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 2017

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 2017.

The full annual report and financial statements and the Notice of the AGM can be accessed via the Company's website at www.graviscapital.com/funds/gcp-student or by contacting the Company Secretary by telephone on 01392 477500.

AT A GLANCE

	2015	2016	**2017**
Revenue for the year	£11.5m	£22.5m	**£28.6m**
Net operating margin	78%	79%	**79%**
Rental growth	3.6%	4.5%	**3.9%**
Annualised shareholder return since IPO	18.1%	13.9%	**14.2%**
Dividends per ordinary share for the year	5.60p	5.66p	**5.75p**
EPRA NAV per ordinary share	125.51p	136.93p	**139.08p**
Share price per ordinary share	129.25p	130.75p	**145.00p**
Value of property portfolio	£177.2m	£424.8m	**£634.6m**

HIGHLIGHTS

- The Company delivered a robust set of results generating total revenue for the year of £28.6 million.
- Annualised shareholder returns since IPO of 14.2%, in excess of the Company's target return of 8-10%.
- The Company successfully raised £103.6 million through two oversubscribed placings of ordinary shares.
- Dividends of 5.75 pence per ordinary share for the period in line with target.
- NAV (cum income) per ordinary share of 139.08 pence and NAV (ex-income) per ordinary share of 137.62 pence at 30 June 2017.
- The Company's properties continue to benefit from the supply/demand imbalance for high-quality, modern student facilities in London, with all properties fully occupied and rental growth of 3.9% for the 2016/17 academic year.
- The Company completed the acquisition of Woburn Place, London WC1, which following refurbishment ahead of the 2018/19 academic year, is expected to provide c.420 beds.
- At 30 June 2017, the portfolio comprised eight student accommodation assets, primarily in and around London, with c.3,000 beds which were either operational or expected to complete construction or refurbishment over the next two academic years. The portfolio valuation at that date was £634.6 million.
- On 16 September 2016, the Company completed its Migration to a premium listing on the Official List of the UKLA. Trading in its ordinary shares was transferred from the SFS to the Premium Segment of the Main Market of the LSE with effect from that date.
- During the period, the Company was admitted by the FTSE Group to the FTSE All Share and FTSE EPRA/NAREIT Global Real Estate indices, which has broadened the Company's appeal to a wider range of investors.
- Post year end, the Company's first forward-funded development at Scape Wembley, London, completed on schedule for the 2017/18 academic year, providing a further c.580 beds.

Robert Peto, Chairman, commented:

"I am pleased to report a year of continued positive performance. The Company has grown its dividend to 5.75 pence per ordinary share in respect of the year and delivered annualised total returns since IPO in 2013 of 14.2%, exceeding its long term target of 8-10% per annum.

The Company's core focus on student residential accommodation assets located in and around London, where, at the year end, 97% of the value of the portfolio was located, coupled with conservative levels of borrowings, provides shareholders with a portfolio of properties which benefit from strong supply and demand characteristics, which is the primary driver of rental growth in the sector and underpins the Company's attractive income characteristics.

The two oversubscribed capital raises over the period are a reflection of the strong ongoing support for the Company's investment mandate by new and existing investors alike, with admission to the FTSE All-Share and EPRA/NAREIT Global REIT indices further broadening the Company's appeal.

Demand from overseas students for private student residential accommodation in the Company's core market is likely to remain resilient relative to the rest of the UK given the attractions of London as a cosmopolitan, global centre of academic excellence. The Company continues to deliver on its objectives and its portfolio remains well positioned to provide shareholders with regular, sustainable dividends that should continue to grow over the long term."

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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 invests in modern, private student residential accommodation and teaching facilities located primarily in and around London.

Our 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 with RPI inflation-linked income characteristics.

The Company 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 and a growing number of international students.

The Company is a closed-ended investment company incorporated in England and Wales, and its shares trade on the Premium Segment of the Main Market of the LSE.

INVESTMENT OBJECTIVES

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

Dividend income

To provide shareholders with regular, sustainable, long-term dividends, with RPI inflation-linked characteristics.

The Company has paid a total of 5.75 pence per ordinary share in dividends for the year, increasing the Company's dividend year-on-year.

Capital appreciation

To provide modest capital appreciation over the long term.

The valuation of the Company's property portfolio has increased by 2.8% over the year driven by a combination of uplifts in valuation on acquisition, increasing rental rates and yield compression.

Portfolio quality

Focus on high-quality, modern, private student residential accommodation and teaching facilities for students studying at leading academic institutions primarily in and around London.

At 30 June 2017, the Company's property portfolio comprised eight modern standing student accommodation buildings, and one development, of which 97% of the value is located in and around London.

Dividends paid for the year	5.75p
Annualised dividend growth	1.6%
Capital appreciation	2.8%
Value of property portfolio	£634.6m
Occupancy for 2016/17 academic year	FULL
Rental growth	3.9%

CHAIRMAN'S STATEMENT

Full occupancy, strong rental growth and valuation uplifts have all contributed to a robust set of financial results for the year.

Introduction

On behalf of the Board, I am pleased to report a year of continued positive performance against a backdrop of wider macroeconomic turmoil.

It has been another busy year for the Company with the acquisition of two new assets, two equity fundraisings, a new borrowing facility and a move to the Premium Segment of the LSE. Since the year end, one further property has been purchased, about which further details are provided below.

Through strong rental growth across its portfolio, the Company grew its dividend by 1.6% to 5.75 pence per ordinary share over the year. Shareholders have received an annualised total return of 14.2% since May 2013 when the Company was launched, exceeding its target of 8-10% per annum.

Portfolio

At year end, the portfolio comprised eight student accommodation assets, primarily in and around London, with c.3,000 beds. The properties are predominantly occupied by international students and offer modern, high specification facilities.

The portfolio, which is primarily located in and around London, was independently valued at £634.6 million as at 30 June 2017, which represented an uplift in value over the year of 2.8%. This valuation increase has been driven by rising rental rates, uplifts in valuation on funded developments and investment demand for student accommodation driving upward pressure on asset prices across the sector. The blended net initial yield on the Company's portfolio of standing assets was 5.00% as at the year end.

Post year end, the Company has completed on the acquisition of one further property adding 450 beds to its portfolio.

Acquisitions

During the year, the Company acquired two properties - Woburn Place and Scape Wembley.

Woburn Place is located in Bloomsbury, a prime central London location within short walking distance of several globally recognised universities. It was acquired as a standing investment where the Investment Manager has identified the opportunity for a major refurbishment ahead of the 2018/19 academic year, where it is expected to provide a further c.420 beds.

Scape Wembley was acquired as a forward-funded development, with the Company acquiring the land and subsequently funding construction of the property. Scape Wembley was opened to students in August 2017, adding a further 580 modern beds to the Company's portfolio.

Post year end, the Company completed on the acquisition of Circus Street, Brighton, which will provide further portfolio diversification.

Circus Street, the Company's second forward-funded development asset, is expected to provide around 450 beds and 30,000 square feet of commercial office space in central Brighton ahead of the 2018/19 academic year. Whilst outside of the Company's core market, the Directors believe that Brighton demonstrates many of the characteristics of the London market including strong demand with high numbers of international students and significant supply constraints.

Investments through future contractual arrangements such as forward-funding agreements enable the Company to secure properties at attractive valuations relative to acquiring standing assets which are already operational and income producing. In addition, they provide an opportunity for the Company to acquire properties in areas where suitable modern purpose-built student accommodation assets may be unavailable. It is encouraging that the Company has benefitted from such arrangements resulting in modest valuation uplifts at the time the purchase is completed.

Financial results

Full occupancy, strong rental growth and valuation uplifts have all contributed to a robust set of financial results for the year. The EPRA NAV per ordinary share increased by 1.6%, from 136.93 pence to 139.08 pence at 30 June 2017. The Company's property portfolio generated £28.6 million of rental income, delivering an operating profit (including valuation gains) of £28.3 million (£16.5 million excluding valuation gains).

Dividends

The Company paid dividends in respect of the financial year ended 30 June 2017 of 5.75 pence per ordinary share. The dividends were paid as 4.92 pence per ordinary share as a REIT PID and 0.83 pence per ordinary share as an ordinary UK dividend. The Company has increased its dividend by 1.6% year-on-year.

Financing

The Company conducted two oversubscribed capital raises during the period, raising gross proceeds of £103.6 million which have been used in funding the construction of Scape Wembley and acquisition of Woburn Place.

The Board is also pleased to note the Company has reduced its blended cost of borrowing to 2.96% during the period, having entered into new banking facilities with its lender, PGIM. As at 30 June 2017, the Company's borrowing facilities totalled £235 million, of which £220 million was drawn with an average weighted maturity at that date of c.8 years. The loan-to-value of the Group at that date was approximately 32%.

Migration and FTSE Indices

During the period, the Company completed the Migration of its listing to the Official List of the UKLA and to trading on the Premium Segment of the Main Market of the LSE. Subsequently, the Company was admitted to the FTSE All Share, FTSE Small Cap and FTSE EPRA/NAREIT Global Real Estate indices. This has broadened the investor appeal of the Company, further enhancing the market liquidity of its shares as it has grown.

Outlook

The Company's focus on student residential accommodation assets located in and around London, coupled with a conservative level of borrowings, provides shareholders with a property portfolio with attractive income characteristics.

The Investment Manager remains focused on delivering a portfolio of properties which benefit from strong supply and demand characteristics, which it believes is the primary driver of rental growth in the sector. Consequently, whilst the Company's portfolio remains London-centric, from time to time, properties may be added outside of this market where the sector fundamentals mirror that of the London market. By way of illustration, the Company's acquisition in Brighton can be seen in the wider context of a local market with substantial supply constraints, strong demand from the c.36,000 students at the two Brighton universities with c.6,100 international students and limited choice of high quality accommodation currently available.

The number of new schemes due for development in London over the next few years remains at a historic low. Planning approvals and development tax (the community infrastructure levy) on student accommodation continue to make it difficult to bring new developments in and around London on stream. In this context, the Investment Manager has been successful in securing new, modern properties through forward-funding or forward-purchase agreements, effectively enabling the Company to create its own pipeline of modern assets where good quality standing investments are difficult to acquire.

Demand from overseas students for private sector student accommodation in the Company's core market is likely to remain resilient relative to the rest of the UK given the number of overseas students in London and its perception as a global centre of academic excellence. Depreciation in the value of sterling may further serve to enhance the UK's competitiveness for overseas students although the Brexit negotiations may deter some students from applying to UK universities whilst new controls on immigration remain unclear.

