**	(217,469)
Retention account		**(308)**	(308)
		(233,079)	(217,777)
Current liabilities			
Trade and other payables	18	**(8,183)**	(4,840)
Deferred income	18	**(10,126)**	(7,964)
		(18,309)	(12,804)
Total liabilities		**(251,388)**	(230,581)
Net assets		**574,210**	466,994
Equity			
Share capital	20	**3,851**	3,358
Share premium	21	**408,617**	340,233
Special reserve	22	**44,497**	53,576
Retained earnings	22	**117,245**	69,827
Total equity		**574,210**	466,994
Number of shares in issue		**385,064,556**	335,768,782
IFRS and EPRA NAV per share (pps)	23	**149.12**	139.08

These financial statements were approved by the Board of Directors of GCP Student Living plc on 5 September 2018 and signed on its behalf by:

Robert Peto

Chairman

Company number: 08420243

The accompanying notes below form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2018

	Notes	**Share capital £'000**	**Share premium £'000**	**Special reserve £'000**	**Retained earnings £'000**	**Total £'000**
Balance at 1 July 2017		**3,358**	**340,233**	**53,576**	**69,827**	**466,994**
Total comprehensive income		**—**	**—**	**—**	**61,058**	**61,058**
Ordinary shares issued		**493**	**69,507**	**—**	**—**	**70,000**
Share issue costs		**—**	**(1,123)**	**—**	**—**	**(1,123)**
Dividends paid in respect of the previous year	13	**—**	**—**	**(3,300)**	**(2,322)**	**(5,622)**
Dividends paid in respect of the current year	13	**—**	**—**	**(5,779)**	**(11,318)**	**(17,097)**
Balance at 30 June 2018		**3,851**	**408,617**	**44,497**	**117,245**	**574,210**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2017

	Notes	Share capital £'000	Share premium £'000	Special reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 July 2016		2,618	239,653	58,371	57,826	358,468
Total comprehensive income		—	—	—	23,474	23,474
Ordinary shares issued		740	102,824	—	—	103,564
Share issue costs		—	(2,244)	—	—	(2,244)
Dividends paid in respect of the previous year	13	—	—	(1,651)	(2,093)	(3,744)
Dividends paid in respect of the current year	13	—	—	(3,144)	(9,380)	(12,524)
Balance at 30 June 2017		3,358	340,233	53,576	69,827	466,994

The accompanying notes below form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2018

	Notes	**30 June 2018** **£'000**	30 June 2017 £'000
Cash flows from operating activities			
Operating profit		**67,975**	28,308
Adjustments to reconcile profit for the year to net operating cash flows:			
Gains from changes in fair value of investment properties		**(47,565)**	(11,855)
Corporation tax payments		**—**	(41)
Decrease in other receivables and prepayments		**3,023**	406
Decrease in other payables and accrued expenses		**(1,265)**	(2,650)
Net cash flow generated from operating activities		**22,168**	14,168
Cash flows from investing activities			
Acquisition of investment properties		**(29,536)**	(138,952)
Capital expenditure on investment properties		**(72,673)**	(56,517)
Net cash used in investing activities		**(102,209)**	(195,469)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**70,000**	103,564
Share issue costs		**(1,123)**	(2,244)
Proceeds from interest bearing loans and borrowings		**15,000**	90,000
Loan arrangement fees		**(53)**	(953)
Finance income		**100**	70
Finance expenses		**(7,007)**	(4,157)
Dividends paid in the year		**(22,773)**	(16,206)
Net cash flow generated from financing activities		**54,144**	170,074
Net decrease in cash and cash equivalents		**(25,897)**	(11,227)
Cash and cash equivalents at start of the year		**55,110**	66,337
Cash and cash equivalents at end of the year	16	**29,213**	55,110

The accompanying notes below form an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

1. General information

GCP Student Living plc is a REIT incorporated in England and Wales on 26 February 2013. The registered office of the Company is located at 51 New North Road, Exeter EX4 4EP. The Company has a premium listing on the Official List of the UKLA and trades on the Premium Segment of the Main Market of the London Stock Exchange.

2. Basis of preparation

These financial statements are prepared in accordance with IFRS issued by the IASB as adopted by the European Union. The financial statements have been prepared under the historical cost convention, except for investment property, which has been measured at fair value. The audited financial statements are presented in Pound Sterling and all values are rounded to the nearest thousand pounds (£'000), except when otherwise indicated.

These financial statements are for the year ended 30 June 2018. Comparative figures are for the previous accounting period, the year ended 30 June 2017.

The Group has chosen to adopt the EPRA best practice guidelines for calculating key metrics such as net asset value and earnings, which are presented alongside the IFRS measures where applicable.

2.1 Changes to accounting standards and interpretations

The following new standards and amendments to existing standards have been published and, once approved by the EU, will be mandatory for the Group's accounting periods beginning after 1 July 2018 or later periods. The Group has decided not to adopt them early.

- IFRS 7 Financial Instruments: Disclosures – amendments regarding additional hedge accounting disclosures (applies when IFRS 9 is applied).
- IFRS 9 Financial Instruments (effective for annual periods beginning on or after 1 January 2018). Financial instruments will remain at amortised cost and the expected credit loss model is not expected to lead to a material increase in impairment due to the nature and size of financial assets.
- IFRS 15 Revenue from Contracts (effective for annual periods beginning on or after 1 January 2018). The Group's revenue is outside the scope of IFRS 15.
- IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019). IFRS 16 has minimal impact on lessors like the Group.

The Group does not expect the adoption of new accounting standards issued but not yet effective to have a significant impact on its financial statements.

2.2 Significant accounting judgements and estimates

The preparation of these financial statements in accordance with IFRS requires the Directors of the Company to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial statements. 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 in the future.

Judgements

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

Valuation of property

The valuations of the Group's investment property are at fair value as determined by the external valuer on the basis of market value in accordance with the internationally accepted RICS Valuation – Global Standards 2017 and in accordance with IFRS 13. Refer to note 24 for further details of the judgements and estimates made in determining the valuation of property.

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the commercial property, that it retains all the significant risks and rewards of ownership of these properties and recognises the contracts as operating leases.

Going concern

The Directors have made an assessment of the Group's ability to continue as a going concern and are satisfied that the Company has the resources to continue in business for the foreseeable future, for a period of not less than twelve months from the date of this report. The Company's articles of association include provisions for a continuation vote to be held at its fifth annual general meeting, which will be held in November 2018, and at each third annual general meeting thereafter. The Directors recommend that shareholders vote in favour of the continuation resolution at the 2018 annual general meeting, that the Company continue as presently constituted.

Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements have been prepared on the going concern basis.

2.3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are stated in the notes to the financial statements.

a) Basis of consolidation

As a real estate entity, the Company does not meet the definition of an investment entity and therefore does not qualify for the consolidation exception under IFRS 10. The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2018. Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtained control, and will continue to be consolidated until the date that such control ceases. An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In preparing these financial statements, intra-group balances, transactions and unrealised gains or losses have been eliminated in full. The subsidiaries all have the same year end as the Company. Uniform accounting policies are adopted in the financial statements for transactions and events in similar circumstances.

b) Functional and presentation currency

The overall objective of the Group is to generate returns in Pound Sterling and the Group's performance is evaluated in Pound Sterling. Therefore, the Directors consider Pound Sterling as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions and have therefore adopted it as the functional and presentation currency.

c) Segmental reporting

The Directors are of the opinion that the Group is engaged in a single segment of business, being the investment and provision of student accommodation facilities (including ancillary retail, commercial and teaching facilities) in the UK.

