GCP

STUDENT

GCP STUDENT LIVING PLC

Annual report and consolidated financial statements
for the year ended 30 June 2019

Gravis

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ABOUT THE COMPANY

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

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

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

The Company has a premium listing on the Official List of the FCA and trades on the Premium Segment of the Main Market of the London Stock Exchange. The Company had a market capitalisation of £670.9 million at 30 June 2019.

IDA DESIGN AWARDS GOLD WINNER 2018

Print/Annual Report Gold Winner

aic Shareholder Communication Awards 2017 WINNER

Best Report and Accounts (Specialist)

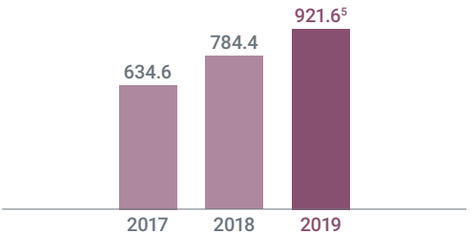
www.gcpstudent.com

London Stock Exchange Group 1000 COMPANIES TO INSPIRE BRITAIN 2019

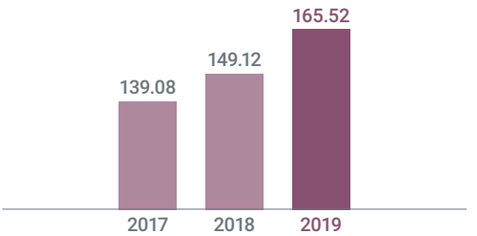
PREMIUM MAIN MARKET LONDON STOCK EXCHANGE

AT A GLANCE

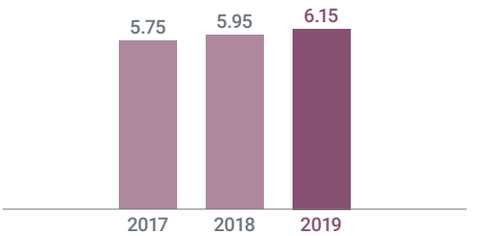
VALUE OF PROPERTY PORTFOLIO £m



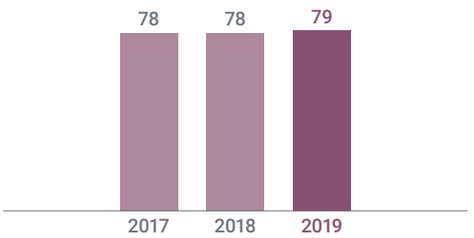
EPRA NAV[2,4] PER ORDINARY SHARE p



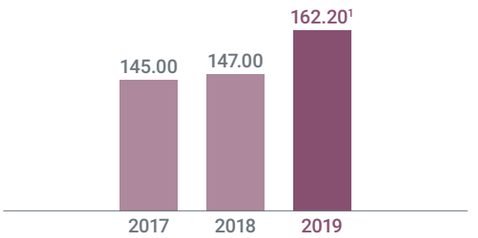
DIVIDENDS PER ORDINARY SHARE p



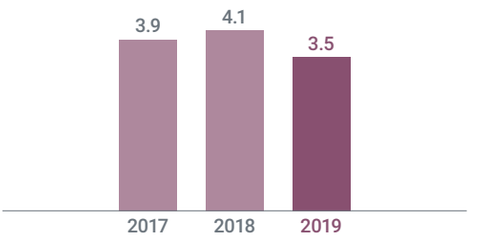
NET OPERATING MARGIN[4] %



SHARE PRICE PER ORDINARY SHARE p



STUDENT RENTAL GROWTH[4] %



HIGHLIGHTS[3]

- Annualised total shareholder return since IPO[4] of 12.9%, compared to the Company's target return of 8-10%.
- Dividends of 6.15 pence per share in respect of the year.
- Total rental income for the year of £44.4 million.
- Equity raised of £43.1 million through the placing of ordinary shares.
- New debt facilities for an aggregate amount of up to £100 million with Wells Fargo.
- Completion of the refurbishment of Scape Bloomsbury ahead of schedule for the 2018/19 academic year, providing 432 beds in London WC1.
- Second forward-funded development asset, Circus Street, Brighton, will be completed for the 2019/20 academic year, providing a further 450 beds.
- Commenced construction of Scape Brighton, which is expected to provide 555 beds for the 2020/21 academic year.
- The Company benefits from a future contractual arrangement to acquire Scape Canalside, a new-build asset located adjacent to QMUL, which the Company expects to acquire before the end of 2019.
- EPRA NAV[2, 4] (cum-income) per share of 165.52 pence and EPRA NAV (ex-income) per share of 163.96 pence at 30 June 2019.
- High-quality portfolio of eleven assets with 4,116 beds located primarily in and around London, with a valuation of £921.6 million[5] at 30 June 2019.
- The Company's properties continue to benefit from the supply/demand imbalances for high-quality, modern student facilities, with the portfolio fully occupied and student rental growth[4] of 3.5% for the 2018/19 academic year.
- Post year end the Company's operational portfolio achieved full occupancy with respect to the 2019/20 academic year, with student rental growth of 4.4%[4] year-on-year.

1. Share price at 28 June 2019.
2. EPRA NAV is equivalent to the NAV calculated under IFRS for the year.
3. The Company's financial statements are prepared in accordance with IFRS. The financial highlights above include performance measures based on EPRA best practice recommendations which are designed to enhance transparency and comparability across the European real estate sector. See glossary for definitions.
4. APM – see glossary for definitions and calculation methodology.
5. Includes lease incentives held as receivables.

INVESTMENT OBJECTIVES AND KPIs

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

TOTAL RETURN

To provide shareholders with attractive total returns in the longer term.

PORTFOLIO QUALITY

To focus on high-quality, modern, private student residential accommodation and teaching facilities primarily in and around London.

DIVERSIFICATION

To invest and manage assets with the objective of spreading risk.

KEY PERFORMANCE INDICATORS

The Company has generated an annualised total shareholder return since IPO[1] of 12.9%.

6.15p
Dividends in respect of the year

14.8%
Total shareholder return[1] for the year

The Company's investment portfolio has been fully occupied since IPO, with average annualised rental growth[1] of 3.8%.

FULL
Occupancy[1] for 2018/19 academic year

3.5%
Student rental growth[1] for the year

The Company's property portfolio comprises nine modern standing student accommodation buildings and two development assets.

4,116
Number of beds at 30 June 2019

11
Number of assets at 30 June 2019

Further information on Company performance can be found on pages 18 to 21.