We are living through turbulent and uncertain times, but the Company has continued to deliver on its objectives and its portfolio remains well positioned to provide shareholders with regular, sustainable, dividends that should continue to grow over the long term.

Robert Peto

Chairman

14 September 2017

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.

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. Details of the Company's borrowings are given in note 19.

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 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. Notification has been submitted to, and acknowledged by, HMRC for the Company to enter the UK REIT regime. 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 LSE.

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 above and the disclosures below.

UK STUDENT ACCOMMODATION MARKET

International student numbers, which have been the primary driver of applicant growth over the past five years, have remained strong.

Overview

The UK has some of the highest-ranking universities in the world, with three in the top 10 and seven in the top 50 in 2016/17[1]. The UK higher education sector generates c.£73 billion for the economy and contributes 2.8% of the nation's gross domestic product.[2]

Students have become increasingly globally mobile with, according to the OECD, over 4.5 million students studying abroad in 2014, more than double the 2.1 million internationally mobile students in 2000. This figure is forecast to reach 8 million by 2025. China, India, the Republic of Korea, Germany and Saudi Arabia are the top five countries with students going abroad, with almost one in six international students being Chinese, and Asian students accounting for 53% of all students studying abroad.

The world's population is increasingly becoming more educated. In many of the world's largest established economies nearly half of the population of 25 to 34-year olds has tertiary education.

The student body has also changed over the period, becoming younger and with a higher proportion of full-time students, as the decline in the number of part-time and mature students has continued since 2010. Full-time students now make up 74% of the student body, up from 62% at the start of the decade, and under-25s now make up three-quarters of all undergraduates and a third of postgraduates[3].

As well as changes in the age of students and their mode of study, the student body has become more cosmopolitan over the decade. In 2004/05, 4% of students came from the EU and 9% from outside the EU. By 2014/15, the numbers had increased to 5% and 14% respectively[4]. The US is the most popular market for international students, with the UK in second place, though significantly stronger on a per capita basis. One of the UK's advantages is its average cost of living and tuition, which is generally lower than in both the US and Australia[5].

1. Times Higher Education World University Rankings 2016/17.
2. The Impact of Universities on the UK Economy, Universities UK.
3. OECD Education at a Glance 2014. A1-3.
4. HESA student record.
5. OECD Education at a Glance 2014. A13.

HEI acceptance rates

Acceptance rates for the 2016/17 academic cycle broke last year's record, with the intake of undergraduates entering UK higher education totalling c.535,000. Nevertheless, there were another c.180,000 students who applied for a place who did not get accepted, which shows a significant surplus demand in the sector.

On 13 July 2017, UCAS published application statistics for the June 2017 deadline, which showed that applicants for the UK and EU were down by 4% and 5% respectively, while non-EU international students were up 2% on last year. The reduction in UK student numbers has been primarily driven by a reduction in nursing degrees, owing to significant funding cuts, with the remainder coming from mature undergraduates who are more likely to be taking up apprenticeships under the new government schemes. EU student numbers were forecast to decrease following two record years of growth and the impact of the Brexit vote. However, this shortfall is not expected to have a material impact owing to the scale of student demand buffer outlined above.

International student numbers, which have been the primary driver of applicant growth over the past five years, have remained strong. We expect these numbers should continue to rise over the medium term, with the sector benefitting from sterling's depreciation and the impact of US protectionist trade and visa policies. The UK remains the second most popular global destination for those seeking higher education and the government has confirmed through the Brexit white paper that there is no limit to the number of genuine international students who can come to the UK to study.

Student accommodation – supply/demand imbalance

There is a fundamental supply/demand imbalance in the UK student accommodation sector which is responsible for the stability and the robust rental and capital returns produced in this financial year.

The UK has seen rising student numbers since the early 1990s, with the student population more than doubling over this period. Domestic student applications have increased despite an ageing population and international student numbers continue to grow at a disproportionate rate, as evidenced by the increase in international student application rates for the 2016/17 academic year.

There is a structural shortfall of purpose-built student accommodation in most of the UK. The supply of private student accommodation has failed to keep pace with the increasing demand owing to the following:

- the residential property market has recovered over the past few years, increasing land values as well as increasing the pressure on the private residential sector to house tenants other than students who are willing to pay higher rent levels;
- the private rented sector has become subject to greater local authority and government legislation for houses in multiple occupancy; and
- universities are not developing new accommodation as they are becoming more focused on their core competency of investing in education.

The London market

London has more world-class universities than any other city in the world. International students are attracted to London for a number of reasons including the reputation of London's universities, the quality of education and London's status as a social and cultural centre.

The Company is primarily focused on the London student accommodation market because this is where the supply/demand imbalance is at its greatest. London has a number of important demand dynamics that separate it from the wider UK student housing market:

- Nearly one in three students in London are international;
- London has the largest number of international students of any city in the world with c.107,000 students in 2015/16;
- London is home to some of the leading HEIs in the world which attract a significant number of international students;
- London and the South East have over 30% of the entire student population of the UK.

On the supply side, the main constraints are as follows:

- availability of well-located sites is at its lowest and land prices have experienced significant inflation driven by residential development;
- the introduction of the community infrastructure levy in some boroughs has eliminated the commercial viability of many student schemes; and
- There are only c.90,000 purpose-built student accommodation beds in London, indicating a substantial undersupply.

Student accommodation – the importance of design and quality

Purpose-built student accommodation has evolved as a product over the past 15 years. Over this period, and in particular, following the introduction of tuition fees, students have become consumers in their own right and are making their investment decisions for their higher education not just on course alone, but also on a mix of quality of the academia and the quality and location of accommodation.

Increasingly, students are demanding high-quality living space with clever design, quality materials, TV areas, communal kitchens and social areas in the buildings which provide opportunities for social groups to form and bond, centred around work and play spaces. Likewise, they are demanding services that create wider social engagement such as talks, events, workshops and tie-ins with local businesses and educational establishments.

The leading players in the market are now providing facilities which mix academia, co-working and social spaces, providing a true campus environment.

REVIEW OF THE FINANCIAL YEAR

The Company achieved average rental growth of 3.9% across the portfolio for the 2016/17 academic year, producing a robust set of results.

Financial results

The Company achieved average rental growth of 3.9% across the portfolio for the 2016/17 academic year, producing a robust set of results, with rental income for the year ended 30 June 2017 of £28.6 million generated from the Company's property portfolio.

Total gains on investment properties through revaluation of the Company's investment portfolio were £11.9 million as at 30 June 2017, positively impacting operating profit and generating EPS of 8.1 pence. The adjusted EPS for the period was 4.69 pence (excluding fair value gains on investment properties and adjusting for exceptional items and licence fee income).

Total administration expenses of £6.1 million comprise fund running costs, including the Investment Manager's fee, Asset and Facilities Managers' fees and other service provider costs in the period.

Ongoing finance charges of £4.9 million in the year comprise loan interest associated with the Company's financing arrangements.

The Company generated total profit before tax for the period of £23.5 million.

Dividends

In order to maintain 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 income profits of the property rental business for each accounting period, as adjusted for tax purposes. In respect of the financial year ended 30 June 2017, the Company paid dividends of 5.75 pence per ordinary share.

The dividends were paid 4.92 pence per ordinary share as a REIT PID in respect of the Group's tax exempt property rental business and 0.83 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 2017 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. Dividends of £16.2 million (5.75 pence per ordinary share) were paid during the year. The dividends were 80% covered by adjusted EPS of 4.69 pence, which is adjusted for exceptional items principally those arising in connection with the Migration, rental guarantees and licence fee income.

Capital raises

The Company completed two oversubscribed equity capital raises during the period, raising gross proceeds of £23 million in December 2016 and £80.6 million in February 2017. The issue prices were 140 pence in each case and were issued at a 4.3% and 2.1% discount to share price and a 3% and 2.4% premium to NAV (ex-income) respectively. The issues were NAV accretive for existing shareholders.

Cash flow generation

The Company held cash and cash equivalents of £55.1 million at the end of the financial year. A total of £14.2 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 £103.6 million, which was used in part to fund the construction of Scape Wembley and to acquire Woburn Place. 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

	For the year ended 30 June 2017 £'000	For the year ended 30 June 2017 £'000
Rental income	**28,611**	22,482
Property operating expenses	**(6,086)**	(4,600)
Gross profit (net operating income)	**22,525**	17,882
Net operating margin	**79%**	79%
Administration expenses	**(6,072)**	(5,712)
Fair value gains on investment properties	**11,855**	27,156
Operating profit	**28,308**	39,326
Finance income	**70**	75
Finance costs – ongoing	**(4,864)**	(3,441)
Finance costs – other	**-**	(7,635)
Profit before tax for the year	**23,514**	28,325

Debt financing

During the period, the Company entered into an agreement with its lender, PGIM, to increase the Company's £130 million secured debt facility by a further £40 million. The increased £170 million facility is repayable on 30 September 2024 and the cost of debt on this loan has been reduced from 3.07% to 3.01%. The Company further entered into a new £65 million facility with PGIM, of which £50 million has been drawn at a fixed cost of debt of 2.82%. The facility is repayable in 2029 and is secured against certain of the Company's assets.

Accordingly, the Company's banking facilities total £235 million, of which £220 million was drawn at 30 June 2017 at a blended cost of borrowing of 2.96% and with an average weighted maturity of c.8 years. The loan-to-value of the Group at that date is approximately 32%.

Asset performance

The Company experienced 3.9% year-on-year rental growth for the 2016/17 academic year and marginal yield compression. The valuation of the Company's property portfolio has increased by £74.5 million or 14.9% since the Company's IPO or its acquisition of assets. The portfolio was fully occupied for the 2016/17 academic year.

Net assets

Net assets attributable to equity holders at 30 June 2017 were £467 million, up from £358.5 million at 30 June 2016. The increase in net assets since the prior year end is primarily driven by the acquisition of two further properties.

At 30 June 2017, there were 335,768,782 ordinary shares in issue, giving an EPRA NAV (cum-income) per ordinary share of 139.08 pence.

NAV and share price performance

The Company's ordinary shares have traded at an average premium of 6.1% since IPO, with an average premium over the financial year of 7.2%. The Company's share price hit an all-time high of 152.75 pence per ordinary share on 7 April 2017. Its ordinary shares have persistently traded at a premium to their NAV since IPO in 2013.

EPRA NAV (cum income) has increased from 136.93 pence as at 30 June 2016 to 139.08 pence per ordinary share as at 30 June 2017, a 1.6% increase year-on-year. Dividends of 5.75 pence per ordinary share were paid to shareholders. At the Group level, the annualised total return since IPO was 14.2%, which exceeds the annualised target return of 8-10%.