3. UK investment property

	Properties under construction	Leasehold	Freehold	Total
	£'000	£'000	£'000	£'000
As at 1 July 2017	**59,100**	**229,460**	**346,080**	**634,640**
Acquisition of investment property	**—**	**—**	**29,536**	**29,536**
Expenditure on properties	**—**	**33**	**23,544**	**23,577**
Land and development costs	**49,106**	**—**	**—**	**49,106**
Movement between properties under development and freehold properties	**(79,030)**	**—**	**79,030**	**—**
Fair value gains on revaluation of investment property	**1,314**	**18,967**	**27,284**	**47,565**
As at 30 June 2018	**30,490**	**248,460**	**505,474**	**784,424**
As at 1 July 2016	—	223,620	201,167	424,787
Acquisition of investment property	—	—	138,952	138,952
Expenditure on properties	—	614	235	849
Land development costs	58,197	—	—	58,197
Fair value gains on revaluation of investment property	903	5,226	5,726	11,855
As at 30 June 2017	59,100	229,460	346,080	634,640

During the year, the Group commenced construction of Circus Street, Brighton. The Company also completed the acquisition of Podium via a wholly-owned subsidiary, GCP RHUL 2 Limited, and carried out the refurbishment of Scape Bloomsbury acquired in

April 2017.

In October 2017, the Group entered into a conditional forward-purchase agreement to acquire a private student accommodation residence currently under construction immediately adjacent to QMUL. A deposit of £2,648,000 relating to this agreement is included within non-current assets on the consolidated statement of financial position.

Accounting policy

Investment property comprises property held to earn rental income or for capital appreciation, or both. Investment property is measured initially at cost including transaction costs. Transaction costs include transfer taxes and professional fees to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment property is stated at fair value. Gains or losses arising from changes in the fair values are included in the income statement in the period in which they arise under IAS 40 Investment Property.

The determination of the fair value of investment property requires the use of estimates such as future cash flows from assets (from lettings, tenants' profiles, future revenue streams) capital values of fixtures and fittings, plant and machinery, any environmental matters and the overall repair and condition of the property and discount rates applicable to those assets.

Gains or losses on the disposal of investment property are determined as the difference between net disposal proceeds and the carrying value of the asset.

Investment properties under construction are measured at fair value if the fair value is considered to be reliably determinable. Properties where the Company expects that the fair value will be reliably determinable when construction is completed, are measured at cost less impairment until the fair value becomes reliably determinable or construction is completed, whichever is earlier.

Investment properties under construction for which the fair value cannot be determined reliably, but for which the Company expects that the fair value of the property will be reliably determinable when construction is completed, are measured at cost less impairment until the fair value becomes reliably determinable or construction is completed, whichever is earlier.

Licence fees (where income is receivable from a developer in respect of a forward-funding agreement) are deducted from the cost of investment and shown as a receivable until settled.

A lease is classified at the inception date as either a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and the reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the statement of profit or loss.

Operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term, except for contingent rental payments which are expensed when they arise.

4. Rental income

	30 June 2018	30 June 2017
	£'000	£'000
Nomination rental income	**4,888**	3,613
Direct let rental income	**27,561**	22,093
Discounts	**(230)**	(316)
Total student income	**32,219**	25,390
Teaching space income	**484**	420
Retail space income	**2,634**	2,736
Gross rental income	**35,337**	28,546
Ancillary income	**433**	195
Other income	**20**	65
Total	**35,790**	28,806

Ancillary income includes income received through services provided to students such as laundry, cleaning and vending machines.

Accounting policy

Rental income, including direct lets to students, nomination agreements to HEIs and leases to commercial tenants receivable under operating leases, is recognised on a straight-line basis over the term of the lease, except for contingent rental income which is recognised when it arises.

Incentives for lessees to enter into lease agreements are spread evenly over the lease term, even if the payments are not made on such a basis. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the Directors are reasonably certain that the tenant will exercise that option.

Service charges are recognised on an accruals basis and are received to reimburse expenditure on hard and soft facilities management.

5. Property operating and administration expenses

	30 June 2018	30 June 2017
	£'000	£'000
Operating costs	**2,046**	1,652
Marketing	**355**	283
Utilities	**1,163**	992
Property maintenance	**1,593**	1,290

Staff costs	**2,789**	2,064
Property operating expenses	**7,946**	6,281
Investment management fees	**5,463**	4,211
Directors' remuneration	**176**	161
Other administration expenses	**1,795**	1,700
Administration expenses	**7,434**	6,072
Total	**15,380**	12,353

Investment management fees are further disclosed in note 27 below, and Directors' remuneration are further disclosed in note 6.

Included within property operating costs are £66,000 relating to costs for Scape Bloomsbury incurred prior to the refurbishment of the property and also £44,000 of costs relating to Scape Wembley incurred prior to the property opening to students.

Asset and facilities management agreements

During the year under review, the Company had two Asset and Facilities Managers.

Scape Student Living Limited

Under the terms of its asset and facilities management agreements, Scape is entitled to a fee which is calculated and paid quarterly in arrears and is one-quarter of the Investment Manager's fee attributable to those assets in the Group's portfolio for which it provides asset and facilities management services. The fee paid to Scape is paid from the Investment Manager's fee. The executive directors of the Investment Manager indirectly own a c.25% interest in Scape. In addition to this, Mr Nigel Taee, a non-executive director of the Investment Manager, owns approximately 25% of Scape. Mr Taee holds a c.20% interest in Gravis Capital Management Limited, of which he is a non-executive director and in which capacity he is excluded from any involvement in investment management activities relating to the Company. Mr Taee is chairman of Scape.

Collegiate Accommodation Consulting Limited

Under the terms of its asset and facilities management agreement, Collegiate is entitled to a fee of 5.5% of the total rental income collected per annum attributable to Water Lane Apartments. The fee is calculated and paid monthly in arrears.

Administration agreement

Link Alternative Fund Administrators Limited has been appointed as the Administrator to the Company and its subsidiaries. It provides the day-to-day administration services for these entities. It is also responsible for the Company's general administrative functions, such as the calculation and publication of the NAV and maintenance of the Company's accounting and statutory records. Under the terms of its administration agreement, Link Alternative Fund Administrators Limited is entitled to an administration fee of £138,000 per annum (exclusive of VAT). The administration agreement is terminable upon six months' written notice.

Secretarial agreement

Link Company Matters Limited has been appointed by the Company to provide company secretarial functions required by the Companies Act 2006. The Secretary is entitled to a fee of £66,673 per annum in respect of the Company and £1,750 per annum in respect of each UK subsidiary. The company secretarial fees are subject to an annual RPI increase. The secretarial agreement is terminable upon six months' written notice.

Depositary agreement

Langham Hall UK Depositary LLP has been appointed as Depositary to the Company. The Depositary is responsible for ensuring the Company's cash flows are properly monitored; the safe keeping of custody assets and the non-custody assets of the Company entrusted to it (held on trust for the Company as applicable); and the oversight and supervision of the Investment Manager and the Company. Under the terms of the Depositary Agreement, the Depositary is entitled to a fee of £48,180 per annum, subject to an annual RPI increase. The Depositary Agreement is terminable by either the Company and/or the Investment Manager upon six months' written notice.

Accounting policy

All property operating expenses and administration expenses are charged to the income statement and are accounted for on an accruals basis.

6. Directors' remuneration

	30 June 2018	30 June 2017
	£'000	£'000
Robert Peto	**47**	45
Marlene Wood	**42**	42
Peter Dunscombe	**37**	37
Malcolm Naish	**37**	37
Gillian Day	**13**	-
Total	**176**	161

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

7. Staff costs

	30 June 2018	30 June 2017
	£'000	£'000
Salaries	**2,749**	2,048
Other benefits	**40**	16
Total	**2,789**	2,064

With the exception of the Directors whose remuneration is shown in the Directors' remuneration report, as at 30 June 2018, the

Group employed 128 (2017: 90) members of staff, with an average of 112 (2017: 83) employees during the year.

The Group operates a defined contributions pension scheme for 76 (2017: 8) of its employees. The costs for the year ended 30 June 2018 totalled £29,000 (2017: £10,000).