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

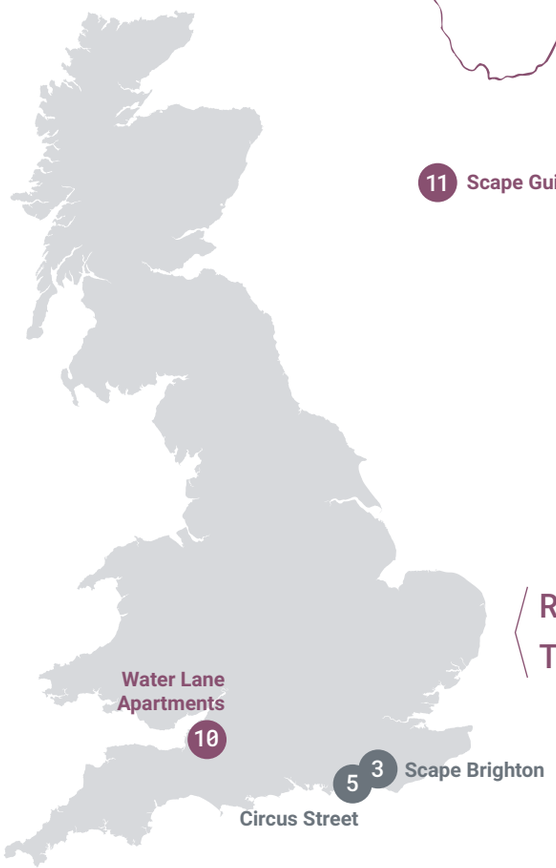
PORTFOLIO OVERVIEW

At 30 June 2019, the Company's portfolio comprised eleven assets with c.4,100 beds, providing high-quality modern student accommodation.

IN AND AROUND LONDON

Location of assets by total capital value

REST OF THE UK



BLENDED NET INITIAL YIELD

4.54%

OCCUPANCY[3]

FULL

KEY
- OPERATIONAL ASSETS
- UNDER CONSTRUCTION

For detailed portfolio information refer to page 23.

1. Formerly Scape East.
2. Formerly Scape Surrey.
3. APM – see glossary for definitions and calculation methodology.

CHAIRMAN'S STATEMENT

The Company has generated a strong set of results in both absolute and relative terms.

Robert Peto
Chairman

Introduction

On behalf of the Board, I am pleased to report on a sixth consecutive year of robust results for the Company. The focus on assets in locations which benefit from supply and demand imbalances for student accommodation, including the Company's core London market, has delivered a total shareholder return[1] of 14.8% for the year. On a relative basis, the Company has substantially outperformed the FTSE EPRA NAREIT index of UK REITs, which declined by 6.0% over the same period. The Company's annualised total shareholder return since IPO[1] is 12.9%, exceeding the 8-10% target set at launch and more than double the return of the FTSE All-Share index over that period.

The Company's performance has been underpinned by strong operational drivers including full occupancy across the portfolio and year-on-year rental growth in excess of both inflation and the national average for student accommodation. This has enabled the Company to increase its annual dividend to 6.15 pence per share from 5.95 pence per share in the prior year. In addition, the Company's investments continue to benefit from yield compression arising from competitive market demand for student accommodation assets. This has been reflected in the upward valuation of the Company's portfolio and a concomitant rise in its NAV during the year.

Investment activity

In May 2019, the Company acquired Scape Brighton, its second asset in Brighton. The property is a forward-funded development which, once construction is complete, will provide 555 beds and extensive communal areas for students with expected delivery for the 2020/21 academic year. The Company benefits from licensing fees which will provide a 5.5% coupon per annum throughout the construction phase. Scape Brighton will add to the Company's presence in the Brighton market, with the construction of Circus Street, Brighton expected to be completed ahead of the 2019/20 academic year.

The Company also benefits from a future contractual arrangement to acquire Scape Canalside, a new-build 412 bed asset located adjacent to QMUL, and in the same locality as the Company's Scape Mile End[2] asset. The property is expected to complete before the end of 2019.

Financial results

The Company has generated a strong set of results in both absolute and relative terms. The Company's investment portfolio delivered rental income of £44.4 million over the period, generating profit (including valuation gains) of £92.8 million (£18.9 million excluding valuation gains). Its EPRA NAV (cum-income) per share has increased by 11% during the year from 149.12 pence to 165.52 pence at 30 June 2019. This is against a backdrop of concerns over weakening valuations and cash flows for the UK commercial property sector.

1. APM – see glossary for definitions and calculation methodology.
2. Formerly Scape East.

Dividends

The Company has paid or declared dividends in respect of the year ended 30 June 2019 of 6.15 pence per share. The dividends were paid as 4.54 pence per share as PID and 1.61 pence per share as non-PID. The Company increased its dividend by 3.4% year-on-year.

The Board is pleased to report the substantial improvement to the Company's dividend cover, from 67% at 30 June 2018 to 85% at 30 June 2019 on an adjusted earnings basis.[1] This has been primarily driven by Scape Bloomsbury opening to students in September 2018. On the basis of a fully operational portfolio, the Board expects the dividend to be fully covered.

Financing

During the financial year, the Company raised gross proceeds of £43.1 million by way of two non pre-emptive placings of new ordinary shares. In addition, the Company secured additional debt facilities with Wells Fargo for an aggregate amount of £100 million. These facilities comprise a three-year redrawable credit facility of up to £45 million and a development facility for an amount of up to £55 million, which is repayable on 21 December 2021 (with an option to extend by a further twelve months, at the Company's discretion subject to certain conditions being met), which will be drawn over time to fund the construction of Scape Brighton.

At 30 June 2019, the Group's available banking facilities totalled £335 million. At that date its blended cost of borrowing on its drawn debt was 2.94% with an average weighted maturity of c.7 years. The loan-to-value of the Group at 30 June 2019 was 26%.

Further details of the Company's borrowing facilities are set out in note 17 to the financial statements.

The Board

The Board is pleased to welcome David Hunter, who was appointed as a non-executive Director of the Company on 1 May 2019. David brings substantial real estate experience with a long-standing track record of serving on the boards of publicly listed property investment companies, including REITs.

The Board recognises the importance of the Company operating within a framework of high standards of corporate governance, including with regard to the matter of Directors' tenure. In 2018 the Board welcomed Gillian Day as a new non-executive Director, with Peter Dunscombe stepping down having served on the Board since the Company's IPO in 2013. Looking forward, it is my intention to retire from the Board following the annual general meeting to be held in late 2020, having served as Chairman since IPO. The Board intends to appoint David Hunter as Chairman of the Company at that time. The Board believes that the above steps will deliver new insight and perspectives whilst allowing an appropriate timeframe for the passing on of knowledge and experience.

Outlook

The Company provides shareholders with access to a portfolio of private student accommodation assets which continue to benefit from strong supply and demand imbalances resulting in full occupancy, rental growth and yield compression. The selective approach adopted by the Board and Investment Manager to asset selection and the locations in which the Company operates has demonstrably benefited shareholders through strong total shareholder returns since IPO.

Since the EU referendum in 2016, the Board has repeatedly noted that the impact of Brexit remains unknown and difficult to quantify. At the time of writing, there remains considerable uncertainty as to the possible outcomes of any form of Brexit. Notwithstanding this, the attraction of the UK, and London in particular, for domestic and global students alike remains evident. The UK has some of the highest-ranking universities in the world, with three of the top ten institutions in 2019.[2] Furthermore, education remains a core sector for the UK economy, generating £95 billion and supporting nearly one million jobs.[3]

The Board and the Investment Manager continue to monitor global macroeconomic events as they relate to student numbers, including relations between the US, the UK and China which may impact the global mobility of Chinese students as well as their choice of destination.

With the number of international students in the UK continuing to rise (a substantial number of whom choose to study in and around London) the Board remains confident that the Company will continue to deliver stable NAV performance.

Robert Peto
Chairman

3 September 2019

FOR MORE INFORMATION, PLEASE REFER TO THE INVESTMENT MANAGER'S REPORT ON PAGES 12 TO 17.