Financial performance

Net assets

	As at 30 June 2017 £'000	As at 30 June 2016 £'000
Assets		
Investment property	**634,640**	424,787
Receivables	**7,825**	7,682
Cash and cash equivalents	**55,110**	66,337
Total assets	**697,575**	498,806
Liabilities		
Payables	**(5,148)**	(6,929)
Deferred income	**(7,964)**	(5,235)
Senior loan	**(217,469)**	(128,174)
Total liabilities	**(230,581)**	(140,338)
Net assets	**466,994**	358,468
Number of shares	**335,768,782**	261,795,015
EPRA NAV per share (cum-income)	**139.08p**	136.93p
EPRA NAV per share (ex-income)	**137.62p**	135.50p

COMPANY PERFORMANCE

The Company continues to deliver strong performance.

	2017	**2016**
Annualised shareholder return since IPO	14.2%	13.9%
Basic earnings per ordinary share	8.1p	15.5p
Dividends per ordinary share for the year	5.75p	5.66p
EPRA NAV per ordinary share	139.08p	136.93p
Loan-to-value	32%	27%
Rental growth	3.9%	4.5%

PROPERTY PORTFOLIO

The Company's property portfolio consists of high-quality, modern student accommodation focusing on international students, postgraduates and domestic students alike.

Quality, design and brand

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 is the Asset and Facilities Manager for all of the Company's 'Scape' branded assets and with effect from 1 September 2016, The Pad (previously managed by CRM). 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 best student accommodation 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 a gym.

Collegiate is the Asset and Facilities Manager for Water Lane Apartments. 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.

At 30 June 2017, the Company's portfolio comprised high-quality, modern student accommodation buildings, of which 97% of the value was located in and around London.

Current

Asset	Number of beds	Valuation at 30 June 2017	Net Initial Yield
Scape East	588	£129.8m	5.05%
Scape Wembley	578	£59.1m[1]	N/A
Scape Shoreditch	541	£177.7m	4.75%
Woburn Place	455[2]	£138.7m	4.76%
Scape Greenwich	280	£51.8m	5.03%
The Pad	220	£34.9m	5.75%
Water Lane Apartments	153	£18.8m	5.75%
Scape Surrey	141	£23.8m	5.65%
Total/blended yield	**2,956**	**£634.6m**	**5.00%**

Post year end

Asset	Number of beds	Valuation at 30 June 2017	Net Initial Yield
Circus Street	450	N/A[3]	N/A
Total/blended yield	**450**	**N/A**	**N/A**

1. At 30 June 2017, the property was under construction.
2. Number of beds at acquisition prior to refurbishment.
3. Acquired post year end and currently under construction.

OPERATIONAL ASSET
Scape Wembley

Number of beds: 578

Fulton Road, London HA9 0TF

Scape Wembley is a private student residence located in Wembley, London. It 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 c.580 modern studios and beds with communal areas. The majority of London's universities are accessible within 30 minutes. The site is located within 14 minutes travel time to Marylebone, 20 minutes to Bond Street and 25 minutes to King's Cross.

For the forthcoming 2017/18 academic year, Scape Wembley is occupied by students from 45 HEIs and of 74 different nationalities, with c.70% of tenants coming from outside the UK.

OPERATIONAL ASSET
Scape Shoreditch

Number of beds: 541

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.

The property is within a 15-minute walk of The City University (c.18,000 students) and CASS Business School.

The building comprises 541 studio bedrooms and c.10,000 sq ft of communal areas including a gym, dance studio, study lounge, games room, cinema, communal kitchen, sun terrace and barbecue terrace. The building also includes c.49,000 sq ft of commercial facilities let to WeWork on a 15-year fully repairing and insuring lease. The lease generates approximately 25% of total revenues for Scape Shoreditch after expiry of the tenant's incentives.

At 30 June 2016, Scape Shoreditch was occupied by students from 45 HEIs and of 59 different nationalities, with c.94% of tenants coming from outside the UK.

OPERATIONAL ASSET
Scape East

Number of beds: 588

450 Mile End Road, London E1 4GG

Scape East is a private student residence located in Mile End, London. It was completed in June 2012 under the Scape brand.

Scape East is located directly opposite QMUL, which is a Russell Group HEI and one of London's leading universities with c.17,000 students. Approximately 87% of all Scape East's direct let students study at QMUL. The impressive building encompasses a double height entrance and floor-to-ceiling glazed reception. Residents have access to a private courtyard garden, free gym, TV and games lounge, communal kitchen, study areas and an on-site restaurant.

Additional rental income is generated through a 30-year FRI lease with annual RPI uplifts of teaching facilities. This has generated 6.5% of total revenues for Scape East for the 2016/17 academic year.

As at 30 June 2016, Scape East was occupied by students from 25 different HEIs and of 67 different nationalities, with c.89% of tenants coming from outside the UK.

DEVELOPMENT ASSET
Woburn Place

This property is under refurbishment

Number of beds: 455[1]

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

Woburn Place, which for the 2016/17 academic year was operated by Unite Students, is within short walking distance of University College London (c.38,000 students from 150 countries), SOAS University of London (c.5,000 students from 133 countries) and two teaching hospitals, University College Hospital and Great Ormond Street Hospital. The London School of Economics, Kings College London, City University and University of the Arts, London are also within walking distance, bringing the total number of students in close proximity to Woburn Place to c.100,000.

From mid-September 2017, the Group will reconfigure and refurbish the property to the high specification typical of the Group's existing standing assets and the Scape Student Living brand. The refurbishment will involve diversifying the mix of accommodation units, offering modern studios and single and double occupancy apartment-style accommodation, which is expected to optimise rental growth and occupancy levels.

It is currently envisaged that the refurbishment will be substantially completed ahead of the 2018/19 academic year, following which it is currently expected that the property will provide c.420 modern beds as well as communal areas.

[1] Number of beds at acquisition prior to refurbishment.

POST YEAR END DEVELOPMENT ASSET
Circus Street, Brighton

This development is under construction

Number of beds: 450

In July 2017, the Company entered into an exclusivity arrangement in respect of the acquisition of its second forward-funded development.

Circus Street, is located in a city centre location in Brighton within short walking distance of its iconic pier, vibrant shopping district and transport links. The property will primarily serve the University of Sussex, a UK top 20 university, and Brighton University with in aggregate c.36,000 students including c.6,100 international students. Brighton benefits from a strong structural shortfall of private student accommodation and considerable supply constraints.

The expectation is that construction of Circus Street will be completed ahead of the 2019/2020 academic year following which it will offer high specification student accommodation and c.30,000 square feet of commercial office space. The student accommodation will provide c.450 modern beds. It is currently expected the student accommodation will be contracted to a subsidiary owned and guaranteed by an established global HEI on a 21 year lease, with upward only annual uplifts. It is currently envisaged that the additional commercial space will generate ancillary revenues through medium to long-term leases.

The acquisition of Circus Street through a forward-funded arrangement has enabled the Group to secure an asset at an attractive valuation relative to acquiring assets which are already operational. Further, such arrangements enable the Group to provide modern, purpose-built accommodation where suitable existing assets are scarce.

CORPORATE, SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

The Company's aim is to operate a fully sustainable business model with a low carbon footprint.

The Company is committed to being both socially and environmentally responsible and recognises the impact it has on the environment.

Environmental impact

The Company is committed to being both socially and environmentally responsible and recognises the impact it has on the environment. The Company 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 Company's waste schemes and raising general awareness of environmental impact and waste reduction amongst the Group's employees and residents.

Sustainability

The Company'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 2017, Scape procured the conversion c.83% of property waste into renewable energy and 17% into national recycling schemes.

Greenhouse gas emissions

This section contains information on GHG emissions required by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 (the "Regulations").

Reporting period

The reporting period is 1 July 2016 to 30 June 2017, comprising the financial year of the Company.

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 of the emission sources required under the Regulations. The Company does not have responsibility for any emission sources that are not included in the carbon emissions data table below.

Organisational boundary

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.

Intensity ratio

In order to express the GHG emissions in relation to a quantifiable factor associated with the Company's activities, the intensity ratio per square foot has been chosen. It is considered that this intensity ratio will provide a uniform basis of comparing data between the Company's different properties and take into account the commercial areas within each of the properties. This will also allow comparison of the Company's performance over time, as well as with other companies in the Company's peer group.

Total GHG emissions data for the year ended 30 June 2017:

Carbon emissions data	**2017**	2016 (rebased)[1]	2016
Absolute energy use:			
Residential gas (kWh)	**4,121,815**	5,928,932	3,939,897
Residential oil (kWh)	**–**	–	–
Residential electricity (kWh)	**6,526,010**	4,365,836	3,089,383
Absolute CO_2e emissions (tonnes CO_2e)	**2,899**	2,890	1,998
Residential gas emissions (tonnes CO_2e) (Scope 1)	**1,201**	1,664	725
Residential oil emissions (tonnes CO_2e) (Scope 1)	**–**	–	–
Residential electricity emissions (tonnes CO_2e) (Scope 2)	**1,698**	1,226	1,273
Total residential emissions (tonnes CO_2e) (Scopes 1+2)	**2,899**	2,890	1,998
CO_2e emissions per sq ft	**0.0050**	0.0047	0.0034
Residential gas and oil emissions (tonnes CO_2e/sq ft) (Scope 1)	**0.0021**	0.0018	0.0012
Residential electricity emissions (tonnes CO_2e/sq ft) (Scope 2)	**0.0029**	0.0029	0.0022
Total residential emissions (tonnes CO_2e/sq ft) (Scopes 1+2)	**0.0050**	0.0047	0.0034

[1] The 2016 emissions data has been rebased to reflect a comparative twelve-month period on a like-for-like basis for the prior year.

The Company's emissions have increased year-on-year due to owning and operating three of the Company's assets for a full 12-month period.

Diversity and equality

The Company 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 Company'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 Company's diversity policy is included in the corporate governance statement in the full Annual Report.

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. The Company is indirectly involved with a number of social and local community initiatives via the Asset and Facilities Managers, such as local employment schemes and initiatives to give back to the local area through student bursaries, sponsorship and local events.

Human rights

The Company 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 Company's operations or its supply chain during the year ended 30 June 2017.

Employees

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, and has responsibility for the procurement and supervision of the facilities management services on behalf of the Company in connection with the Company's 'Scape'

branded assets, and with effect from 1 September 2016, The Pad.

Gender breakdown

The gender breakdown of the Group's Directors, senior management and employees as at 30 June 2017, is detailed below.