8. Auditor's remuneration

	30 June 2018	30 June 2017
	£'000	£'000
Audit fee	**142**	98
Other services	**9**	9
Total	**151**	107

The Company reviews the scope and nature of all proposed non-audit services before engagement, to ensure that the independence and objectivity of the Auditor are safeguarded. Audit fees are comprised of the following items:

	30 June 2018	30 June 2017
	£'000	£'000
Annual report and financial statements	**26**	26
Subsidiary financial statements for the year ended 30 June 2018	**107**	–
Subsidiary financial statements for the year ended 30 June 2017	**9**	72
Total	**142**	98

For the year ended 30 June 2018, the Auditor provided non-audit services, being a review of the half-yearly report and financial statements for a fee of £9,000 (2017: £9,000).

	30 June 2018	30 June 2017
	£'000	£'000
Half-yearly report and financial statements	**9**	9
Total	**9**	9

The audit and risk committee has considered the independence and objectivity of the Auditor and has conducted a review of non-audit services which the Auditor has provided during the year under review. The audit and risk committee receives an annual assurance from the Auditor that its independence is not compromised by the provision of such non-audit services.

9. Finance income

	30 June 2018	30 June 2017
	£'000	£'000
Income from cash and short-term deposits	**100**	70
Income from interest bearing loans and borrowings	**223**	–
Total	**323**	70

Accounting policy

Interest income on cash and short-term deposits is recognised on an effective interest rate basis and shown within the income statement as finance income. Interest income from interest bearing loans and borrowing is accrued at the agreed interest rate per the loan agreement and shown within the income statement as finance income.

10. Finance expenses

	30 June 2018	30 June 2017
	£'000	£'000
Bank charges	**7**	5
Loan interest	**6,863**	4,610
Loan arrangement fees amortised	**355**	249
Other	**15**	–
Total	**7,240**	4,864

Accounting policy

Any finance costs that are separately identifiable and directly attributable to a liability are amortised as part of the cost of the liability. All other finance costs are expensed in the period in which they occur. Finance costs consist of interest and other costs that an entity incurs in connection with bank and other borrowings.

11. Taxation

Corporation tax has arisen as follows:

	30 June 2018	30 June 2017
	£'000	£'000
Corporation tax on residual income for current year	**–**	–
Corporation tax on residual income for prior periods	**–**	40
Total	**–**	40

Reconciliation of tax charge to profit before tax:

	30 June 2018	30 June 2017
	£'000	£'000
Profit before tax	**61,058**	23,514
Corporation tax at 19% (2017: 19.75%)	**11,601**	4,644
Change in value of investment properties	**(9,037)**	(2,341)
Tax exempt property rental business	**(3,017)**	(2,789)
Amounts not deductible for tax purposes	**(30)**	(66)
Capital allowances	**(417)**	(314)
Excess management expenses	**920**	880
Other	**(20)**	26
Total	**—**	40

The Group has unrelieved excess tax losses of £10,016,000 (2017: £6,216,000) and a non-trade loan relationship deficit of £2,003,000 (2017: £962,000). As it is unlikely that the Group will generate sufficient taxable profits in the future to utilise these amounts no deferred tax asset has been recognised in respect of them.

Accounting policy

Corporation tax is recognised in the income statement except where in certain circumstances corporation tax may be recognised in other comprehensive income.

As a REIT, the Group is exempt from corporation tax on the profits and gains from its property rental business, provided it continues to meet certain conditions as per REIT regulations.

Non-qualifying profits and gains of the Group (residual income) continue to be subject to corporation tax. Therefore, current tax is the expected tax payable on the non-qualifying taxable income for the year if applicable, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt within equity.

12. Operating leases

Leases are typically direct let agreements with individual students or HEIs for an academic year or shorter period. The Group also has a small number of leases on commercial areas, teaching and retail spaces and a number of nomination agreements whereby multiple beds are let out for a set number of years.

Future minimum rentals receivable under non-cancellable operating leases as at 30 June 2018 are as follows:

	30 June 2018	30 June 2017
	£'000	£'000
Within one year	**33,683**	30,408
Between one and five years	**41,806**	42,104
More than five years	**79,921**	62,728
Total	**155,410**	135,240

Accounting policy

When the Group acts as lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risk and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. The Group recognise lease payments received under operating leases as income in a straight-line basis over the lease term.

13. Dividends

	30 June 2018		30 June 2017	
	Pence per share	£'000	Pence per share	£'000
For the year ended 30 June 2018				
First interim dividend paid on 5 December 2017	**1.48**	**5,699**	1.43	3,744
Second interim dividend paid on 12 March 2018	**1.48**	**5,699**	1.43	3,979
Third interim dividend paid on 11 June 2018	**1.48**	**5,699**	1.43	4,801
Dividends paid during the year	**4.44**	**17,097**	4.29	12,524
Fourth interim dividend to be paid on 10 September 2018[1]	**1.51**	**5,814**	1.46	5,622
Total	**5.95**	**22,911**	5.75	18,146
Paid as				
PIDs	**4.02**	**15,479**	4.92	15,108
Ordinary dividends	**1.93**	**7,432**	0.83	3,038
Total	**5.95**	**22,911**	5.75	18,146

1. The fourth interim dividend was declared after the year end and therefore is not accrued in the financial statements.

As a REIT, the Company is required to pay PIDs equal to at least 90% of the property rental business profits of the Group. A fourth interim PID for the year ended 30 June 2018 will be paid on 10 September 2018.

Accounting policy

Dividends due to the Company's shareholders are recognised when they become payable. For interim dividends this is when they are paid.

14. Earnings per share

Basic EPS amounts are calculated by dividing profit for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares during the year. As there are no dilutive instruments outstanding, basic and diluted EPS are identical. The following reflects the net earnings and share data used in the basic and diluted EPS computations:

	30 June 2018	30 June 2017
	£'000	£'000
Group earnings for EPS	**61,058**	23,474
Fair value gains on investment properties	**(47,565)**	(11,855)
Group earnings for EPRA earnings and EPRA EPS	**13,493**	11,619
Group specific adjustments:		
Other exceptional items	**427**	394
Licence fees receivable on forward-funded developments	**1,490**	1,421
Capitalised rental guarantee	**—**	189
Group specific adjusted earnings	**15,410**	13,623

	30 June 2018	30 June 2017
	Pence per share	Pence per share
Basic Group EPS	**15.89**	8.08
Basic Group EPRA EPS	**3.51**	3.99
Diluted Group EPS	**15.89**	8.08
Diluted Group EPRA EPS	**3.51**	3.99
Group specific adjusted EPS	**4.01**	4.69

	30 June 2018	30 June 2017
	Number of shares	Number of shares
Weighted average number of shares in issue	**384,254,215**	290,504,478

A third Group specific adjusted EPS calculation has been calculated to show EPRA earnings excluding the non-recurring transactions arising in the year, adding licence fees on forward-funding agreements which are treated as capital in the financial statements. The items have arisen from the following:

1. For the year ended 30 June 2018:

i. costs relating to professional advisory fees of £354,000;

ii. capital goods scheme adjustments of £73,000; and

iii. licence fees from the developer of Scape Wembley and Circus Street, Brighton in respect of forward-funding agreements of £1,490,000.

2. For the year ended 30 June 2017:

i. migration costs relating to the Main Market of the London Stock Exchange of £394,000;

ii. licence fees from the developer of Scape Wembley in respect of a forward-funding agreement of £1,421,000; and

iii. a rental guarantee in respect of Scape Bloomsbury of £189,000, which was capitalised.

15. Subsidiaries

The financial statements comprise the financial statements of the Company and its subsidiaries listed below.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtained control, and will continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and distributions are eliminated in full. The Company has a 100% beneficial interest (whether directly or indirectly), in the issued share capital of all subsidiaries.