1. Refer to note 3 to the financial statements.
2. Times Higher Education World University rankings 2019.
3. Universities UK 'The economic impact of universities' 2014-15.

STRATEGIC REPORT

WHAT'S IN THIS SECTION

STRATEGIC OVERVIEW
Find out more on pages 8 and 9

BUSINESS MODEL
Find out more on pages 10 and 11

INVESTMENT MANAGER'S REPORT
Find out more on pages 12 to 17

REVIEW OF THE FINANCIAL YEAR
Find out more on pages 18 to 21

PROPERTY PORTFOLIO
Find out more on pages 22 to 31

ENVIRONMENTAL, SOCIAL, GOVERNANCE
Find out more on pages 32 to 37

RISK MANAGEMENT
Find out more on pages 38 to 43

STRATEGIC OVERVIEW

The Company's investment objective is to provide shareholders with attractive total returns in the longer term.

12.9%

Annualised total shareholder return since IPO

6.15p

Dividend in respect of the year

Business model

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

Further information on the business model is set out on pages 10 and 11.

Investment objective

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

The Company may invest directly or through holdings in special purpose vehicles and its assets may be held through limited partnerships, trusts or other vehicles with third party co-investors.

Borrowing and gearing policy

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

Use of derivatives

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

Investment restrictions

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

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

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

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

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

Business and status of the Company

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

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

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

BUSINESS MODEL

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

THE THREE FUNDAMENTALS

WHERE THE ASSETS ARE LOCATED

- Primary focus in and around London
- Proximity to HEI and/or major transport hub
- High supply-side barriers

WHAT THE COMPANY BUYS

- Intelligent design to optimise long-term returns
- Large-scale assets benefiting from operating efficiencies
- Modern purpose-built accommodation

HOW THE COMPANY OPERATES

- High-specification facilities
- Hotel-level service
- Competitive pricing

CORE ACTIVITIES

INDEPENDENT BOARD

PROPERTY INVESTMENT

The Company invests 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.

Read more on pages 22 to 29.

ASSET MANAGEMENT

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 choice of Asset and Facilities Managers and the Group's employees.

Read more on pages 30 to 31.

STRONG GOVERNANCE

Read more on pages 44 to 69.

FINANCIAL MANAGEMENT

The Company uses gearing to enhance returns over the long term. The level of gearing is governed by careful consideration of the cost of borrowing. The Company may also use hedging or otherwise seek to mitigate the risk of interest rate increases.

Read more on pages 18 to 21.

REINVESTMENT/ LIFECYCLING

The Company has a dedicated lifecycle reserve held for future capital expenditure to ensure the properties are maintained at the level needed to sustain the current rents and any assumed future rental growth.

Read more on pages 18 to 21.

OUTPUTS

FINANCIAL

The Company invests in assets primarily in and around London which can deliver long-term sustainable rental growth and value. The Company has generated annualised total shareholder returns of 12.9% since IPO exceeding the target of 8-10%. The portfolio continues to deliver strong operational performance, having achieved full occupancy for the 2018/19 academic year and generating rental income of £44.4 million.

Read more in the financial review of the year on pages 18 to 21.

PHYSICAL

The Company's properties focus on intelligent design with comfort and wellbeing at their core. Making the most efficient use of space in the rooms frees up space in the building for cinemas, gyms, shared kitchens and other spaces that build communities and lifelong connections. In addition, by investing in areas that are undergoing regeneration, such as in Wembley and Brighton, the Company is helping to improve the local area and reduce pressure on housing stock.

Read more in the property portfolio section on pages 22 to 29.

SOCIAL

The Company's buildings provide the best possible spaces for residents to nurture, grow and build relationships. Students and graduates also receive help to meet potential employers and learn more about the world of work; initiatives include seminars from specialists from all fields as well as providing classes to improve skills such as languages, cookery, health and fitness.

Read more in the stakeholder engagement section on pages 52 to 55.

INVESTMENT MANAGER'S REPORT

The UK continues to attract substantial numbers of international students, with acceptances to full-time courses for the 2018/19 academic year up 4.4% year-on-year.

The UK student accommodation market

The UK remains a global leader in the provision of higher education, with some of the highest ranking universities in the world, including three in the top ten in 2019[1], making it attractive to both domestic and international students, for whom the UK is the second most popular destination for further education after the USA.

Student numbers supportive of occupancy and growth

UCAS data for the 2018/19 academic year shows total acceptances to full-time education in the UK remains broadly consistent with prior years, with the number of students applying to higher education continuing to substantially exceed the number of places available, resulting in nearly one in four of all applicants unable to secure a place in higher education, equating to c.162,000 applicants.

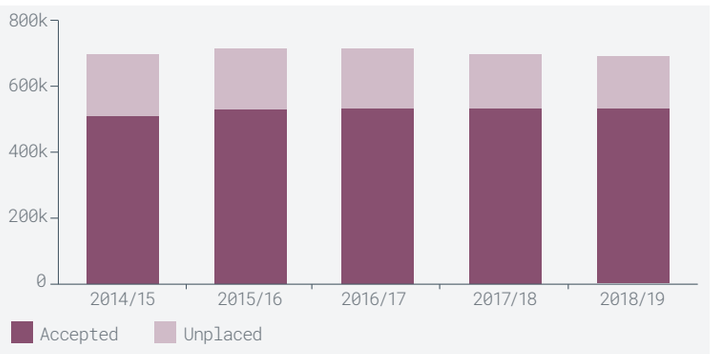
The UK continues to attract substantial numbers of international students, with acceptances to full-time courses for the 2018/19 academic year up 4.4% year-on-year. The total number of EU and non-EU international students accepted to courses in the UK is at the highest level ever seen.

Non-EU student numbers have increased by 4.9% year-on-year, with acceptances of EU students increasing 3.8% and to levels above those seen prior to the EU referendum in 2016. Initial data published by UCAS indicates that applications by EU students and non-EU students for the 2019/20 year have increased by 1.0% and 7.9% respectively on the previous year.

The number of acceptances for UK students has shown a modest year-on-year decline of 0.8% for the 2018/19 academic year. This decrease has been widely attributed to the decline in the population of 18 year-olds in the UK, which is forecast to reverse after 2020[2]. This should be considered in the wider context of entry rates for higher education which represent the proportion of the population who are placed in higher education and which, for UK 18 year-olds, has increased by 0.4 percentage points to 33% in 2018/19.[3]

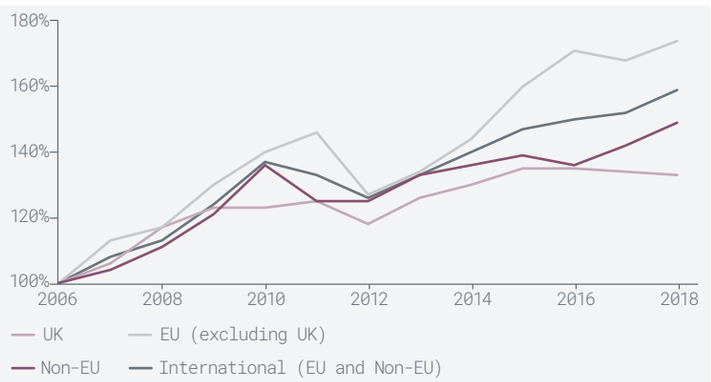
Whilst total acceptances to full-time higher education in the UK for the 2018/19 academic year remain broadly consistent with prior years, a combination of the cost of tuition and the removal of student number controls continues to benefit the top ranked universities most, suggesting a flight to quality as students increasingly view their choice of university in terms of expected future earnings.