As at 30 June 2017	Women	Men
Directors	1 (2016: 1)	3 (2016: 3)
Senior management	3 (2016: 3)	5 (2016: 3)
Employees	39 (2016: 38)	43 (2016: 30)

RISK MANAGEMENT

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

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

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 key to 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 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 committee at least twice a year in order to assess the effectiveness of the Group's risk management and internal control systems. During the course of such 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 systems of internal controls relating to the Group including the reliability of the financial reporting process and for reviewing the systems' effectiveness.

The Directors have reviewed and considered the guidance supplied by the FRC on risk management, internal control and related finance and business reporting and an ongoing process has been established for identifying, evaluating and managing the risks faced by the Group. 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 committee, has categorised risk management controls under the following key headings:

- execution risk;
- portfolio risk;
- financial risk; and
- regulatory 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 produced 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 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 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 27 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. 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 they should continue to prepare the financial statements of the Company on a going concern basis and the financial statements have been prepared accordingly.

Viability statement

The Directors have considered each of the Company's principal risks and uncertainties detailed below, 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, impacting the viability of the Company. The Directors also considered the Company's policy for monitoring, managing and mitigating its exposure to these risks.

The Directors have assessed the prospects of the Company over a longer period 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 Company of these risks occurring. Where appropriate, the Company'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 Company'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 a fixed rate facility which matures 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.

Principal risks and uncertainties

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, this could potentially have a significant impact upon the Group's ability to meet its investment objective.

RISK 1: EXECUTION RISK

Reliance on the Investment Manager and third party service providers
Risk: 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.

Impact: 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.

How the risk is managed: The performance of the Group's service providers is closely monitored by the management engagement committee of the Company, which conducts review meetings with each of the Group's principal third party service providers on an annual basis. The audit 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 Scape and considered by the board of GCP Operations Limited which meets twice a year.

Due diligence
Risk: 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 facts that may be relevant in connection with any proposed investment.

Impact: 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.

How the risk is managed: 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.

RISK 2: PORTFOLIO RISK

UK property market conditions
Risk: The Group's performance depends on property values in the UK to a significant extent.

Impact: 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 net asset value and the ability of the Company to generate revenues.

How the risk is managed: 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.

Concentration risk
Risk: The Company's property portfolio comprises eight assets. Substantially all of the Group's assets are currently located in and around London; as a result of this 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.

Impact: Any circumstances which materially affect the returns generated by the Group's property portfolio may materially and adversely impact the NAV and earnings of the Company.

How the risk is managed: 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.

Development risk
Risk: The Group may invest in development and forward-funded projects which have received planning permission for student accommodation. Development activities may involve a higher degree of risk than is associated with standing assets.

Impact: Inaccurate assessment of a development opportunity, delays or disruptions which are outside of the Group's control, changes in market conditions and the inability of developers and/or building contractors to perform their contractual commitments could have a material adverse effect on the Company's profitability and NAV.

How the risk is managed: The Group engages third party professional advisers to review and opine on development risk prior to commitment. All contracts entered into are guaranteed maximum price contracts with a suitable contractor and significant equity buffer. The Company's development exposure is limited to 20% of its gross assets in undeveloped land and 15% of its gross assets to forward-funded projects in respect of such undeveloped land.

Net income and capital values
Risk: 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 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.

Impact: 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.

How the risk is managed: 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.

Property valuation and liquidity
Risk: 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.

Impact: 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.

How the risk is managed: 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 the maximum 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. 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.

RISK 3: FINANCIAL RISK

Breach of financial covenants
Risk: The availability of Company's debt facility depends on the Company complying with a number of key financial covenants in respect of loan-to-value and interest service cover.

Impact: 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

Group breaches its banking covenants.

How the risk is managed: 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 and act as an early warning signal. At 30 June 2017, the Company had significant headroom against its banking covenants.

RISK 4: REGULATORY RISK

Compliance with laws and regulations
Risk: 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.

Impact: 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.

How the risk is managed: The Board has appointed Gowling WLG (UK) LLP as legal counsel, Capita Company Secretarial Services 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.

Government policy and Brexit
Risk: 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 in the event of the UK leaving the EU.

Impact: 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.

How the risk is managed: The Board has significant experience in the sector and, together with its relevant advisers, closely monitors changes in government policy in respect of UK, EU and international students.

The strategic report has been approved by the Board and signed on its behalf.

Robert Peto

Chairman

14 September 2017

BOARD OF DIRECTORS

Robert Peto - Chairman

Marlene Wood - Chair of the audit committee

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

Malcolm Naish - Chair of the management engagement committee

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

EXTRACTS FROM THE DIRECTORS' REPORT

Share capital

At a general meeting held on 27 April 2016, the Company was granted the authority to allot and to disapply pre-emption rights in respect of a placing programme of up to 65 million ordinary shares (the "2016 Placing Programme"). As reported in the 2016 annual report, following the publication of a prospectus in respect of the 2016 Placing Programme on 29 April 2016, the Company announced on 20 May 2016 that it had accepted applications in respect of a placing of 44,085,232 ordinary shares at a price of 136.10 pence per share, with an aggregate nominal value of £440,852.32 raising gross proceeds of £60 million for the Company (the "May 2016 Placing"). These shares were issued under the placing to institutional investors and professionally-advised private investors and admitted to trading on the SFS on 24 May 2016, prior to the Migration.

As part of its 2016 Placing Programme, the Company further announced on 16 December 2016 that it had accepted applications in respect of a placing of 16,428,572 ordinary shares at a price of 140 pence per share, with an aggregate nominal value of £164,285.72, raising gross proceeds of £23 million for the Company (the "December 2016 Placing"). These shares were issued under the placing to institutional investors and professionally advised private investors and admitted to trading on the premium segment of the LSE's main market on 20 December 2016 following the Migration. In all, 60,513,804 ordinary shares were issued and allotted by the Company prior to the closure of the 2016 Placing Programme, with an aggregate nominal value of £605,138.04, raising gross proceeds of £83 million for the Company.

At a general meeting held on 31 January 2017, the Company was granted the authority to allot and to disapply pre-emption rights in respect of a placing programme of up to 200 million ordinary shares (the "2017 Placing Programme"). Following the publication of a prospectus in respect of the 2017 Placing Programme on 2 February 2017, the Company announced on 22 February 2017 that it had accepted applications in respect of 57,545,195 ordinary shares at a price of 140 pence per share, with an aggregate nominal value of £575,451.95, raising gross proceeds of £80.6 million for the Company (the "Initial Issue"). These shares were issued under the placing to institutional investors and professionally-advised private investors and admitted to the premium segment of the LSE's main market on 24 February 2017.

In pursuance of its 2017 Placing Programme, the Company announced on 5 July 2017 that it had accepted applications in respect of a placing of 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 for the Company (the "July 2017 Placing"). These shares were issued under the placing to institutional investors and professionally advised private investors and admitted to trading on the premium segment of LSE's main market on 7 July 2017. Following the July 2017 Placing, and as at the date of this report, the Company may allot up to a further 93,159,031 ordinary shares under the 2017 Placing Programme, which will expire on 1 February 2018.

At the annual general meeting held on 27 October 2016, 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 39,243,072 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 25 October 2017. 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, the issued share capital of the Company comprised 335,768,782 ordinary shares. At the date of this report, the Company's issued share capital 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 2017, the total voting rights of the Company were 335,768,782 and as at the date of this report, are 385,064,556.

Dividends

Dividends totalling 5.75 pence per ordinary share have been paid in respect of the year ended 30 June 2017 as follows:

	Year ended 30 June 2017 pence	Year ended 30 June 2016 pence
First interim dividend	**1.43**	1.41
Second interim dividend	**1.43**	1.41
Third interim dividend	**1.43**	1.41
Fourth interim dividend	**1.46**	1.43
Total	**5.75**	5.66

No final dividend is being proposed.

STATEMENT OF DIRECTORS' RESPONSIBILITIES
In the 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; and
- make judgements and estimates that are reasonable and prudent.

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 Disclosure Guidance and Transparency Rules of the UKLA.

The financial statements are published on the Company's website, 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 Group as a whole); and
- this annual report includes a fair review of the development and performance of the business and the position of the Company (and Group as a whole), 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 performance, business model and strategy.

On behalf of the Board

Robert Peto

Chairman

14 September 2017

NON-STATUTORY ACCOUNTS

The financial information set out below does not constitute the Company's statutory accounts for the year ended 30 June 2017 or the year ended 30 June 2016 but is derived from those accounts. Statutory accounts for the year ended 30 June 2016 have been delivered to the Registrar of Companies and those for 2017 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.graviscapital.com/funds/gcp-student.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2017

Continuing operations	Notes	**30 June 2017 £'000**	30 June 2016 £'000
Rental income	4	**28,611**	22,482
Property operating expenses	5	**(6,086)**	(4,600)
Gross profit		**22,525**	17,882
Administration expenses	5	**(6,072)**	(5,712)
Operating profit before gains on investment properties		**16,453**	12,170
Fair value gains on investment properties	3	**11,855**	27,156
Operating profit		**28,308**	39,326
Finance income	9	**70**	75
Finance expenses – ongoing	10	**(4,864)**	(3,441)
Finance expenses – exceptional	10	**–**	(7,635)
Profit before tax		**23,514**	28,325
Tax (charge)/credit on residual income	11	**(40)**	3
Profit for the year		**23,474**	28,328
Other comprehensive income to be reclassified to profit and loss in subsequent years			
Net gains on cash flow hedges	20	**–**	214
Total comprehensive income for the year		**23,474**	28,542
EPS (basic and diluted) (pps)	14	**8.08**	15.48

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	**30 June 2017 £'000**	30 June 2016 £'000
Assets			
Non-current assets			
Investment property	3	**634,640**	424,787
Retention account		**308**	815
		634,948	425,602
Current assets			
Cash and cash equivalents	16	**55,110**	66,337
Trade and other receivables	17	**7,517**	6,867
		62,627	73,204
Total assets		**697,575**	498,806
Liabilities			
Non-current liabilities			
Interest bearing loans and borrowings	19	**(217,469)**	(128,174)
Retention account		**(308)**	(815)
		(217,777)	(128,989)
Current liabilities			
Trade and other payables	18	**(4,840)**	(6,114)
Deferred income	18	**(7,964)**	(5,235)
		(12,804)	(11,349)
Total liabilities		**(230,581)**	(140,338)
Net assets		**466,994**	358,468
Equity			
Share capital	21	**3,358**	2,618
Share premium	22	**340,233**	239,653
Special reserve	23	**53,576**	58,371

Retained earnings	23	**69,827**	57,826
Total equity		**466,994**	358,468
Number of shares in issue		**335,768,782**	261,795,015
EPRA NAV per share (pps)	24	**139.08**	136.93