Company	Place of registration, incorporation	Number and class of shares held by	Group	**Capital and reserves at 30 June**	**Profit after tax for the**

	and operation	the Group	holding	2018 £'000	year ended 30 June 2018 £'000
GCP Bloomsbury Limited[1,2]	UK	8 ordinary shares	100%	**70,871**	**1,035**
GCP Brighton Limited[2]	UK	4 ordinary shares	100%	**32,747**	**1,445**
GCP Brunswick Limited[1,2]	UK	1,046,728,191 ordinary shares	100%	**15,516**	**356**
GCP Holdco Limited[1,2]	UK	5 ordinary shares	100%	**341,819**	**45,065**
GCP Holdco 2 Limited[1,2]	UK	14 ordinary shares	100%	**92,828**	**4,199**
GCP Holdco 3 Limited[1,2,4]	UK	2 ordinary shares	100%	**—**	**—**
GCP Operations Limited[2]	UK	2 ordinary shares	100%	**123**	**123**
GCP QMUL Limited[2]	UK	4 ordinary shares	100%	**(7)**	**(7)**
GCP RHUL Limited[1,2]	UK	4 ordinary shares	100%	**21,419**	**1,589**
GCP RHUL 2 Limited[1,2]	UK	4 ordinary shares	100%	**1,859**	**1,873**
GCP Scape East Limited[1,2]	UK	51,508,283 ordinary shares	100%	**102,383**	**14,217**
GCP SG Limited[1,2]	UK	4 ordinary shares	100%	**26,346**	**2,574**
GCP Topco Limited[2]	UK	3 ordinary shares	100%	**341,785**	**45,052**
GCP Topco 2 Limited[2]	UK	14 ordinary shares	100%	**92,812**	**4,187**
GCP WL Limited[1,2]	UK	3 ordinary shares	100%	**20,548**	**1,721**
GCP Wembley Limited[2]	UK	12 ordinary shares	100%	**92,408**	**14,714**
GCP Wembley 2 Limited[1,2]	UK	2 ordinary shares	100%	**(113)**	**(113)**
GCP Greenwich Limited[1,3]	Guernsey	102 ordinary shares	100%	**34,399**	**5,753**
GCP Greenwich 2 Limited[1,3]	Guernsey	102 ordinary shares	100%	**1,268**	**108**
GCP Greenwich JV Limited[1,3]	Guernsey	103 ordinary shares	100%	**60,646**	**5,846**
GCP Old Street Limited[1,3]	Guernsey	100 ordinary shares	100%	**121,215**	**21,035**
GCP Old Street 2 Limited[1,3]	Guernsey	100 ordinary shares	100%	**582**	**(47)**
GCP Old Street Acquisitions Limited[1,3]	Guernsey	450 A ordinary shares 550 B ordinary shares	100%	**119,695**	**20,910**

1. Indirect subsidiaries.

2. Registered office: Beaufort House, 51 New North Road, Exeter EX4 4EP.

3. Registered office: Weighbridge House, Le Pollet, St Peter Port, Guernsey GY1 1WL.

4. Dormant as at 30 June 2018.

Accounting policy

Where property is acquired, via corporate acquisition or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents the acquisition of a business.

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

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree.

For each business combination, the acquirer measures the non-controlling interest in the acquiree at fair value of the proportionate share of the acquiree's identifiable net assets. Acquisition costs (except for costs of issue of debt or equity) are expensed in accordance with IFRS 3 Business Combinations.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Contingent consideration is deemed to be equity or a liability in accordance with IAS 32. If the contingent consideration is classified as equity, it is not re-measured and its subsequent settlement shall be accounted for within equity. If the contingent consideration is classified as a liability, subsequent changes to the fair value are recognised in profit or loss.

16. Cash and cash equivalents

	30 June 2018	30 June 2017
	£'000	£'000
Cash and cash equivalents	**19,255**	25,808
Subsidiary cash and cash equivalents	**9,958**	29,302
Total	**29,213**	55,110

Accounting policy

Cash and cash equivalents comprise cash at bank and short-term deposits with banks and other financial institutions, with an initial maturity of three months or less.

17. Trade and other receivables

	30 June 2018	30 June 2017
	£'000	£'000
Prepayments	**548**	799
Rent receivable	**538**	793
Cash held by rental agents	**3,989**	1,845
Licence fees	**661**	1,430
Lease incentives	**2,614**	2,482
Other receivables	**655**	168
Total	**9,005**	7,517

Accounting policy

Rent and other receivables are recognised at their original invoiced value. An impairment provision is made when there is objective evidence that the Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Licence fees represent income receivable from a developer in respect of a forward-funding agreement which is deducted from the cost of investment and shown as a receivable until settled.

Lease incentives including rent-free periods and payments to tenants are allocated to the statement of comprehensive income on a straight-line basis over the lease term.

18. Other payables and accrued expenses

	30 June 2018	30 June 2017
	£'000	£'000
Property operating expenses payable	**968**	1,715
Finance expenses payable	**762**	883
Other expenses payable	**6,453**	2,242
Trade and other payables	**8,183**	4,840
Deferred income	**10,126**	7,964
Total	**18,309**	12,804

Accounting policy

Trade and other payables are initially recognised at fair value and subsequently held at amortised cost.

Deferred income is rental income received in advance during the accounting period. The income is deferred and is unwound to revenue on a straight-line basis over the period in which it is earned.

19. Interest bearing loans and borrowings

	30 June 2018	30 June 2017
	£'000	£'000
Borrowings at the start of the year	**220,000**	130,000
Borrowings drawn down in the year	**15,000**	90,000
Total borrowings	**235,000**	220,000
Unamortised loan arrangement fees brought forward	**(2,531)**	(1,826)
Amortised in the year	**355**	248
Loan arrangement fees for the year	**(53)**	(953)
Unamortised loan arrangement fees carried forward	**(2,229)**	(2,531)
Borrowings less unamortised loan arrangement fees	**232,771**	217,469

The Group has fixed-rate secured facilities totalling £235 million with PGIM which are comprised as follows:

Amount	Facility	Interest rate %	Maturity
£130,000,000	1	3.07	September 2024
£40,000,000	1	2.83	September 2024
£65,000,000	2	2.82	April 2029

The Group uses gearing to enhance returns over the long term. The level of gearing is governed by careful consideration of the cost of borrowing.

The debt facilities include gearing and interest cover covenants that are measured in accordance with the facility agreement at a Group level. The Group has maintained significant headroom against all measures throughout the financial year and is in full compliance with all loan covenants at 30 June 2018.

Reconciliation of financing liabilities	**30 June 2018 £'000**
Balance at 1 July 2017	**217,469**
Changes from cash flows	
Borrowings drawn down	**15,000**
Loan arrangement fees	**(53)**
Non-cash changes	
Amortisation of loan issue costs	**355**
Balance at 30 June 2018	**232,771**

Leverage

For the purposes of the AIFMD, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a ratio between the Company's exposure and its NAV and is calculated under the gross and commitment methods, in accordance with AIFMD.

The Company is required to state its maximum and actual leverage levels, calculated as prescribed by AIFMD, and as at 30 June 2018, the figures are as follows:

Leverage exposure	Maximum limit	Actual exposure
Gross method	155%	137%
Commitment method	155%	142%

Accounting policy

Loans and borrowings are initially recognised as the proceeds received net of directly attributable transaction costs. Loans and borrowings are subsequently measured at amortised cost with interest charged to the income statement at the effective interest rate and shown within finance costs. Transaction costs are spread over the term of loan.

20. Share capital

	30 June 2018 £'000	30 June 2017 £'000
Issued and fully paid:		
At the start of the year	**3,358**	2,618
Shares issued on 20 December 2016 16,428,572 ordinary shares of £0.01 each	**—**	164
Shares issued on 24 February 2017 57,545,195 ordinary shares of £0.01 each	**—**	576
Shares issued on 7 July 2017 49,295,774 ordinary shares of £0.01 each	**493**	—
Balance at the end of the year	**3,851**	3,358

The share capital comprises one class of ordinary shares. At general meetings of the Company, ordinary shareholders are entitled to one vote on a show of hands and on a poll, to one vote for every share held. There are no restrictions on the size of a shareholding or the transfer of shares, except for the UK REIT restrictions.