STUDENT ACCEPTANCE RATES



Source: UCAS

GROWTH IN STUDENT ACCEPTANCES



Source: UCAS

1. Times Higher Education World University Rankings 2019.
2. The Office of National Statistics.
3. UCAS end of cycle report 2018.

INVESTMENT MANAGER'S REPORT CONTINUED

Student numbers supportive of occupancy and growth continued

Demand for full-time higher education is not evenly distributed across the UK, with certain locations attracting greater demand for places from domestic and international students alike. Demand for courses in London remains strong. London is home to 23 universities, with more universities ranked in the top 40 by The Times Higher Education World University Rankings than any other city in the world. Approximately one-third of the 2.3 million students in the UK study in London and the south east of England.[1]

International students favour London as a destination for higher education; a quarter of all international students in the UK choose to study in London. With 87% of the Company's portfolio located in and around London and 77% of its tenants being international students, current market dynamics are strongly supportive of the Company's investment objective and underpin its continued ability to deliver fully occupied assets with long-term rental growth prospects. These demand dynamics are also in play in the Brighton market, which is home to both the University of Sussex (a UK top 20 university) and the University of Brighton, with in aggregate c.32,000 students, including c.8,000 international students. The city is also home to two of the largest English language foundation course providers in the UK.

Strong supply-side barriers

The supply of private student accommodation varies substantially across the UK, with increasing divergence of investment returns between those cities with an undersupply of student housing resulting from restrictive planning and/or limited land availability, and those with less restrictive planning regulations.

The Investment Manager targets markets which suffer from a structural undersupply of private student residential accommodation. Severe undersupply in London, driven by high land values and a challenging planning environment, means that it remains more restricted than the UK average in terms of the number of beds per student. Brighton, like London, also remains severely undersupplied, primarily due to a restrictive planning environment which means that currently only c.700 beds have been consented for private development in Brighton, excluding the Company's Scape Brighton and Circus Street properties.

Based on current provision rates, London is undersupplied by c.35,000 beds[2]. Further, modern student accommodation is in short supply, with an estimated two-thirds of existing university beds in London being more than 17 years old.

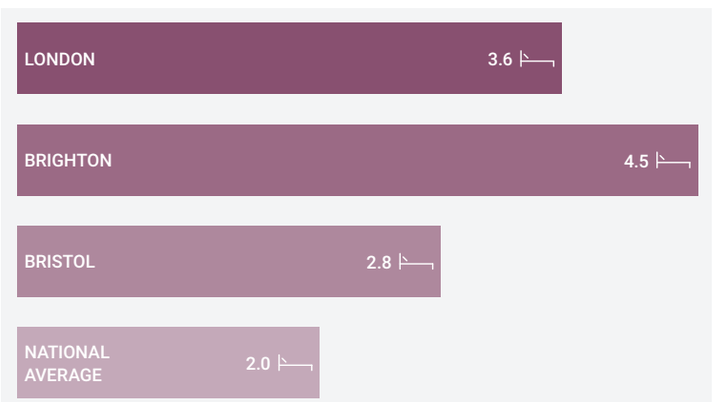
The extent of undersupply is likely to be compounded by the slowing pace of the delivery of new student accommodation developments in London. The number of beds delivered in London in 2017/18 represented the lowest rate of growth for more than a decade. In addition, the development pipeline for new schemes remains constrained, with the development pipeline having decreased by 41% in the last three years and increasingly focused on developments outside central London, as illustrated by the decrease in the percentage of pipeline developments located in London Zone 1 from 36% in 2014/15 to only 12% in 2017/18.

The beneficial impact of these supply-side barriers on the Company's portfolio, coupled with strong demand for accommodation in its assets, is reflected by the valuation increases and rental growth achieved since its IPO in 2013.

Transactional activity

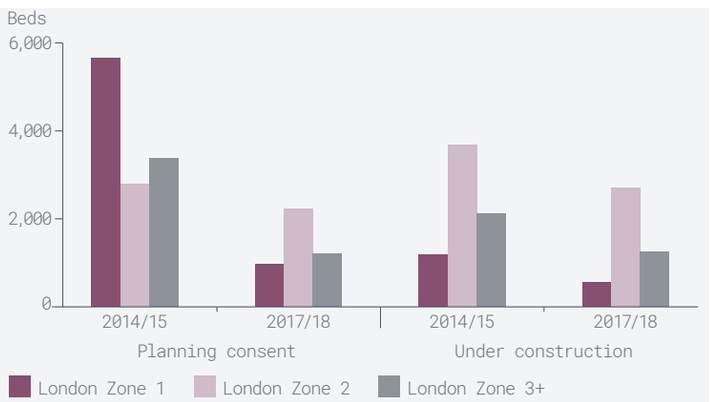
Investment volumes exceeded £3.2 billion in 2018. At the date of this report, the Investment Manager estimates that there is a further c.£2 billion of stock on the market. Overseas and institutional buyers continue to dominate the market for UK student residential assets.

STUDENTS PER BED RATIO



Source: HESA.

CHANGES TO DEVELOPMENT PIPELINE 2014/15–2017/18



Source: JLL.

1. HESA.
2. JLL London Student Housing.

Notable transactions in 2018/19 include the acquisition by Allianz of a £350 million holding in the £1.5 billion Chapter portfolio, comprising c.5,100 beds in and around London, at an estimated yield of 4.00%, and the acquisition by Chapter of a c.460-bed asset in Shoreditch at an estimated yield of 3.75%.

Such investment activity, combined with the anticipated impact of the new London Plan (see the Q&A section on pages 16 and 17) continues to drive yield compression across the London market. This is reflected in the increased valuation on a like-for-like basis of the Company's portfolio during the year under review.

Portfolio performance update

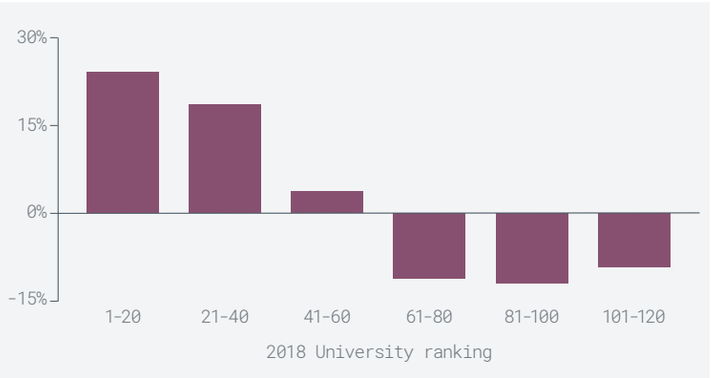
The key drivers of the Company's returns are based on the three fundamentals shown on page 10, which form the basis of how the Investment Manager seeks to add value over the long term. The Company's portfolio continues to perform in line with the Investment Manager's expectations. The operational properties are fully occupied with respect to the 2018/19 academic year. The portfolio generated rental income of £44.4 million for the year to 30 June 2019 and average rental growth of 3.5% year-on-year.