These financial statements were approved by the Board of Directors of GCP Student Living plc on 14 September 2017 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 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**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

	Notes	Share capital £'000	Share premium £'000	Hedging reserve £'000	Special reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 July 2015		1,099	39,946	(214)	65,223	31,675	137,729
Profit for the year		—	—	—	—	28,328	28,328
Other comprehensive income that may be reclassified subsequently to profit and loss							
Fair value movement on financial derivative		—	—	214	—	—	214
Total comprehensive income		—	—	214	—	28,328	28,542
Ordinary shares issued		1,519	201,251	—	—	—	202,770
Share issue costs		—	(1,544)	—	—	—	(1,544)
Dividends paid in respect of the previous year		—	—	—	(534)	(1,005)	(1,539)
Dividends paid in respect of the current year	13	—	—	—	(6,318)	(1,172)	(7,490)
Balance at 30 June 2016		2,618	239,653	—	58,371	57,826	358,468

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2017

	30 June	30 June

	Notes	2017 £'000	2016 £'000
Cash flows from operating activities			
Operating profit		**28,308**	39,326
Adjustments to reconcile profit for the year to net operating cash flows:			
Gains from change in fair value of investment properties	3	**(11,855)**	(27,156)
Corporation tax (payments)/refunds		**(41)**	12
Decrease/(increase) in other receivables and prepayments		**406**	(3,120)
Decrease in other payables and accrued expenses		**(2,650)**	(4,891)
Net cash flow generated from operating activities		**14,168**	4,171
Cash flows from investing activities			
Acquisition of investment properties		**(195,469)**	(54,469)
Acquisition of subsidiaries net of cash acquired		**—**	(156,092)
Net cash used in investing activities		**(195,469)**	(210,561)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**103,564**	79,000
Share issue costs		**(2,244)**	(1,538)
Proceeds from the issue of C shares		**—**	16,195
C share issue costs		**—**	(2,490)
Bank loan drawn	19	**90,000**	130,000
Repayment of bank loan		**—**	(40,000)
Finance income		**70**	75
Finance expenses		**(5,110)**	(5,942)
Dividends paid in the year		**(16,206)**	(8,865)
Net cash flow generated from financing activities		**170,074**	166,435
Net decrease in cash and cash equivalents		**(11,227)**	(39,955)
Cash and cash equivalents at start of the year		**66,337**	106,292
Cash and cash equivalents at end of the year	16	**55,110**	66,337

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2017

1. General information

GCP Student Living plc is a closed ended investment company incorporated in the UK on 26 February 2013. The registered office of the Company is located at 51 New North Road, Exeter EX4 4EP. The Company's shares are listed on the premium segment of the Official List of the UKLA and are traded on the Premium Segment of the LSE's Main Market.

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 2017. Comparative figures are for the previous accounting period, the year ended 30 June 2016.

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.

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 2017 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).
- IFRS 15 Revenue from Contracts (effective for annual periods beginning on or after 1 January 2018).
- IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019).

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 – Professional Standards January 2014 (incorporating the International Valuation Standards) and in accordance with IFRS 13.

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. Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the Company'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 equity 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 2017. 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 and teaching facilities) in the UK.

3. UK investment property

	Properties under development £'000	Leasehold £'000	Freehold £'000	Total £'000
As at 1 July 2016	**—**	**173,070**	**251,717**	**424,787**
Acquisition of property	**—**	**—**	**138,952**	**138,952**
Additional expenditure on properties	**—**	**614**	**235**	**849**
Land and development costs	**58,197**	**—**	**—**	**58,197**
Fair value gains on revaluation of investment property	**903**	**4,026**	**6,926**	**11,855**
As at 30 June 2017	**59,100**	**177,710**	**397,830**	**634,640**
As at 1 July 2015	—	—	177,220	177,220
Acquisitions arising from business combinations	—	166,100	—	166,100
Acquisition of property	—	59	54,252	54,311
Fair value gains on revaluation of investment property	—	6,911	20,245	27,156
As at 30 June 2016	—	173,070	251,717	424,787

During the year the Group commenced construction of a forward-funded development, Scape Wembley, which completed in August 2017. The Group also purchased Woburn Place via a wholly owned subsidiary, GCP Bloomsbury Limited. The Group's outstanding capital commitments in respect of the forward funding of Scape Wembley were £20.2 million, subject to the receipt of a licence fee which will reduce the amount payable to the developer. At the balance sheet date, the licence fee could not be reliably measured.

The amount paid for acquisition of investment property shown in the consolidated statement of cash flows of £195,469,000 is cash paid and does not take in account amounts due at the beginning or end of the year.

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 of which 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.

4. Rental income

	30 June 2017 £'000	30 June 2016 £'000
Nomination rental income	**3,613**	3,688
Direct let rental income	**22,093**	16,623
Discounts	**(316)**	(426)
Total student income	**25,390**	19,885
Teaching space income	**420**	471
Retail space income	**2,426**	1,747
Gross rental income	**28,236**	22,103
Service charge income	**375**	264
Employee costs recharge income	**—**	115
Total	**28,611**	22,482

The Company's employees are overseen and managed by Scape, which has overall responsibility for the provision of asset management services. The Group employs the staff of the Asset and Facilities Manager, Scape. Employee costs recharge income above represents payroll costs relating to employee time spent on the Group's pipeline properties which were managed by Scape at the year end, but had not yet been acquired by the Group.

Accounting policy

Rental income including direct lets to students, leases to universities and 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 cover expenditure on hard and soft facilities management.

5. Property operating and administration expenses

	30 June 2017 £'000	30 June 2016 £'000
Operating costs	**2,348**	1,583
Utilities	**992**	856
Insurance	**283**	144
Sales and marketing	**283**	249
Property maintenance	**173**	38
Staff costs	**2,064**	1,718
Ground rent	**138**	234
Ancillary income	**(195)**	(222)
Property operating expenses	**6,086**	4,600
Investment management fees	**4,211**	3,026
Directors' remuneration	**173**	121
Other administration expenses	**1,688**	2,565
Administration expenses	**6,072**	5,712
Total	**12,158**	10,312

Included within administration expenses are investment management fees, as disclosed in note 28 below and Directors' remuneration as disclosed in note 6.

Ancillary income includes income received through such activities as laundry, cleaning and vending machines.

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 2017 £'000	30 June 2016 £'000
Robert Peto	**45**	34
Marlene Wood	**42**	31
Peter Dunscombe	**37**	28
Malcolm Naish	**37**	28
Total	**161**	121

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

7. Staff costs

	30 June 2017 £'000	30 June 2016 £'000
Salaries	**2,048**	1,702
Other benefits	**16**	17
Total	**2,064**	1,719

With the exception of the Directors, whose remuneration is shown in the Directors' remuneration report, as at 30 June 2017 the Group employed 90 (2016: 74) members of staff, with an average of 83 (2016: 72) employees during the year.

Employee costs totalling £nil (2016: £115,000) have been recharged to entities outside the Group. This amount is included within revenue in note 4.

The Group operates a defined contributions pension scheme for eight (2016: one) of its employees. The costs for the year ended 30 June 2017 totalled £10,000 (2016: £4,000).

8. Auditor's remuneration

	30 June 2017 £'000	30 June 2016 £'000
Audit fee	**98**	95
Other services	**9**	255
Total	**107**	350

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 2017 £'000	30 June 2016 £'000
Year end annual report and financial statements	**26**	26
Subsidiary accounts for the year ended 30 June 2017	**72**	—
Subsidiary accounts for the year ended 30 June 2016	**—**	69
Total	**98**	95

For the year ended 30 June 2017, the Auditor has provided a review of the half-yearly report and financial statements for a fee of £9,000 (2016: £7,000).

	30 June 2017 £'000	30 June 2016 £'000
Reporting accountant services	**—**	28
Review of half-yearly report	**9**	7
Tax advice	**—**	18
Tax compliance services for VAT	**—**	30
Tax compliance services for corporation tax returns	**—**	119
Tax advice in respect of aborted property purchases	**—**	53
Total	**9**	255

The audit 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 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 2017 £'000	30 June 2016 £'000
Income from cash and short-term deposits	**70**	75
Total	**70**	75

Accounting policy

Interest income is recognised on an effective interest rate basis and shown within the income statement as finance income.

10. Finance expenses

Ongoing charges	**30 June 2017 £'000**	30 June 2016 £'000
Swap interest	**—**	10
Loan interest	**4,610**	3,239
Loan non-utilisation fee	**—**	15
Bank charges	**5**	6
Loan arrangement fees amortised	**249**	171
Total	**4,864**	3,441

Exceptional charges	**30 June 2017 £'000**	30 June 2016 £'000
Amortisation of loan arrangement fees	**—**	431
Swap break fees	**—**	255
Loan cancellation fees	**—**	610
Amortisation of C share issue costs	**—**	2,536
Return on C shares	**—**	3,803
Total	**—**	7,635

In the year ended 30 June 2016, exceptional finance charges arose from two items:

1. The Group entered into significantly improved new financing arrangements. The total costs of repaying the original bank borrowings and breaking the Company's interest rate swap was £1,296,000.
2. Finance costs of £6,339,000 arising in the period which represent:

   i. issue costs of £2,536,000 which were treated as finance cost rather than a reduction to equity due to the C shares being recognised as debt; and

   ii. the C shares issued during the year ended 30 June 2015, represented contracts for conversion into a variable number of ordinary shares and therefore the C shares were classified as liabilities under IFRS. The return on the C shares of £3,803,000 represented an increase in the assets attributable to the C shares over and above the funds raised from their issue.

Accounting policy

Any finance costs that are separately identifiable and directly attributable to a liability that will be in existence for a period of time 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.

After initial recognition, C shares are subsequently measured at amortised cost using the effective interest method. Amortisation is credited/(charged) to finance income/(finance costs) in the income statement. Transaction costs are amortised to the earliest conversion period.

11. Taxation

Corporation tax has arisen as follows:

	30 June 2017 £'000	30 June 2016 £'000
Corporation tax on residual income for current year	**—**	—
Corporation tax on residual income for prior periods	**40**	(3)
Total	**40**	(3)

Reconciliation of tax charge to profit before tax:

	30 June 2017 £'000	30 June 2016 £'000

Profit before tax	**23,514**	28,325
Corporation tax at 19.75% (2016: 20.00%)	**4,644**	5,665
Change in value of investment properties	**(2,341)**	(5,431)
Tax exempt property rental business	**(2,789)**	(2,107)
Amounts not deductible for tax purposes	**(66)**	1,367
Capital allowances	**(314)**	(318)
Excess management expenses	**880**	824
Other	**26**	(3)
Total	**40**	(3)

The Group has unrelieved excess tax losses of £4,312,000 (2016: £2,831,000) it is unlikely that the Group will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised.