21. Share premium

	30 June 2018 £'000	30 June 2017 £'000
At the start of the year	**340,233**	239,653
Shares issued on 20 December 2016	**—**	22,836
Shares issued on 24 February 2017	**—**	79,988
Shares issued on 7 July 2017	**69,507**	—
Share issue costs	**(1,123)**	(2,244)
Balance at the end of the year	**408,617**	340,233

22. Capital and reserves

Share capital

Share capital is the nominal amount of the Company's ordinary shares in issue.

Share premium

Share premium relates to amounts subscribed for share capital in excess of nominal value less associated issue costs of the subscriptions.

Share premium comprises the following cumulative amounts:

	30 June 2018 £'000	30 June 2017 £'000

Issue of share capital	**484,583**	415,076
Share issue costs	**(8,608)**	(7,485)
Cancelled share premium[1]	**(67,358)**	(67,358)
Share premium	**408,617**	340,233

1. On 31 July 2013, the Company, by way of special resolution, cancelled the value of its share premium account, by an Order of the High Court of Justice, Chancery Division. As a result of this cancellation, £67.4 million was transferred from share premium to retained earnings in the financial period ended 30 June 2014.

Special reserve

The special reserve represents the cancelled share premium less dividends paid from this reserve.

The special reserve comprises the following cumulative amounts:

	30 June 2018	30 June 2017
	£'000	£'000
Cancelled share premium	**67,358**	67,358
Dividends paid from reserves	**(22,861)**	(13,782)
Special reserve	**44,497**	53,576

Retained earnings

Retained earnings represent the profits of the Group less dividends paid from revenue profits to date. Unrealised gains on the revaluation of investment properties contained within this reserve are not distributable until they crystallise on the sale of the investment property.

Retained earnings comprise the following cumulative amounts:

	30 June 2018	30 June 2017
	£'000	£'000
Total unrealised gains on investment properties	**117,245**	69,827
Total revenue profits	**34,605**	20,965
Dividends paid from revenue profits	**(34,605)**	(20,965)
Retained earnings	**117,245**	69,827

23. Net asset value per share

Basic NAV per share amounts are calculated by dividing net assets in the statement of financial position attributable to ordinary equity holders of the Company by the number of ordinary shares outstanding during the year. As there are no dilutive instruments outstanding, basic and diluted NAV per share are identical. The following reflects the net asset and share data used in the basic and diluted NAV per share computations:

	30 June 2018	30 June 2017
EPRA NAV (pps)	**149.12**	139.08

The EPRA NAV may be calculated as:

	30 June 2018	30 June 2017
Net assets attributable to ordinary shareholders	**574,210**	466,994
Net assets for calculation of EPRA NAV	**574,210**	466,994
Number of shares in issue	**385,064,556**	335,768,782

24. Fair value

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used to estimate the fair values.

The fair value of cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts due to the short-term maturities of these instruments.

Interest-bearing loans and borrowings are disclosed at amortised cost. The carrying value of the loans and borrowings approximate to their fair value due to the contractual terms and conditions of the loan.

Quarterly valuations of investment property are performed by Knight Frank LLP, an accredited external valuer with recognised and relevant professional qualifications and recent experience of the location and category of the investment property being valued; however, the valuations are the ultimate responsibility of the Directors, who appraise these quarterly.

The valuation of the Company's investment property at fair value is determined by the external valuer on the basis of market value in accordance with the internationally accepted RICS Valuation, Global Standards 2017 and in accordance with IFRS 13.

The determination of the fair value of investment property requires the use of estimates such as future cash flows from assets (such as lettings, tenants' profiles, future revenue streams), the capital values of fixtures and fittings, plant and machinery, any environmental matters and the overall repair and condition of the property and discount rates applicable to those assets.

The following tables show an analysis of the fair values of assets recognised in the statement of financial position by level of the fair value hierarchy[1]:

	30 June 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets and liabilities measured at fair	**£'000**	**£'000**	**£'000**	**£'000**

value				
Investment properties	**—**	**—**	**784,424**	**784,424**
Total	**—**	**—**	**784,424**	**784,424**

	30 June 2017			
	Level 1	Level 2	Level 3	Total
Assets and liabilities measured at fair value	£'000	£'000	£'000	£'000
Investment properties	—	—	634,640	634,640
Total	—	—	634,640	634,640

1. Explanation of the fair value hierarchy:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 – use of a model with inputs (other than quoted prices included in Level 1) that are directly or indirectly observable market data; and
- Level 3 – use of a model with inputs that are not based on observable market data.

Valuation techniques and significant inputs within the valuation of investment properties

The following table analyses:

- the fair value measurements at the end of the reporting period;
- a description of the valuation techniques applied;
- the inputs used in the fair value measurement, including the ranges of rent charged to different units within the same building; and
- for level 3 fair value measurements, quantitative information about significant unobservable inputs used in the fair value measurement.

Class	Fair value	Valuation technique	Key unobservable inputs	Range
Operational student property 30 June 2018	**£753,934,000**	**Income capitalisation**	**ERV – 2017/18** **Rental growth** **Tenancy period** **Sundry income** **Facilities management cost** **Initial yield**	**£165 – £465 per bed per week** **2.5% – 3.0%** **40/51 weeks** **£50 – £100 per bed per annum** **£2,050 – £2,250 per bed per annum** **4.5% – 5.75% blended (4.45% – 7.5%)**
Development student property 30 June 2018	**£30,490,000**	**Income capitalisation/ RLV (plus cost spend to date)**	**RLV** **Build cost spend to date**	**£8,640,000 – £142,540,000** **£21,853,971 – £23,467,617**
Operational student property 30 June 2017	£575,540,000	Income capitalisation	ERV – 2016/17 Rental growth Tenancy period Sundry income Facilities management cost Initial yield	£164 – £610 per week 2.0% – 3.0% 40/51 weeks £50 – £100 per bed per annum £2,050 – £2,500 per bed per annum 4.76% – 5.75% blended (4.75% – 7.50%)

As at 30 June 2017, the fair value of student property (£575,540,000) excluded Scape Wembley, which was valued at the sum of land plus development costs (£59,100,000) which was assessed to be equivalent to the fair value at the year end.

Sensitivity analysis to significant changes in unobservable inputs within the valuation of investment properties

Significant increases/decreases in the ERV (per sq ft p.a.) and rental growth p.a. in isolation would result in a significantly higher/lower fair value measurement. Significant increases/decreases in the long-term vacancy rate and discount rate (and exit yield) in isolation would result in a significantly lower/higher fair value measurement.

Generally, a change in the assumption made for the ERV (per sq ft p.a.) is accompanied by:

- a similar change in the rent growth p.a. and discount rate (and exit yield); and
- an opposite change in the long-term vacancy rate.

Gains and losses recorded in profit or loss for recurring fair value measurements categorised within level 3 of the fair value hierarchy amount to £47,565,000 (2017: £11,855,000) and are presented in the income statement in line item 'fair value gains on investment properties'.

All gains and losses recorded in profit or loss for recurring fair value measurements categorised within level 3 of the fair value hierarchy are attributable to changes in unrealised gains or losses relating to investment property held at the end of the reporting period.

The carrying amount of the Company's other assets and liabilities is considered to be approximate their fair value.

25. Financial risk management objectives and policies

The Company's principal financial liabilities are long-term liabilities and borrowings. The main purpose of the Company's loans and borrowings is to finance the acquisition of the Company's property portfolio. The Company has trade and other receivables, trade and other payables, and cash and short-term deposits that arise directly from its operations.

The Company is exposed to market risk, interest rate risk, credit risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

Market risk

Market risk is the risk that future values of investments in property and related investments will fluctuate due to changes in market prices. The total exposure at the statement of financial position date is £784,424,000 and, to manage this risk, the Group diversifies its portfolio across a number of assets.

Market risk is also the risk that the fair values of financial instruments will fluctuate because of changes in market prices.

Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates is minimal as it has taken out a fixed rate bank loan.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its leasing activities and its financing activities, including deposits with banks and financial institutions.

Credit risk is managed by requiring tenants to pay rentals in advance. The credit quality of the tenant is assessed at the time of entering into a lease agreement. Outstanding tenants' receivables are regularly monitored. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset.

The following table analyses the Group's exposure to credit risk:

	30 June 2018	30 June 2017
	£'000	£'000
Retention account	**308**	308
Cash and cash equivalents	**29,213**	55,110
Trade and other receivables	**11,653**	7,517
Total	**41,174**	62,935

The retention account, cash and cash equivalents are held with Barclays Bank PLC, which holds an A-1 credit rating, with the exception of £7.3 million held with Landesbank-Thüringen Girozentrale (Helaba) which holds an A credit rating, and £5 million held with Sumitomo Mitsu Banking Corp Europe which also holds an A credit rating. Ratings taken from S&P Global.

Liquidity risk

Liquidity risk is defined as the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Exposure to liquidity risk arises because of the possibility that the Group could be required to pay its liabilities earlier than expected. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank deposits and loans.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	Less than three months	**Three to twelve months**	**One to two years**	**Two to five years**	**More than five years**	**Total**
Year ended 30 June 2018	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Interest bearing loans and borrowings	**—**	**5,222**	**6,956**	**20,868**	**257,556**	**290,602**
Trade and other payables	**6,371**	**1,812**	**—**	**—**	**—**	**8,183**
Retention account	**—**	**—**	**308**	**—**	**—**	**308**
Total	**6,371**	**7,034**	**7,264**	**20,868**	**257,556**	**299,093**

	Less than three months	Three to twelve months	One to two years	Two to five years	More than five years	Total
Year ended 30 June 2017	£'000	£'000	£'000	£'000	£'000	£'000
Interest bearing loans and borrowings	—	4,904	6,533	19,599	235,058	266,094
Trade and other payables	4,586	254	—	—	—	4,840
Retention account	—	—	308	—	—	308
Total	4,586	5,158	6,841	19,599	235,058	271,242

26. Capital management

The Group's capital is represented by share capital, reserves and borrowings.

The primary objective of the Group's capital management is to ensure that it remains within its quantitative banking covenants and maintains a strong credit rating. No changes were made in the objectives, policies or processes during the period.

The Group may use gearing to enhance returns over the long term. The level of gearing will be governed by careful consideration of the cost of borrowing and the Group may use hedging or otherwise seek to mitigate the risk of interest rate increases. As at the year end, the Group was operating with a loan-to-value of 26% (30 June 2017: 26%).

During the year, the Group did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan agreements.

27. Related party transactions

Directors

The Directors (all non-executive Directors) of the Company and subsidiaries are considered to be the key management personnel of the Group. Directors' remuneration for the year totalled £176,000 (2017: £161,000) and at 30 June 2018, a balance of £nil (2017: £nil) was outstanding. Further information is given in note 6.

Investment Manager

The Company is party to an investment management agreement with the Investment Manager, pursuant to which the Company has appointed the Investment Manager to provide investment management services relating to the respective assets on a day-to-day basis in accordance with the Company's investment objective and policy, subject to the overall supervision and direction by the Board of Directors. For its services to the Company, the Investment Manager receives an annual fee at the rate of 1% of the NAV of the Company (or such lesser amount as may be demanded by the Investment Manager at its own absolute discretion).

The Investment Manager has committed additional resource in providing its client funds, including the Company, a more comprehensive service which strengthens the level of transaction and marketing support for the Company, in a cost-efficient manner. The Investment Manager receives a fee of 0.3% of the aggregate gross proceeds from any issue of new shares in consideration for the provision of marketing and investor introduction services. The Investment Manager has appointed Highland Capital Partners Limited to assist it with the provision of such services and pays all fees due to Highland Capital Partners Limited out of the fees it receives from the Company.

The Investment Manager has been appointed as the Company's AIFM under the investment management agreement in respect of which role it receives an annual fee of £22,500, subject to an RPI increase. With effect from 22 July 2014, the Company's Investment Manager was authorised as an AIFM by the FCA under the AIFMD regulations. The Company has provided disclosures on its website, gcpstudent.com, incorporating the requirements of the AIFMD regulations.

During the year, the Group incurred £5,698,000 (2017: £4,667,000) in respect of investment management fees, the AIFM fee and transaction management and documentation services. A total of £5,488,000 is included within administration expenses in the consolidated income statement and £210,000 is included within the share issue costs relating to shares issued during the year. As at 30 June 2018, £1,437,000 (2017: £1,170,000) was outstanding.

The investment management agreement is terminable by the Company on not less than twelve months' written notice to the Investment Manager at any time, such notice to expire no earlier than 21 September 2021, and is terminable by the Investment Manager on not less than twelve months' written notice to the Company at any time, such notice to expire no earlier than 31 October 2025. If the ordinary resolution to continue the Company's business as presently constituted, to be proposed at the fifth annual general meeting of the Company in 2018, is not passed, then the investment management agreement will be terminable upon 24 months' written notice by either party. The investment management agreement can be terminated at any time in the event of the insolvency of the Company or the Investment Manager.

The Company and the Investment Manager entered into the investment management agreement on 12 April 2013. The agreement was novated from Gravis Capital Partners LLP to Gravis Capital Management Limited on 20 April 2017.

Subsidiaries

GCP Student Living plc as at 30 June 2018 owns a 100% controlling stake in GCP Topco Limited, GCP Holdco Limited, GCP Scape East Limited, GCP Brunswick Limited, GCP Operations Limited, GCP Greenwich JV Limited (formerly Leopard Guernsey Greenwich JV Limited), GCP Greenwich Limited (formerly Leopard Guernsey Greenwich Limited), GCP Greenwich 2 Limited (formerly Leopard Guernsey Greenwich 2 Limited), GCP Old Street Acquisitions Limited (formerly Old Street Acquisitions Limited), GCP Old Street Limited (formerly Leopard Guernsey Old Street Limited), GCP Old Street 2 Limited (formerly Leopard Guernsey Old Street 2 Limited), GCP RHUL Limited, GCP SG Limited, GCP WL Limited, GCP Wembley 2 Limited, GCP Wembley Limited, GCP RHUL 2 Limited, GCP Bloomsbury Limited, GCP Holdco 2 Limited, GCP Topco 2 Limited, GCP QMUL Limited, GCP Brighton Limited and GCP Holdco 3 Limited.

The tables below disclose the transactions and balances between the Company and subsidiary entities:

	30 June 2018	30 June 2017
Transactions	**£'000**	£'000
Recharges of fund level expenses to:		
GCP Bloomsbury Limited	**526**	142
GCP Brighton Limited	**81**	—
GCP Brunswick Limited	**4**	7
GCP Greenwich 2 Limited	**176**	195
GCP Holdco Limited	**5**	5
GCP Holdco 2 Limited	**5**	3
GCP Old Street 2 Limited	**616**	670
GCP Operations Limited	**10**	10
GCP RHUL Limited	**124**	142
GCP RHUL 2 Limited	**80**	2
GCP Scape East Limited	**454**	494
GCP SG Limited	**88**	95
GCP Topco Limited	**5**	5
GCP Topco 2 Limited	**5**	3
GCP Wembley Limited	**—**	161

GCP Wembley 2 Limited	**305**	—
GCP WL Limited	**70**	78

Balances	**30 June 2018 £'000**	30 June 2017 £'000
Other intercompany balances due (to)/from:		
GCP Brighton Limited	**(1,304)**	—
GCP Operations Limited	**(137)**	(79)
GCP QMUL Limited	**2,650**	—
GCP RHUL 2 Limited	**20**	20
GCP Topco Limited	**(57,960)**	(41,684)
GCP Topco 2 Limited	**57,255**	38,158
GCP Wembley Limited	**(3,834)**	15,393
GCP Wembley 2 Limited	**335**	—
GCP WL Limited	**(928)**	(928)

28. Events after the reporting period

On 17 July 2018, GCP Makerfield Limited was incorporated, a wholly-owned subsidiary of GCP Student Living plc.