Post year end, the operational portfolio is fully occupied for the 2019/20 academic year, with year-on-year student rental growth of 4.4%.

The Company is able to achieve strong rental growth through its focus on markets benefiting from strong supply and demand imbalances and the location of its assets, all of which are within a ten-minute walk of an HEI or major transport links. In the year under review, the Company has achieved strong NAV growth driven by a like-for-like portfolio valuation uplift of 10.3%. The external market valuation of the portfolio was £921.6 million at 30 June 2019. The valuation uplift for the year has been driven by rental growth, full occupancy and yield compression across the portfolio, with notable valuation uplifts on Scape Bloomsbury of £18.7 million, Scape Shoreditch of £15.9 million and Scape Mile End[1] of £15.5 million.

The blended net initial yield of the Company's operational portfolio at 30 June 2019 was 4.54% (30 June 2018: 5.04%). London continues to attract the attention of institutional and sovereign wealth fund investors, with competitive market activity for private student accommodation assets further driving yield compression, which has positively impacted the valuation of the Company's assets. As detailed on page 3, 87% of the Company's portfolio by value is located in and around London. During the year under review, the comprehensive refurbishment of Scape Bloomsbury was completed ahead of schedule, with the property open to students for the beginning of the 2018/19 academic year, providing 432 beds in London WC1.

CHANGE IN STUDENT APPLICATIONS BY RANKING OF UK UNIVERSITIES (2012-2018)



Sources: UCAS, Complete University Guide.

The planning consents for this property permit occupation by non-students outside of the academic year, which the Investment Manager believes will enable the Company to benefit from additional revenue given the location of this asset and demand for hotel-like accommodation in London over the summer months.

The forward-funded construction of Circus Street, Brighton continues in line with the Investment Manager's expectations and is expected to open for the 2019/20 academic year. Circus Street will provide 450 beds in addition to c.30,000 sq ft of commercial office space, which is expected to complete in Q2 2020. The student accommodation will be let on a 21-year lease, with annual uplifts of RPI plus 50 basis points, capped at 5% and floored at 2%, to a subsidiary guaranteed by Kaplan Inc, a global education provider.

Outlook

The Company provides shareholders with a property portfolio which continues to benefit from supply and demand imbalances for student residential accommodation in its core markets. The attraction of these core markets for owners of private student residential accommodation remains evident, as demonstrated by the occupancy levels, rental growth and yield compression seen across the Company's portfolio.

The Investment Manager believes investment demand is increasingly selective, with the weight of institutional capital focusing on the supply of 'core' locations with attractive supply and demand characteristics. This is illustrated by the substantial yield differential between private student residential accommodation assets in and around London and in super prime regional locations such as Brighton as compared to those located in secondary and tertiary regional locations. It is the Investment Manager's belief that this trend is likely to continue, particularly in those locations where local government policy may further limit the development in future of private student accommodation, which is further discussed under the Q&A section on pages 16 and 17.

The combination of increasing demand for higher education in the locations in which the Group's assets are located and ongoing supply constraints should continue to support occupancy, rental growth and property valuations across the Company's portfolio going forward.

1. Formerly Scape East.

Q&A
WITH THE INVESTMENT MANAGER

The government has indicated that it will seek to increase the number of international students studying in the UK by more than 30%.

Nick Barker
Director, Gravis Capital Management Limited

Q:

What is your view on the impact of Brexit on EU student numbers in the UK?

A:

The potential impact of Brexit (no deal or otherwise) on the number of students from the EU choosing to pursue higher education in the UK remains highly topical. In our view it remains too early to determine what the impact of Brexit will be on EU student numbers in the UK. What we can point to are the number of acceptances for EU students coming to the UK since the Brexit vote in 2016 and which suggest the vote has had no adverse impact on the numbers of EU students accepted into HEIs in the UK.

In respect of tuition fees, currently £9,250 for domestic and EU students, EU students will continue to be eligible for 'home fee status' for courses commencing in the 2019/20 or 2020/21 academic years. Thereafter, should tuition fees for EU students be brought in line with those incurred by non-EU students (currently c.£12,000 plus) we remain confident that the impact on EU student numbers will remain low.

Our assessment particularly takes into account the context of why EU students come to the UK – for an education delivered in the English language – and the primary alternative destinations such as the US, Canada and Australia, and their respective comparative costs. Further, any material depreciation in the value of Sterling against the Euro as a consequence of a no deal Brexit would reduce the cost of an education in the UK for those whose home currency is the Euro.

We remain confident that the UK, and London in particular, will continue to be a global leader for the provision of higher education for the foreseeable future. Given the international standing of the HEIs in London, and its wider cosmopolitan appeal, we believe the Company is well positioned to benefit from the severe shortage of supply for private student accommodation coupled with increasing numbers of international students choosing to study in London should a no deal Brexit result in a material decline to EU student numbers coming to the UK.

Q:

How is government policy impacting the sector?

A:

Changes to government policy on immigration affecting the number of international students allowed to study in the UK and on how higher education is funded can both impact overall student numbers. In our view the current direction of travel as regards government policy is strongly supportive of the UK higher education sector and, more specifically, international student numbers.

In March 2019 the UK government published a new International Education Strategy which outlines its plans to increase student numbers and income generated from international education. The government has indicated that it will seek to increase the number of international students studying in the UK by more than 30% by 2030, which is expected to increase the income generated for the UK by education exports to £35 billion. The Shadow Education Secretary has also recognised the importance of education as a key UK export and has suggested a Labour government would be strongly supportive of international students coming to the UK.

The government-commissioned Augur Review for higher education was published in May 2019. The review highlights a number of policy recommendations which seek to increase the opportunities for post-18 education for everyone, including through a reduction in tuition fees from £9,250 to £7,500 and the extension of the loan repayment period from 30 to 40 years. Should the recommendations be implemented, we believe there may be a resultant increase to domestic student numbers and/or greater levels of spending available for such students to spend on accommodation.

In the Company's core market, the new London Plan which is expected to be introduced by the Mayor of London in late 2019 is expected to create additional barriers to the development of student schemes. We believe this may materially enhance the value of existing schemes, including those in the Company's portfolio, and further restrict new development in London.

Q:

Where do you see growth opportunities for the Company going forward?

A:

Neither the Investment Manager nor the Board set a growth target for the Company. To date, assets have been reviewed and, if appropriate, acquired on the basis of our assessment of their contribution to rental growth and the Company's total return profile over the long term. We have been highly successful in securing new, modern properties via future contractual arrangements through our relationship with Scape and its associates.

We are mindful of the benefits scale can bring to shareholders, including through operational efficiencies, portfolio diversification, reduced cost ratios and enhanced secondary market liquidity in the Company's shares. To date, the Company has built its portfolio through the acquisition of individual assets, often by means of future contractual arrangements. As the Company has grown, so too have the opportunities we see for it to participate in bids for large-scale portfolios of assets. We will continue to assess all opportunities in the context of the long-term benefits to shareholders as a whole.

In addition, we continue to see attractive opportunities in localities which demonstrate London-like characteristics in respect of supply and demand market dynamics. In addition to Brighton and Bristol, we continue to review investment opportunities in markets which we find attractive, including Bath, Cambridge and Oxford.

REVIEW OF THE FINANCIAL YEAR

The Company generated rental income of £44.4 million, paid or declared dividends of 6.15 pence per share and delivered a total shareholder return[1] of 14.8%.