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 (the residual business) 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.

12. Operating leases

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

Future minimum rentals receivable under non-cancellable operating leases as at 30 June 2017 are as follows:

	30 June 2017 £'000	30 June 2016 £'000
Within one year	**30,408**	26,912
Between one and five years	**42,104**	21,491
More than five years	**62,728**	41,647
Total	**135,240**	90,050

13. Dividends

	30 June 2017		30 June 2016	
	Pence per share	**£'000**	Pence per share	£'000
For the year ended 30 June 2017				
First interim dividend paid on 5 December 2016	**1.43**	**3,744**	1.41	1,549
Second interim dividend paid on 6 March 2017	**1.43**	**3,979**	1.41	2,871
Third interim dividend paid on 5 June 2017	**1.43**	**4,801**	1.41	3,070
Dividends paid during the year	**4.29**	**12,524**	4.23	7,490
Fourth interim dividend paid on 5 September 2017[1]	**1.46**	**5,622**	1.43	3,744
Total	**5.75**	**18,146**	5.66	11,234
Paid as				
PIDs	**4.92**	**15,108**	5.31	10,849
Ordinary dividends	**0.83**	**3,038**	0.35	385
Total	**5.75**	**18,146**	5.66	11,234

1. The fourth interim dividend is paid after the year end and 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 2017 was paid on 5 September 2017.

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 is 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 in issue, basic and diluted EPS are identical. The following reflects the earnings and share data used in the basic and diluted NAV per share computations:

	30 June 2017 £'000	30 June 2016 £'000
Group earnings for EPS	**23,474**	28,328

Fair value gains on investment properties	**(11,855)**	(27,156)
Group earnings for EPRA EPS	**11,619**	1,172
Group specific adjustments:		
Exceptional finance costs per note 10	**–**	7,635
Other exceptional items	**394**	884
Licence fees receivable on forward funded developments	**1,421**	–
Capitalised rental guarantee	**189**	–
Group specific adjusted earnings	**13,623**	9,691

	30 June 2017 Pence per share	30 June 2016 Pence per share
Basic Group EPS	**8.08**	15.48
Basic Group EPRA EPS	**3.99**	0.64
Diluted Group EPS	**8.08**	15.48
Diluted Group EPRA EPS	**3.99**	0.64
Group specific adjusted EPS	**4.62**	5.30

	30 June 2017 Number of shares	30 June 2016 Number of shares
Weighted average number of shares in issue	**290,504,478**	183,007,508

A third Group specific adjusted EPS calculation has been made to show EPRA earnings excluding the exceptional one-off costs arising in the year. The costs have arisen from the following items:

1. For the year ended 30 June 2017:

i. Migration costs relating to the Main Market of the LSE of £394,000

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

iii. A rental guarantee in respect of Woburn Place of £189,000 which was capitalised

2. For the year ended 30 June 2016:

i. costs of repaying and breaking the original bank borrowings and interest rate swap totalling £1,296,000

ii. Finance costs of £6,339,000 arising from the accounting treatment of the C shares. For further details please refer to note 10.

15. Subsidiaries

The financial statements comprise the financial statements of the Company and its subsidiaries, GCP Topco Limited, GCP Holdco Limited, GCP Scape East Limited, GCP Brunswick Limited (formerly Ternion (Danehurst) Limited), GCP Operations Limited, Leopard Guernsey Greenwich JV Limited, Leopard Guernsey Greenwich Limited, Leopard Guernsey Greenwich 2 Limited, Old Street Acquisitions Limited, Leopard Guernsey Old Street Limited, Leopard Guernsey Old Street 2 Limited, GCP RHUL Limited, GCP SG Limited, GCP WL Limited, GCP Wembley 2 Limited (formerly GCP Brunswick 2 Limited), GCP Wembley Limited (formerly GCP Apex Limited), GCP RHUL 2 Limited, GCP Bloomsbury Limited, GCP Holdco 2 Limited, and GCP Topco 2 Limited for the year ended 30 June 2017, and the comparative year for the year ended 30 June 2016.The Company also owns a dormant subsidiary: GCP Brighton Limited which had not yet commenced activities at the year end.

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.

On 7 March 2017, GCP Topco 2 Limited and GCP Holdco 2 Limited were incorporated as wholly owned subsidiaries of GCP Student Living plc. These companies were dormant until 30 March 2017. On 7 March 2017, GCP Bloomsbury Limited became a wholly owned subsidiary of GCP Holdco 2 Limited. Also on that date GCP Holdco 2 Limited became a subsidiary of GCP Topco 2 Limited.

On 30 March 2017, GCP Holdco 2 Limited took over direct ownership of GCP WL Limited and GCP RHUL 2 Limited from GCP Student Living plc in a share for share exchange.

On 30 March 2017, GCP Topco 2 Limited took over direct ownership of GCP Holdco 2 Limited from GCP Student Living plc, in a share for share exchange.

GCP Bloomsbury Limited, incorporated 21 February 2017, was dormant until 5 April 2017, when it acquired Woburn Place. The principal activity of the company is the provision of student accommodation in line with the Group's investment strategy.

GCP Wembley Limited (formerly GCP Apex Limited), incorporated 15 June 2016, was dormant until it commenced construction of Scape Wembley. The principal activity of the company is the provision of student accommodation in line with the Group's investment strategy.

Company	Country of registration, incorporation and operation	Number and class of share held by the Group	Group holding	**Capital and reserves at 30 June 2017 £'000**	**Profit after tax for the year ended 30 June 2017**

						£'000
GCP Wembley Limited (formerly GCP Apex Limited)[2]	UK	10 ordinary shares	100%	**60,694**		**694**
GCP Brighton Limited[2]	UK	2 ordinary shares	100%	**—**		**—**
GCP Bloomsbury Limited[2]	UK	6 ordinary shares	100%	**50,550**		**602**
GCP Brunswick Limited[1,2]	UK	1,046,728,191 ordinary shares	100%	**15,390**		**638**
GCP Wembley 2 Limited (formerly GCP Brunswick 2 Limited)[1,2]	UK	2 ordinary shares	100%	**2**		**—**
GCP Holdco Limited[1,2]	UK	5 ordinary shares	100%	**301,142**		**23,796**
GCP Holdco 2 Limited[1,2]	UK	10 ordinary shares	100%	**70,234**		**1,258**
GCP Operations Limited[2]	UK	2 ordinary shares	100%	**74**		**86**
GCP RHUL Limited[1,2]	UK	4 ordinary shares	100%	**20,570**		**1,990**
GCP RHUL 2 Limited[2]	UK	2 ordinary shares	100%	**(14)**		**(14)**
GCP Scape East Limited[1,2]	UK	51,508,283 ordinary shares	100%	**91,035**		**8,123**
GCP SG Limited[1,2]	UK	4 ordinary shares	100%	**24,321**		**2,374**
GCP Topco Limited[2]	UK	3 ordinary shares	100%	**301,125**		**23,793**
GCP Topco 2 Limited[2]	UK	10 ordinary shares	100%	**70,228**		**1,253**
GCP WL Limited[2]	UK	3 ordinary shares	100%	**19,719**		**1,410**
Leopard Guernsey Greenwich Limited[1,3]	Guernsey	102 ordinary shares	100%	**28,646**		**3,129**
Leopard Guernsey Greenwich 2 Limited[1,3]	Guernsey	102 ordinary shares	100%	**1,160**		**104**
Leopard Guernsey Greenwich JV Limited[1,3]	Guernsey	103 ordinary shares	100%	**54,800**		**3,214**
Leopard Guernsey Old Street Limited[1,3]	Guernsey	100 ordinary shares	100%	**100,180**		**8,556**
Leopard Guernsey Old Street 2 Limited[1,3]	Guernsey	100 ordinary shares	100%	**629**		**384**
Old Street Acquisitions Limited[1,3]	Guernsey	450 A ordinary shares	100%	**98,785**		**8,848**
		550 B ordinary shares				

1. Indirect subsidiaries.
2. Registered office: Beaufort House, 51 New North Road, Exeter, EX4 4EP
3. Registered office: Weighbridge House, The Puller, St Peter Port, Guernsey, GY1 1WL

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 either in profit or loss or as a change to other comprehensive income.

16. Cash and cash equivalents

	30 June 2017 £'000	30 June 2016 £'000
Cash and cash equivalents	**25,808**	57,565
Subsidiary cash and cash equivalents	**29,302**	8,772
Total	**55,110**	66,337

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 2017 £'000	30 June 2016 £'000
Prepayments	**799**	254
Rent receivable	**793**	581
Amounts held on deposit	**—**	2,000
Cash held by rental agents	**1,845**	1,518
Licence fees	**1,430**	—
Lease incentives	**2,482**	1,415
Other receivables	**168**	1,099
Total	**7,517**	6,867

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 deducted from the cost of investment at completion 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 2017 £'000	30 June 2016 £'000
Property operating expenses payable	**1,715**	3,359
Finance expenses payable	**883**	425
Other expenses payable	**2,242**	2,330
Trade and other payables	**4,840**	6,114
Deferred income	**7,964**	5,235
Total	**12,804**	11,349

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 rental income on a straight-line basis over the period in which it is earned.

19. Interest bearing loans and borrowings

		30 June 2016	
	30 June 2017 £'000	New facility £'000	Previous facility £'000
Loans drawn down at the start of the year	**130,000**	—	40,000
Repayment of initial loan	**—**	—	(40,000)
Loan drawn down	**90,000**	130,000	—
Total loans drawn down	**220,000**	130,000	—
Unamortised loan arrangement fees brought forward	**(1,826)**	—	224
Loan arrangement fees for the year	**(953)**	(1,997)	(655)

Amortised in the year	**248**	171	431
Unamortised loan arrangement fees carried forward	**(2,531)**	(1,826)	—
Loan balance less unamortised loan arrangement fees	**217,469**	128,174	—

The Group has a secured facility for up to £130 million of borrowings at a fixed rate of 3.07% which is set to mature in September 2024. On 3 April 2017, the Group increased the secured facility by £40 million at a fixed rate of 2.83%, on 5 April 2017 the Group drew down the additional £40 million. On 3 April 2017 the Group secured an additional facility for up to £65 million of borrowings at a fixed rate of 2.82%, the Group drew down £50 million on 5 April 2017.

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 and the Group uses hedging or otherwise seeks 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'.