On 25 July 2018, GCP Makerfield Limited entered into a conditional contract to acquire and forward fund the construction of Scape Brighton. Scape Brighton is a large-scale development with planning consent for the construction of purpose-built student accommodation located on the primary campus of the University of Brighton. It is currently expected that Scape Brighton will be operational for the 2020/21 academic year. The directors of the Investment Manager and their spouses directly or indirectly own, in aggregate approximately 80% of Scaperfield Limited, the vendor of Scape Brighton. Scape Brighton is being acquired on the basis of independent valuation and approval by the independent Board of Directors.

On 25 July 2018, GCP Makerfield Limited entered into a three-year re-drawable credit facility with Wells Fargo & Company for an aggregate amount of up to £45 million. The new facility has a prevailing margin of 1.85% above three-month LIBOR.

29. Ultimate controlling party

It is the view of the Directors that there is no ultimate controlling party.

COMPANY STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	**30 June 2018 £'000**	30 June 2017 £'000
Assets			
Non-current assets			
Investment in subsidiary companies	3	**560,869**	432,120
		560,869	432,120
Current assets			
Cash and cash equivalents	4	**19,255**	25,808
Trade and other receivables	5	**60,040**	55,482
		79,295	81,290
Total assets		**640,164**	513,410
Liabilities			
Current liabilities			
Trade and other payables	6	**(65,954)**	(46,416)
Total liabilities		**(65,954)**	(46,416)
Net assets		**574,210**	466,994
Equity			
Share capital		**3,851**	3,358
Share premium		**408,617**	340,233
Special reserve		**44,497**	53,576
Retained earnings		**117,245**	69,827
Total equity		**574,210**	466,994
Number of shares in issue		**385,064,556**	335,768,782
NAV per share (pps)		**149.12**	139.08

The comprehensive income of the Company was £61,058,000 (2017: £23,475,000).

The financial statements were approved by the Board of Directors of GCP Student Living plc on 5 September 2018 and signed on its behalf by:

Robert Peto

Chairman

Company number: 08420243

The accompanying notes below form an integral part of these Company financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2018

	Share capital	Share premium	Special reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 1 July 2017	3,358	340,233	53,576	69,827	466,994
Total comprehensive income	—	—	—	61,058	61,058
Ordinary shares issued	493	69,507	—	—	70,000
Share issue costs	—	(1,123)	—	—	(1,123)
Dividends paid in respect of the previous year	—	—	(3,300)	(2,322)	(5,622)
Dividends paid in respect of the current year	—	—	(5,779)	(11,318)	(17,097)
Balance at 30 June 2018	3,851	408,617	44,497	117,245	574,210

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2017

	Share capital	Share premium	Special reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 1 July 2016	2,618	239,653	58,371	57,826	358,468
Total comprehensive income	—	—	—	23,474	23,474
Ordinary shares issued	740	102,824	—	—	103,564
Share issue costs	—	(2,244)	—	—	(2,244)
Dividends paid in respect of the previous year	—	—	(1,651)	(2,093)	(3,744)
Dividends paid in respect of the current year	—	—	(3,144)	(9,380)	(12,524)
Balance at 30 June 2017	3,358	340,233	53,576	69,827	466,994

The accompanying notes below form an integral part of these Company financial statements.

COMPANY STATEMENT OF CASH FLOWS

For the year ended 30 June 2018

	Notes	30 June 2018	30 June 2017
		£'000	£'000
Cash flows from operating activities			
Operating profit		**60,965**	23,434
Adjustments to reconcile profit for the year to net cash flows:			
Gains from change in fair value of subsidiary companies		**(59,447)**	(16,599)
Dividends received from subsidiary companies		**(6,067)**	(11,119)
Corporation tax paid		**—**	(24)
Net recharges from subsidiary companies		**(2,556)**	(2,012)
(Increase)/decrease in other receivables and prepayments		**(46)**	1,970
Increase/(decrease) in other payables and accrued expenses		**221**	(218)
Net cash flow used in operating activities		**(6,930)**	(4,568)
Cash flows from investing activities			
Acquisition of subsidiaries	3	**(54,735)**	(109,947)
Net cash received from/(paid to) subsidiary companies		**8,914**	(2,421)
Net cash used in investing activities		**(45,821)**	(112,368)
Cash flows from financing activities			
Proceeds from issue of ordinary share capital		**70,000**	103,564
Share issue costs		**(1,123)**	(2,244)
Finance income		**99**	68
Finance expenses		**(5)**	(3)
Dividends paid in the year		**(22,773)**	(16,206)
Net cash flow generated from financing activities		**46,198**	85,179
Net decrease in cash and cash equivalents		**(6,553)**	(31,757)
Cash and cash equivalents at start of the year		**25,808**	57,565

Cash and cash equivalents at end of the year	4	**19,255**	25,808
Non-cash items			
Long-term loan received from GCP Topco Limited		**—**	40,000
Long-term loan granted to GCP Topco 2 Limited		**—**	(40,000)
Investment in GCP Brighton Limited		**(14,567)**	—

The accompanying notes below form an integral part of these Company financial statements.

1. General information

GCP Student Living plc is a REIT incorporated in England and Wales on 26 February 2013. The registered office of the Company is located at 51 New North Road, Exeter EX4 4EP. The Company has a premium listing on the Official List of the UKLA and trades on the Premium Segment of the Main Market of the London Stock Exchange.

2. Basis of preparation

These financial statements are prepared in accordance with IFRS issued by the IASB as adopted by the European Union. The financial statements have been prepared under the historical cost convention, except for investments in subsidiaries that have been measured at fair value. The audited financial statements are presented in Pound Sterling and all values are rounded to the nearest thousand pounds (£'000), except when otherwise indicated.

These financial statements are for the year ended 30 June 2018. Comparative figures are for the previous accounting period, the year ended 30 June 2017.

The Company has taken advantage of the exemption in section 408 of the Companies Act 2006 not to present its own income statement or statement of comprehensive income.

The financial statements of the Company follow the accounting policies laid out above.

3. Investment in subsidiary companies

	30 June 2018	30 June 2017
	£'000	£'000
At the beginning of the year	**432,120**	305,574
Investment in subsidiary companies	**69,302**	109,947
Total	**501,422**	415,521
Fair value gains on the revaluation of subsidiary companies	**59,447**	16,599
Total	**560,869**	432,120

Investment in and transfers of subsidiary companies

	30 June 2018	30 June 2017
	£'000	£'000
Investments in subsidiary companies		
GCP Wembley Limited	**18,000**	60,000
GCP Bloomsbury Limited	**—**	49,947
GCP Topco 2 Limited	**20,000**	—
GCP Brighton Limited	**31,302**	—
Total	**69,302**	109,947
Cash items included in cash flow		
GCP Wembley Limited	**18,000**	60,000
GCP Bloomsbury Limited	**—**	49,947
GCP Topco 2 Limited	**20,000**	—
GCP Brighton Limited	**16,735**	—
Total	**54,735**	109,947

The difference between the investment in subsidiary companies and that shown in the cash flow is £14,567,000 of unpaid share capital in GCP Brighton Limited settled through the Company's intercompany account.

Accounting policy

Investments in subsidiary companies which are all 100% owned by the Company are valued at NAV, which is equivalent to fair value.

Changes in fair value of investments and gains on the sale of investments are recognised as they arise in the Company statement of comprehensive income.

4. Cash and cash equivalents

	30 June 2018	30 June 2017
	£'000	£'000
Cash and cash equivalents	**19,255**	25,808
Total	**19,255**	25,808

Accounting policy

Cash and cash equivalents comprise cash at bank and short-term deposits with banks and other financial institutions, with an initial maturity of three months or less.