Rental income

The Company achieved student rental growth[1] of 3.5% on a like-for-like basis for the 2018/19 academic year, generating rental income for the year ended 30 June 2019 of £44.4 million from the Company's property portfolio, driven by full occupancy throughout the year. Rental income has increased year-on-year principally due to the opening of Scape Bloomsbury in September 2018, which generates gross rental income of c.£9 million per annum.

Property operating costs

Property expenditure of £9.4 million was incurred during the year, which is in line with expectations. The Company's net operating margin has remained broadly stable at c.79% with the ongoing efficient management of costs by the Company's Asset and Facilities Managers.

Administration expenses

Total administration expenses of £8.8 million comprise fund running costs, including the Investment Manager's fee, Asset and Facilities Managers' fees and other service provider costs in the period. Administration costs are carefully monitored and controlled by the Investment Manager and the Board to ensure that the Company receives good value for services received.

Net financing costs

Net finance costs of £7.3 million in the year principally comprise loan interest associated with the Company's financing arrangements. These costs have increased year-on-year due to the Company entering into and drawing on a £45 million redrawable credit facility (refer to note 17), in line with expectations.

Profitability

Profit before tax and fair value gains on investment properties of £18.9 million was generated in the period.

Total fair value gains on investment properties through revaluation of the Company's investment portfolio were £73.9 million for the year, positively impacting operating profit and generating EPS of 22.9 pence. The adjusted EPS[1] for the period was 5.23 pence (excluding fair value gains on investment properties and adjusting for licence fees receivable on forward-funded developments).[2]

Further information on property valuations is given in note 13 to the financial statements.

Financial performance

Condensed profit and loss

	Notes	**For the year ended 30 June 2019 £'000**	For the year ended 30 June 2018 £'000
Rental income	4	**44,410**	35,790
Property operating expenses	5	**(9,364)**	(7,946)
Gross profit (net operating income)		**35,046**	27,844
Net operating margin		**79%**	78%
Administration expenses	5	**(8,808)**	(7,434)
Net finance costs	15, 16	**(7,317)**	(6,917)
Profit before tax and fair value gains on investment properties (realised profits)		**18,921**	13,493
Fair value gains on investment properties	10	**73,865**	47,565
Profit before tax for the year		**92,786**	61,058

1. APM – see glossary for definitions and calculation methodology.
2. Refer to note 3 for detailed calculation.

REVIEW OF THE FINANCIAL YEAR CONTINUED

Ongoing charges

The Company's ongoing charges ratio[1] was 1.31% for the year ended 30 June 2019, calculated in line with the AIC methodology, excluding direct property costs.

Dividends

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

In respect of the financial year ended 30 June 2019, the Company paid or declared dividends of 6.15 pence per ordinary share. The dividends were paid or declared as 4.54 pence per ordinary share as a REIT PID in respect of the Group's tax exempt property rental business and 1.61 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 2019 and at the date of this report.

Dividend cover

The substantial improvement to the Company's dividend cover this year has been driven predominantly by the opening of Scape Bloomsbury to students in September 2018. The total dividend of 6.15 pence for the year was 85% covered by adjusted EPS[1] of 5.23 pence.[2]

The Company targets a fully covered dividend over the medium term. On the basis of a fully operational portfolio, the Board expects the dividend to be fully covered.

Capital raises

The Company completed two equity capital raises in September 2018 and May 2019, raising gross proceeds of £43.1 million. The issue prices were 149.50 pence and 162.50 pence respectively. Shares issued in the September 2018 capital raise were at a 3.10 pence discount to the closing price per ordinary share on 7 September 2018 of 152.60 pence and a 1.89 pence premium to the prevailing EPRA NAV (ex-income). Shares issued in the May 2019 issue were at a 2.47 pence premium to the Company's prevailing EPRA NAV (ex-income) of 160.03 pence per ordinary share.

Cash flow generation

The Company held cash and cash equivalents of £15.5 million at the end of the financial year. A total of £25.6 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 £43.1 million, which was used in part to fund the construction of Circus Street, Brighton and Scape Brighton. The remaining cash outflows during the year 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, in line with expectations.

Debt financing

The Company's loan facilities total £335 million (of which £252.2 million was drawn at 30 June 2019). These facilities include fully drawn fixed interest rate term facilities with PGIM for an aggregate amount of £235 million, which are secured against certain of the Group's operational assets, and have an average weighted maturity of c.7 years. In addition, the Group has £100 million of floating rate borrowing facilities with Wells Fargo (of which £17.2 million was drawn as at 30 June 2019) comprising a development facility of £55 million and a £45 million redrawable credit facility. The loan-to-value of the Group at the year-end date was approximately 26%.

1. APM – see glossary for definitions and calculation methodology.
2. Refer to note 3.

Asset performance

The Company experienced 3.5% student rental growth[1] for the 2018/19 academic year and benefited from yield compression. The valuation of the Company's property portfolio has increased by £191.1 million or c.26% since the Company's IPO or its acquisition of assets. The portfolio was fully occupied for the 2018/19 academic year.

Lifecycle reserve

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

Net assets

Net assets attributable to equity holders at 30 June 2019 were £684.7 million, up from £574.2 million at 30 June 2018. The increase in net assets since the prior year end is primarily driven by the increase in the valuation of the property portfolio. At 30 June 2019, there were 413.7 million shares in issue, giving an EPRA NAV (cum-income) per ordinary share of 165.52 pence.

NAV and share price return

The Company's ordinary shares have traded at an average premium to EPRA NAV (ex-income)[1] of 4.1% since IPO, with an average discount over the financial year of 0.4%.

EPRA NAV (cum-income)[1] has increased from 149.12 pence as at 30 June 2018 to 165.52 pence per share as at 30 June 2019, an 11% increase year-on-year. Dividends of 6.15 pence per ordinary share were paid, or declared, to shareholders. At the Group level, the annualised total shareholder return since IPO[1] was 12.9%, compared to the annualised target return of 8 to 10%.

Financial performance

Condensed balance sheet

	Notes	**As at 30 June 2019 £'000**	As at 30 June 2018 £'000
Assets			
Investment property	10	**919,203**[2]	784,424
Trade and other receivables, retentions and deposits		**17,550**	11,961
Cash and cash equivalents	23	**15,509**	29,213
Total assets		**952,262**	825,598
Liabilities			
Trade and other payables, retentions and deposits		**(6,195)**	(8,491)
Deferred income	25	**(12,293)**	(10,126)
Interest-bearing loans and borrowings	17	**(249,111)**	(232,771)
Total liabilities		**(267,599)**	(251,388)
Net assets		**684,663**	574,210
Number of shares		**413,653,630**	385,064,556
EPRA NAV per share (cum-income)[1]	3	**165.52p**	149.12p
EPRA NAV per share (ex-income)[1]		**163.96p**	147.61p

1. APM – see glossary for definitions and calculation methodology.
2. Excludes lease incentives held as receivables.

PROPERTY PORTFOLIO

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

11

Number of assets
at 30 June 2019

87%

Percentage of portfolio
in and around London

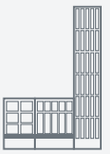
At 30 June 2019, the Company's portfolio comprised eleven high-quality, modern student accommodation buildings, of which 87% of the total capital value was located in and around London.