The debt facilities include loan-to-value of and interest cover covenants that are measured at a Group level. The Group has maintained significant headroom against all measures throughout the financial period and is in full compliance with all loan covenants at 30 June 2017.

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 net asset value 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 the AIFMD as at 30 June 2017, figures are as follows:

Leverage exposure	Maximum limit	Actual exposure
Gross method	155%	136%
Commitment method	155%	136%

Accounting policy

Loans and borrowings are initially recognised at 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 expenses. Transaction costs are spread over the term of loan.

20. Financial derivatives and hedging

	30 June 2017 Total £'000	30 June 2016 Total £'000
Interest rate swap at fair value:		
Fair value at start of year	**—**	(214)
Change in valuation	**—**	—
Termination of swap contract	**—**	214
Fair value of financial derivatives	**—**	—

Cash flow hedges

On 30 September 2015, the Group terminated its interest swap contract. Break costs of £214,000 were incurred and expensed within finance costs in the consolidated statement of comprehensive income in the prior year.

The Group's interest rate swap was used to hedge the exposure to the variable interest rate payments on the variable rate element of the Company's secured loans.

Derivatives are classified in Level 2 in the fair value hierarchy under IFRS 13.

Accounting policy

The Group uses interest rate swaps to hedge its risks associated with interest rates. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are recognised as an asset when the fair value is positive and as a liability when the fair value is negative.

21. Share capital

	30 June 2017 £'000	30 June 2016 £'000
Issued and fully paid:		
At the start of the year	**2,618**	1,099
Shares issued on conversion of C shares 93,725,280 ordinary shares of £0.01 each	**—**	937
Shares issued on 12 February 2016 14,074,075 ordinary shares of £0.01 each	**—**	141
Shares issued on 24 May 2016 44,085,232 ordinary shares of £0.01 each	**—**	441
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**	—
Balance at the end of the year	**3,358**	2,618

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.

22. Share premium

	30 June 2017 £'000	30 June 2016 £'000
At the start of the year	**239,653**	39,946
Shares issued on conversion of C shares	**—**	122,833
Shares issued on 12 February 2016	**—**	18,859
Shares issued on 24 May 2016	**—**	59,559
Shares issued on 20 December 2016	**22,836**	—
Shares issued on 24 February 2017	**79,988**	—
Share issue costs	**(2,244)**	(1,544)
Balance at the end of the year	**340,233**	239,653

23. Capital and reserves

Share capital

Share capital is equal to 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. On 31 July 2013, the Company by way of special resolution cancelled the value of its share premium account at that date, 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 the special reserve in the financial period ended 30 June 2014.

Share premium comprises the following cumulative amounts:

	30 June 2017 £'000	30 June 2016 £'000
Issue of share capital	**415,076**	312,252
Share issue costs	**(7,485)**	(5,241)
Share premium cancelled	**(67,358)**	(67,358)
Share premium	**340,233**	239,653

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments. At 30 June 2017, the Group's hedging reserve was £nil.

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 2017 £'000	30 June 2016 £'000
Cancelled share premium	**67,358**	67,358
Dividends paid from reserves	**(13,782)**	(8,987)
Special reserve	**53,576**	58,371

Retained earnings

Retained earnings represent the profits of the Group less dividends paid from revenue profits to date. It should be noted that unrealised gains on the revaluation of investment properties contained within this reserve are not distributable until any gains crystallise on the sale of the investment property.

Retained earnings comprise the following cumulative amounts:

	30 June 2017 £'000	30 June 2016 £'000
Total unrealised gains on investment properties	**69,827**	57,826
Total revenue profits	**20,965**	9,492
Dividends paid from revenue profits	**(20,965)**	(9,492)
Retained earnings	**69,827**	57,826

24. Net asset value per share

Basic NAV per share amounts are calculated by dividing net assets attributable to ordinary equity holders of the Company in the statement of financial position by the number of ordinary shares outstanding at the end of the year. As there are no dilutive instruments in issue, 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 2017 Pence per share	30 June 2016 Pence per share
EPRA NAV (pps)	**139.08**	136.93

The EPRA NAV may be calculated as:

	30 June 2017 £'000	30 June 2016 £'000
Net assets attributable to ordinary shareholders	**466,994**	358,468
Net assets for calculation of EPRA NAV	**466,994**	358,468
Number of shares in issue	**335,768,782**	261,795,015

25. 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 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 – Professional Standards January 2014 (incorporating the International Valuation Standards).

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 investment properties recognised in the statement of financial position by level of the fair value hierarchy[1]:

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

	30 June 2016			
Assets and liabilities measured at fair value	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment properties	—	—	424,787	424,787
Total	—	—	424,787	424,787

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	Key unobservable	Range

		technique	inputs	
Student property30 June 2017	**£575,540,000**	**Income capitalisation**	**ERV – 2016/17**	**£164 – £610 per week**
			Rental growth	**2.0% – 3.0%**
			Tenancy period	**51 weeks**
			Sundry income	**£50 -£100 per bed per annum**
			Facilities management cost	**£2,050– 2,500 per bed per annum**
			Initial yield	**4.76% – 5.75% blended**
				(4.75% – 7.50%)
Student property	£424,787,000	Income capitalisation	ERV – 2015/16	£164.50 – £430 per week
30 June 2016			Rental growth	2.5% – 3.0%
			Tenancy period	51 weeks
			Sundry income	£50 – £100 per bed per annum
			Facilities management cost	£1,950 – £2,150 per bed per annum
			Initial yield	4.75% – 5.75% blended
				(4.75% – 7.50%)

The fair value of student property as at 30 June 2017 (£575,540,000) above excludes Scape Wembley, which has been valued at the sum of land plus development costs (£59,100,000) which is 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 higher/lower 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 £11,855,000 (2016: £27,156,000) and are presented in the consolidated statement of comprehensive income 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 assets and liabilities is considered to be the same as their fair value.

26. Financial risk management objectives and policies

The Company's principal financial liabilities are long-term loans 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 £634,640,000 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. The derivative financial instruments that were held by the Company in the prior period, were all fixed terms at fixed rates with the floating elements hedged against 50% of total borrowings. The Company's exposure to market risk was limited to the remaining 50% which was not hedged.

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 relates is minimal as it has taken out a fixed rate 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 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 2017	30 June 2016

	£'000	£'000
Retention account	**308**	815
Cash and cash equivalents	**55,110**	66,337
Trade and other receivables	**7,517**	6,867
Total	**62,935**	74,019

The retention account, cash and cash equivalents are held with Barclays Bank PLC, which holds an A credit rating, with the exception of £15 million held with Landesbank-Thüringen Girozentrale (Helaba) which holds also an A credit rating.

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:

Year ended 30 June 2017	**Less than three months £'000**	**Three to twelve months £'000**	**One to two years £'000**	**Two to five years £'000**	**More than five years £'000**	**Total £'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**

Year ended 30 June 2016	Less than three months £'000	Three to twelve months £'000	One to two years £'000	Two to five years £'000	More than five years £'000	Total £'000
Interest bearing loans and borrowings	1,006	2,985	3,941	11,984	145,975	165,891
Trade and other payables	774	5,340	—	—	—	6,114
Retention account	—	—	815	—	—	815
Total	1,780	8,325	4,756	11,984	145,975	172,820

27. 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. 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. As at the year end, the Group was operating with a loan-to-value of 32% (30 June 2016: 27%).

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 agreement.

28. 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 £161,000 and at 30 June 2017, a balance of £nil (2016: £13,000) 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 Net Asset Value 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 receives an annual fee of £22,500 in relation to its role as the Company's AIFM, subject to an RPI

increase.

During the year, the Group incurred £4,667,000 (2016: £3,354,000) in respect of investment management fees, the AIFM fee and transaction management and documentation services. A total of £4,211,000 is included within administration expenses in the consolidated income statement and £451,000 is included within the share issue costs relating to shares issued during the year. As at 30 June 2017 £1,170,000 (2016: £897,000) was outstanding.

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, www.graviscapital.com/funds/gcp-student, incorporating the requirements of the AIFMD regulations.

Subsidiaries

GCP Student Living plc as at 30 June 2017 owns a 100% controlling stake, whether directly or indirectly, in GCP Topco Limited, GCP Holdco Limited, GCP Scape East Limited, GCP Brunswick Limited, GCP Wembley 2 Limited (formerly GCP Brunswick 2 Limited), GCP Operations Limited, Leopard Guernsey Greenwich JV Limited, Leopard Guernsey Greenwich Limited, Leopard Guernsey Greenwich 2 Limited, Old Street Acquisitions Limited, Leopard Guernsey Old Street Limited, Leopard Guernsey Old Street 2 Limited, GCP RHUL Limited and GCP RHUL 2 Limited, GCP WL Limited, GCP Wembley Limited (formerly GCP Apex Limited), GCP SG Limited, GCP Bloomsbury Limited, GCP Holdco 2 Limited, GCP Topco 2 Limited and GCP Brighton Limited respectively.

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

Transactions	**30 June 2017 £'000**	30 June 2016 £'000
Recharges of fund level expenses to:		
GCP Scape East Limited	**494**	285
GCP Brunswick Limited	**7**	20
Leopard Guernsey Greenwich 2 Limited	**195**	138
GCP SG Limited	**95**	51
GCP RHUL Limited	**142**	74
Leopard Guernsey Old Street 2 Limited	**670**	340
GCP WL Limited	**78**	21
GCP Wembley Limited (formerly GCP Apex Limited)	**161**	–
GCP Bloomsbury Limited	**142**	–
GCP Topco Limited	**5**	5
GCP Holdco Limited	**5**	5
GCP Operations Limited	**10**	17
GCP Topco 2 Limited	**3**	–
GCP Holdco 2 Limited	**3**	–
GCP RHUL2 Limited	**2**	–

During the year, the Company received a long-term loan of £40 million from GCP Topco Limited and subsequently granted a long-term loan of £40 million to GCP Topco 2 Limited.

Balances	**30 June 2017 £'000**	30 June 2016 £'000
Other intercompany balances due from/(to):		
GCP Topco Limited	**(41,684)**	4,182
GCP WL Limited	**(928)**	468
GCP Operations Limited	**(79)**	41
GCP Wembley Limited (formerly GCP Apex Limited)	**15,393**	–
GCP RHUL 2 Limited	**20**	–
GCP Topco 2 Limited	**38,158**	–

On 7 March 2017, GCP Bloomsbury Limited became a wholly owned subsidiary of GCP Holdco 2 Limited. Also on that date GCP Holdco 2 Limited became a subsidiary of GCP Topco Limited. GCP WL Limited became a subsidiary of GCP Holdco 2 Limited on 30 March 2017.