5. Trade and other receivables

	30 June 2018	30 June 2017
	£'000	£'000
Amounts due from subsidiary companies	60,000	55,413
Prepayments and other receivables	40	69
Total	60,040	55,482

6. Other payables and accrued expenses

	30 June 2018	30 June 2017
	£'000	£'000
Amounts due to subsidiary companies	63,903	44,533
Other expenses payable	2,051	1,883
Total	65,954	46,416

7. Fair value

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used to estimate the fair values.

The fair value of cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts due to the short-term maturities of these instruments.

Quarterly valuations of subsidiaries are based on NAV. The NAV of the subsidiaries are based on fair values of the assets held by the subsidiary, see note 24 to the consolidated financial statements for details of underlying asset fair values. The valuations are the ultimate responsibility of the Directors, who appraise these quarterly.

The following tables show an analysis of the fair values of financial instruments recognised in the statement of financial position by level of the fair value hierarchy[1]:

	30 June 2018			
	Level 1	Level 2	Level 3	Total
Assets and liabilities measured at fair value	£'000	£'000	£'000	£'000
Investment in subsidiaries	—	—	560,869	560,869
Total	—	—	560,869	560,869

	30 June 2017			
	Level 1	Level 2	Level 3	Total
Assets and liabilities measured at fair value	£'000	£'000	£'000	£'000
Investment in subsidiaries	—	—	432,120	432,120
Total	—	—	432,120	432,120

1. Explanation of the fair value hierarchy:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 – use of a model with inputs (other than quoted prices included in Level 1) that are directly or indirectly observable market data; and
- Level 3 – use of a model with inputs that are not based on observable market data.

SHAREHOLDER INFORMATION

Key dates

September	Annual results announced
	Payment of fourth interim dividend
November	Annual general meeting
December	Company's half-year end
	Payment of first interim dividend
March	Half-yearly results announced
	Payment of second interim dividend
June	Company's year end
	Payment of third interim dividend

Frequency of NAV publication

The Company's NAV is released via RNS to the London Stock Exchange on a quarterly basis and is published on the Company's website.

Sources of further information

Copies of the Company's annual and half-yearly reports, stock exchange announcements and further information on the Company

can be obtained from the Company's website: www.gcpstudent.com

Electronic communications from the Company

Shareholders now have the opportunity to be notified by email when the Company's annual reports, half-yearly reports and other formal communications are available on the Company's website, instead of receiving printed copies by post. This has environmental benefits in the reduction of paper, printing, energy and water usage, as well as reducing costs to the Company. If you have not already elected to receive electronic communications from the Company and wish to do so, visit www.signalshares.com. To register, you will need your investor code, which can be found on your share certificate or your dividend tax voucher.

Alternatively, you can contact Link's Customer Support Centre, which is available to answer any queries you have in relation to your shareholding:

By phone: from the UK, call 0871 664 0300; from overseas, call +44 (0) 371 664 0300 (calls cost 12 pence per minute plus your phone company's access charge. Calls outside the UK will be charged at the applicable international rate. Link is open between 09:00 - 17:30, Monday to Friday excluding public holidays in England and Wales).

By email: enquiries@linkgroup.co.uk

By post: Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

Warning to shareholders

This report is intended solely for the information of the person to whom it is provided by the Company, the Investment Manager or the Administrator. This report is not intended as an offer or solicitation for the purchase of shares in the Company and should not be relied on by any person for the purpose of accounting, legal or tax advice or for making an investment decision. The payment of dividends and the repayment of capital are not guaranteed by the Company. Any forecast, projection or target is indicative only and not guaranteed in any way, and any opinions expressed in this report are not statements of fact and are subject to change, and neither the Company nor the Investment Manager is under any obligation to update such opinions.

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ANNUAL GENERAL MEETING

The Company's annual general meeting will be held at the offices of Gowling WLG (UK) LLP, 4 More London Riverside, London SE1 2AU at 12.00 noon on Tuesday, 6 November 2018.

The notice of this meeting will be circulated to shareholders with the full annual report and financial statements and will also be available at www.gcpstudent.com.

NATIONAL STORAGE MECHANISM

A copy of the annual report and financial statements and notice of annual general meeting will be submitted shortly to the National Storage Mechanism ("NSM") and will be available for inspection at the NSM, which is situated at www.morningstar.co.uk/uk/NSM.

GLOSSARY

Adjusted EPS	EPS adjusted for exceptional items and licence fees receivable on forward-funded developments (refer to note 14)
AIC	Association of Investment Companies
AIC Code	AIC Code of Corporate Governance, as published in July 2016
AIC Guide	AIC Corporate Governance Guide for Investment Companies
AIFM	Alternative Investment Fund Manager
AIFMD	Alternative Investment Fund Managers Directive
APM	Alternative performance measure
Annualised shareholder total return since IPO	Total shareholder return expressed as a weighted annual percentage[1]
CIL	Community Infrastructure Levy
City	City, University of London
Collegiate	Collegiate Accommodation Consulting Limited - Asset and Facilities Manager for Water Lane Apartments, Bristol
Company or GCP Student	GCP Student Living plc
Cost of borrowing	Cost of borrowing expressed as a percentage weighted according to period drawn down (Refer to notes 10 and 19)
CTA	Corporation Tax Act 2010
EPRA	European Public Real Estate Association
EPRA EPS	Recurring earnings from core operational activities excluding movements relating to revaluation of investment properties and interest rate swaps and the related tax effects, divided by the number of shares in issue. (refer to note 14)
EPRA NAV	Net assets divided by number of shares. Includes all property at market value but excludes the mark to market of interest rate swaps. (refer to note 23)
EPRA NAV (cum-income)	Net asset value before deduction of proposed dividend
EPRA NAV (ex-income)	Net asset value after deduction of proposed dividend
EPS	Earnings per share (Refer to note 14)

ERV	Estimated rental value
EU	European Union
FPPP	Financial Position and Prospects Procedures
Full occupancy	Full occupancy is determined as occupancy across the Company's operational portfolio of properties being no less than 97%. This is consistent with terminology used across the private purpose-built student accommodation market and the methodology applied by the Company since its IPO in 2013.
Gearing	Debt expressed as a percentage of gross assets (Refer to note 19)
GHG	Greenhouse gas
GOSH	Great Ormond Street Hospital
Group	GCP Student Living plc and its subsidiaries
HEI	Higher education institution
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IPO	Initial public offering
KCL	King's College London
LIBOR	London interbank offered rate
Loan-to-value or LTV	A measure of borrowings used by property investment companies calculated as borrowings, net of cash, as a proportion of property value (Refer to notes 3 and 19)
LSE	London School of Economics
MAR	Market Abuse Regulation
MV	Market value
NAV	Net asset value (Refer to note 23)
Net operating margin	Gross profit expressed as a percentage of rental income
NIY	Net initial yield
Non-PID	Non-property income distribution
PID	Property income distribution
PPS	Pence per share
QMUL	Queen Mary University of London
RCF	Redrawable credit facility
REIT	Real estate investment trust
RHUL	Royal Holloway, University of London
RICS	Royal Institution of Chartered Surveyors
RLV	Residual land value
RPI	Retail price index
RNS	Regulatory news service
Scape	Scape Student Living Limited – Asset and Facilities Manager for Scape Shoreditch, Scape East, Scape Greenwich, Scape Surrey, Scape Wembley, Scape Bloomsbury, Podium and The Pad
SOAS	School of Oriental and African Studies
Student rental growth	Annual increase in direct let rental rates
Shareholder total return	Share price growth with dividend deemed to be reinvested on the dividend payment date
UAL	University of the Arts London
UCAS	Universities and Colleges Admissions Service
UCH	University College Hospital
UCL	University College, London
UK Code	UK Code of Corporate Governance, as published in April 2016
UKLA	United Kingdom Listing Authority

1. Calculated with reference to the IPO issue price of 100 pence per ordinary share.

ENDS

Neither the contents of GCP Student Living plc's website nor the contents of any website accessible from hyperlinks on the website (or any website) is incorporated into, or forms part of, this announcement.