CURRENT

Key
1 Number of beds
2 Date of acquisition
3 Book cost
4 Valuation at 30 June 2019
5 NIY

1 Scape Mile End[1]

1	588	2	May 2013
3	£94.2m	4	£154.5m
5	4.58%		

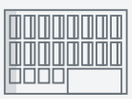


2 Scape Wembley

1	578	2	Jun 2016
3	£78.1m	4	£97.3m
5	4.85%		

3 Scape Brighton

1	555	2	Jul 2018
3	£42.1m	4	£42.1m
5	N/A		

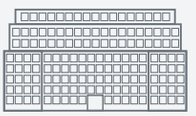


4 Scape Shoreditch

1	541	2	Sep 2015
3	£166.8m	4	£208.9m
5	4.33%		

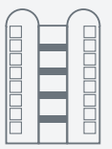
5 Circus Street

1	450	2	Aug 2017
3	£43.1m	4	£55.5m
5	N/A		



6 Scape Bloomsbury

1	432	2	Apr 2017
3	£167.3m	4	£189.6m
5	4.10%		



7 Scape Greenwich

1	280	2	May 2014
3	£40.4m	4	£58.1m
5	4.68%		

8 The Pad

1	220	2	Dec 2013
3	£28.6m	4	£33.9m
5	5.80%		

9 Podium

1	178	2	Dec 2017
3	£29.6m	4	£31.5m
5	5.65%		

10 Water Lane Apartments

1	153	2	Feb 2016
3	£18.8m	4	£21.9m
5	5.35%		

11 Scape Guildford[2]

1	141	2	Sep 2015
3	£19.1m	4	£28.4m
5	5.15%		

4,116
Number of beds

£921.6m[3]
Valuation of property portfolio

4.54%
Blended net initial yield

KEY
● OPERATIONAL ASSETS
● UNDER CONSTRUCTION

1. Formerly Scape East.
2. Formerly Scape Surrey.
3. Includes lease incentives held as receivables.

FEATURED ASSETS

SCAPE SHOREDITCH

45 Brunswick Place,
London N1 6DX

541
Number of beds

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

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

Since acquisition in September 2015, the Group has benefited from a valuation uplift of £42.1 million. The property generates c.£11 million of gross revenue per annum, through a combination of direct let tenancies and commercial income. The commercial lease at the property generates c.25% of total gross annual revenues for Scape Shoreditch.

At 30 June 2019, Scape Shoreditch was occupied by students from 46 HEIs and of 66 different nationalities, with c.86% of students coming from outside the UK.

ASSET LOCATION

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

COMMERCIAL SPACE

The commercial facilities are let to WeWork on a 15-year fully repairing and insuring lease. WeWork is a global provider of shared workspaces. The typical member is an entrepreneur who is working on an early-stage idea, predominantly in the creative industries. Scape partners with WeWork to give students a platform to meet potential employers, sharpen their skills and gain valuable experience. Students also gain exclusive access to an ever-growing list of internships available at start-ups.

FEATURED ASSETS

SCAPE BLOOMSBURY

19-29 Woburn Place,
London WC1H 0AQ

432
Number of beds

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

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

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

The refurbished property opened to students for the 2018/19 academic year, providing 432 beds in London WC1. The asset is currently fully occupied generating c.£10 million in gross revenue per annum, through a combination of long-term contracts and short-term lets. The acquisition of the property has been both earnings and dividend cover accretive to the Company, generating a valuation uplift of £9.9 million at completion of the refurbishment in August 2018 and £18.7 million for the year to 30 June 2019.

At 30 June 2019, Scape Bloomsbury was occupied by students from 28 HEIs and of 55 different nationalities, with c.88% of students coming from outside the UK.

ASSET LOCATION

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

SHORT-TERM LETS

The property has the benefit of an approved 'C2 Residential Institutions' planning consent outside of the academic year, enabling the Asset and Facilities Manager to let the property under short-term lets to non-students who would traditionally take hotel, hostel or serviced accommodation in a location heavily used by tourists during the summer months.

FEATURED ASSETS

SCAPE BRIGHTON

Lewes Road,
Brighton BN2 4GL

555
Number of beds

Scape Brighton was acquired by the Company in May 2019, under a contract to acquire and forward fund its construction.

Scape Brighton is a large-scale development with planning consent for the construction of purpose-built private student accommodation located on the primary campus of the University of Brighton and less than ten minutes from the University of Sussex.

Once constructed it will provide c.555 beds and extensive communal areas with c.1,500 sq ft of retail space. It is currently expected that Scape Brighton will be operational for the 2020/21 academic year. The Company will benefit from licensing fees which will provide a c.5.5% per annum coupon through the construction phase. It is currently expected that the construction of Scape Brighton will continue to be funded through the Company's development facility.

Brighton, like London, is structurally undersupplied with c.7,800 beds available to students, of which only c.500 beds are in direct let, private purpose-built student accommodation. Looking forward, restrictive planning on further private student accommodation developments means that currently only c.700 beds have been consented for private development, excluding Circus Street and Scape Brighton. These supply and demand dynamics make Brighton a highly attractive market which the Investment Manager believes shares many of the attractions of the London market.

CIRCUS STREET

5 Market Square, Circus Street, Brighton BN2 9AS

450
Number of beds

Circus Street is a private student residence located in Brighton. The scheme was forward funded by the Company and is due to complete for the 2019/20 academic year.

Circus Street is the Company's second forward-funded development asset, following on from the successful completion of construction of Scape Wembley. The property provides 450 beds and 30,000 sq ft of commercial office space in a prime Brighton location ahead of, and during, the 2019/20 academic year respectively.

The student accommodation is contracted on a 21-year lease, with annual uplifts of RPI plus 50 basis points, capped at 5% and floored at 2%, to a subsidiary guaranteed by Kaplan Inc, a global education provider. The Company has benefited from a licensing fee providing a 5.5% coupon on drawn funding through the construction phase.

ASSET LOCATIONS

The city of Brighton is home to both the University of Sussex (a UK top 30 university) and the University of Brighton, with in aggregate c.32,000 students, including c.8,000 international students. The city is also home to two of the largest English language foundation course providers. The buildings are situated in prime locations. Scape Brighton is located on the primary campus of the University of Brighton. Circus Street is located in the heart of Brighton city centre, within short walking distance of its iconic pier, shopping district and transport links.

THE ASSET AND FACILITIES MANAGERS

The living experience forms a mainstay of each student's university life. 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.

COLLEGIATE

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

scape

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

In 2012, the first Scape building, Scape Mile End[1], was launched in London. Today, Scape designs, builds and operates buildings for students across the globe, with over 18,000 beds in operation or under development.

The Company has been highly successful in securing new, modern purpose-built properties through its relationship with Scape.

1. Formerly Scape East.

"We know that the better we take care of students today, the better they will take care of tomorrow; their wellbeing remains the top priority throughout all of our planning, the focal point of our internal training and the driving force behind all our teams".

Tom Devaney,
Global COO

Focus on service and student wellbeing

Personal touches underpin Scape's student welfare initiatives such as offering pre-arrival familiarisation and 24 hour support, to personalised wellbeing and health and lifestyle events. Trained staff provide consistent student welfare that is at the forefront, driving both individual and collective responsibility across the business.