The following information is an analysis of the investments made by the Company during the year.

Company	**30 June 2017 £'000**
GCP WL Limited	**19,028**
GCP Bloomsbury Limited	**49,948**
Total	**68,976**

29. Events after the reporting period

On 7 July 2017, the Company issued 49,295,774 ordinary shares at a placing price of 142 pence per share, raising gross proceeds of £70 million for the Company, substantially exceeding target gross proceeds.

On 4 July 2017, the Company entered into a contract to acquire and forward fund the construction of Circus Street, Brighton. The costs of acquiring and forward funding the construction is expected to be approximately £70 million, which will be funded by the net proceeds of the placing of new ordinary shares outlined above.

Scape Wembley completed construction in August 2017 and is open to students for the 2017/18 academic year.

On 17 August 2017, the names of the Company's subsidiaries GCP Apex Limited and GCP Brunswick 2 Limited were changed to GCP Wembley Limited and GCP Wembley 2 Limited respectively.

30. 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 2017

	Notes	**30 June 2017 £'000**	30 June 2016 £'000
Assets			
Non-current assets			
Investment in subsidiary companies	3	**432,120**	305,574
		432,120	305,574
Current assets			
Cash and cash equivalents	4	**25,808**	57,565
Trade and other receivables	5	**55,482**	2,040
		81,290	59,605
Total assets		**513,410**	365,179
Liabilities			
Current liabilities			
Trade and other payables	6	**(46,416)**	(6,711)
Total liabilities		**(46,416)**	(6,711)
Net assets		**466,994**	358,468
Equity			
Share capital		**3,358**	2,618
Share premium		**340,233**	239,652
Retained earnings		**123,403**	116,198
Total equity		**466,994**	358,468
Number of shares in issue		**335,768,782**	261,795,015
NAV per share (pps)		**139.08**	136.93

The comprehensive income of the Company was £23,475,000 (2016: £28,542,000).

These financial statements were approved by the Board of Directors of GCP Student Living plc on 14 September 2017 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 2017

	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**
Profit for the year	**—**	**—**	**—**	**23,474**	**23,474**
Ordinary shares issued	**740**	**102,824**	**—**	**—**	**103,564**
Share issue costs	**—**	**(2,244)**	**—**	**—**	**(2,244)**
Dividends	**—**	**—**	**(4,795)**	**(11,473)**	**(16,268)**
Balance at 30 June 2017	**3,358**	**340,233**	**53,576**	**69,827**	**466,994**

COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2016

	Share capital £'000	Share premium £'000	Hedging reserve £'000	Special reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 July 2015	1,099	39,946	(214)	65,223	31,675	137,729
Profit for the year	—	—	—	—	28,328	28,328
Other comprehensive income that may be reclassified subsequently to profit and loss	—	—	—	—	—	—
Fair value	—	—	214	—	—	214

movement on financial derivative						
Total comprehensive income	—	—	214	—	28,328	28,542
Ordinary shares issued	1,519	201,251	—	—	—	202,770
Share issue costs	—	(1,544)	—	—	—	(1,544)
Dividends	—	—	—	(6,852)	(2,177)	(9,029)
Balance at 30 June 2016	2,618	239,653	—	58,371	57,826	358,468

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

COMPANY STATEMENT OF CASH FLOWS
For the year ended 30 June 2017

	Notes	**30 June 2017 £'000**	30 June 2016 £'000
Cash flows from operating activities			
Operating profit		**23,434**	34,811
Adjustments to reconcile profit for the year to net cash flows:			
Gains from change in fair value of subsidiary companies		**(16,599)**	(34,237)
Dividends received from subsidiary companies		**(11,119)**	(2,671)
Corporation tax paid		**(24)**	—
Net recharges from subsidiary companies		**(2,012)**	(955)
Decrease/(increase) in other receivables and prepayments		**1,970**	(2,035)
(Increase)/decrease in other payables and accrued expenses		**(218)**	1,018
Net cash flow used in operating activities		**(4,568)**	(4,069)
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	3	**(109,947)**	(130,492)
Net cash (paid to)/received from subsidiary companies		**(2,421)**	5,933
Net cash used in investing activities		**(112,368)**	(124,559)
Cash flows from financing activities			
Proceeds from issue of ordinary share capital		**103,564**	79,000
Share issue costs		**(2,244)**	(1,538)
Proceeds from the issue of C shares		**—**	16,195
C share issue costs		**—**	(2,490)
Finance income		**68**	71
Finance expenses		**(3)**	(1)
Dividends paid in the year		**(16,206)**	(8,865)
Net cash flow generated from financing activities		**85,179**	82,372
Net decrease in cash and cash equivalents		**(31,757)**	(46,256)
Cash and cash equivalents at start of the year		**57,565**	103,821
Cash and cash equivalents at end of the year	4	25,808	57,565
Non-cash items			
Long-term loan received from GCP Topco Limited		**40,000**	—
Long-term loan granted to GCP Topco 2 Limited		**(40,000)**	—

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS
For the year ended 30 June 2017

1. General information

GCP Student Living plc is a closed-ended investment company incorporated in the UK on 26 February 2013. The registered office of the Company is located at 51 New North Road, Exeter EX4 4EP. The Company's shares trade on the premium segment of the Main Market of the LSE.

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 2017. Comparative figures are for the previous accounting period, the year ended 30 June 2016.

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 and below.

3. Investment in subsidiary companies

	30 June 2017 £'000	30 June 2016 £'000
At the beginning of the year	**305,574**	140,492
Investment in subsidiary companies	**109,947**	130,845
Total acquisitions	**109,947**	130,845
Fair value gains on the revaluation of subsidiary companies	**16,599**	34,237
Total	**432,120**	305,574

Investment in and transfers of subsidiary companies

	30 June 2017 £'000	30 June 2016 £'000
Investments in subsidiary companies		
GCP SG Limited	**—**	19,047
GCP RHUL Limited	**—**	16,288
GCP Holdco Limited	**—**	76,652
GCP WL Limited	**—**	18,858
GCP Wembley Limited (formerly GCP Apex Limited)	**60,000**	—
GCP Bloomsbury Limited	**49,947**	—
	109,947	130,845
Cash items included in cash flow		
GCP Holdco Limited	**—**	76,446
GCP SG Limited	**—**	18,888
GCP RHUL Limited	**—**	16,300
GCP WL Limited	**—**	18,858
GCP Wembley Limited (formerly GCP Apex Limited)	**60,000**	—
GCP Bloomsbury Limited	**49,947**	—
Total	**109,947**	130,492

During the year, the Company invested £50 million in GCP Bloomsbury Limited to enable this company to acquire Woburn Place, and £60 million in GCP Wembley Limited (formerly GCP Apex Limited) to finance the construction of Scape Wembley.

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 2017 £'000	30 June 2016 £'000
Cash and cash equivalents	**25,808**	57,565
Total	**25,808**	57,565

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 2017 £'000	30 June 2016 £'000
Amounts due from subsidiary companies	**55,413**	—
Prepayments and other receivables	**69**	40
Amounts held on deposit	**—**	2,000
Total	**55,482**	2,040

6. Other payables and accrued expenses

	30 June 2017 £'000	30 June 2016 £'000
Amounts due to subsidiary companies	**44,533**	4,691
Other expenses payable	**1,883**	2,020
Total	**46,416**	6,711

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, amounts due to and from subsidiary companies 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, refer to note 25 to the Consolidated Financial Statements for details of underlying asset fair values.

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

	30 June 2016			
Assets and liabilities measured at fair value	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment in subsidiaries	—	—	305,574	305,574
Total	—	—	305,574	305,574

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.

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 Wednesday, 25 October 2017.

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.graviscapital.com/funds/gcp-student.

NATIONAL STORAGE MECHANISM

A copy of the annual report and financial statements and Notice of AGM 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 OF KEY TERMS

AIC	Association of Investment Companies
AIC Code	AIC Code of Corporate Governance
AIC Guide	AIC Corporate Governance Guide for Investment Companies
AIFM	Alternative Investment Fund Manager
AIFMD	Alternative Investment Fund Managers' Directive
CO_2e	Carbon dioxide equivalent
Collegiate	Collegiate Accommodation Consulting Limited – Asset and Facilities Manager for Water Lane Apartments, Bristol
Company	GCP Student Living plc
Cost of borrowing	Cost of borrowing expressed as a percentage weighted according to period drawn down
CRM	Corporate Residential Management Limited – Asset and Facilities Manager for The Pad until 31 August 2016
C shares	Convertible redeemable preference shares of one pence each in the capital of the Company
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
EPRA NAV	Includes all property at market value but excludes the mark to market of interest rate swaps
EPRA NAV per share ex-income	Net asset value after deduction of proposed dividend
EPS	Earnings per share
ERV	Estimated rental value

EU	European Union
FPP	Financial position and prospects
FRC	Financial Reporting Council
FRI	Full repairing and insuring
GHG	Greenhouse gas
Gross assets	The aggregate value of the total assets of the Company
Group	GCP Student Living plc and its subsidiaries
HEI	Higher education institution
HMRC	HM Revenue & Customs
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IPO	Initial public offering
JLL	Jones Lang LaSalle Inc
kWh	Kilowatt hour
Loan-to-value	Debt expressed as a percentage of gross assets
LSE	London Stock Exchange
MAR	Market Abuse Regulation
Migration	The migration of the Company's shares to a premium listing on the Official List, and a transfer to trading on the Premium Segment of the Main Market of the LSE, which took effect on 16 September 2016
NAV	Net asset value
Net operating margin	Gross profit divided by rental income given as a percentage figure
OECD	Organisation for Economic Co-operation and Development
PGIM	PGIM Real Estate Finance
PID	Property income distribution
Portfolio total return	Unleveraged weighted capital and income return of the investment portfolio weighted by net rental income
PPS	Pence per share
QMUL	Queen Mary University of London
REIT	Real Estate Investment Trust
Rental growth	Annual rental growth measured on a like-for-like basis across the portfolio
RHUL	Royal Holloway, University of London
RICS	Royal Institution of Chartered Surveyors
RNS	Regulatory news service
RPI	Retail price index
Scape	Scape Student Living Limited – Asset and Facilities Manager for Scape Shoreditch, Scape East, Scape Greenwich, Scape Surrey, Scape Wembley and The Pad (with effect from 1 September 2016)
SFS	Specialist Fund Segment of the Main Market of the LSE
Total shareholder return	Share price growth with dividend deemed to be reinvested on the dividend date
UCAS	Universities and Colleges Admissions Service
UK CODE	UK Code of Corporate Governance
UKLA	United Kingdom Listing Authority

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.