Exceptional events to create opportunities

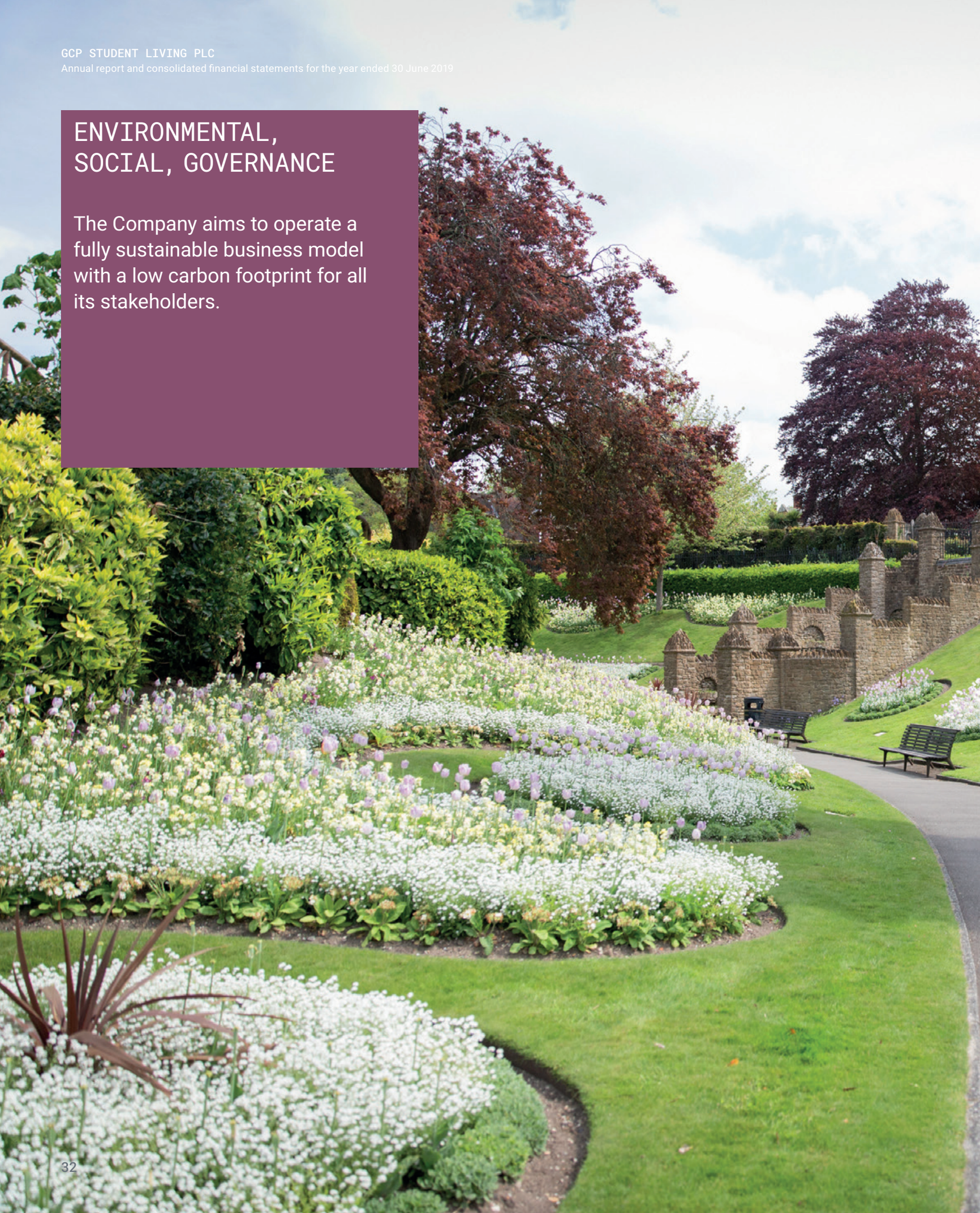
Scape believes that careers start before degrees finish. By creating events that enrich residents' experiences, skills are developed that open doors for life after university. Their Future Shapers series invites students to pitch their ideas to a panel of entrepreneurial judges, with exclusive partnerships with WeWork and Inspiring Interns & Graduates, read more on page 52.

Award-winning provider of student living

Every Scape operated building is expertly shaped around the students who call it home. From the design and layout to the materials and finish, the rooms are designed to give students everything they need in the smartest way possible. By making the most efficient use of space in the rooms, it frees up space for the cinemas, gyms, shared kitchens and other spaces that build communities and lifelong connections.

ENVIRONMENTAL, SOCIAL, GOVERNANCE

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



Responsible investment

The Investment Manager is a signatory to the UN Principles for Responsible Investment ("UNPRI"). The UNPRI, established in 2006, is a global collaborative network of investors working together to put the six Principles for Responsible Investment into practice. The principles are a voluntary and aspirational set of investment principles for incorporating ESG issues into investment practice. More information can be found on the UNPRI website: www.unpri.org.

The Investment Manager has established a dedicated sustainability committee to assess ESG issues and integrate sustainability across its business, including the embedding of responsible investing policies in its investment management processes.

1000 Companies to Inspire Britain

The Company was listed in the London Stock Exchange Group's 1000 Companies to Inspire Britain 2019 publication, a celebration of some of the fastest-growing and most dynamic small and medium-sized enterprises ("SMEs") in the UK. The report tells a fantastic story about the ability of British businesses to thrive in the face of a challenging environment and celebrates some of the most exciting new SMEs in the UK.

Environmental impact

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

Scape encourages sustainable living through communications with advice on recycling, energy saving and transportation. This year, a key focus was the issue of single use plastic.

Scape commissioned 600 limited edition reusable water bottles featuring bespoke artwork which were given out to encourage students and staff to reduce plastic use. Students were invited to exchange their plastic bottle for a reusable one, which gave front of house staff the opportunity to engage with them on the issue.

The initiative helped students to live in a more sustainable way, consider the environment and also drink more water. The statistics below demonstrate how much of a difference a simple switch can make.

In addition to environmental campaigns, Scape also worked with The Student Energy Project to educate their residents on how to live a more energy efficient life, with on-site campaigns and email communications.

The environmental impact of this campaign helped to save c.105,000 plastic bottles, the equivalent of:

2,528 kg
plastic waste

7,585 kg
CO_2 emissions

45
barrels of oil

"When our residents said that eliminating single use plastic and recycling was a priority for them, we listened. It has been very rewarding to see the positive reception of this initiative and seeing the students enjoy using the Scape water bottles".

Neil Smith,
Managing Director, Scape

ENVIRONMENTAL, SOCIAL, GOVERNANCE CONTINUED

Sustainable buildings

The Group's environmental sustainability measures include the use of highly efficient combined heat and power ("CHP") systems, ground source heat pumps and intelligent interior heating and lighting to minimise GHG emissions. CHP is a highly efficient process that captures and utilises the heat that is a by-product of the electricity generation process. By generating heat and power simultaneously, CHP can reduce carbon emissions by up to 30% compared to the separate means of conventional generation via a boiler and power station.

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 2019, 702 tonnes of property waste has been diverted from landfill, with Scape procuring the conversion of 86% of all property waste into renewable energy and 14% into national recycling schemes. The property waste has been recycled into various consumer products such as cups and bottles and converted into renewable energy, with approximately 330,000 kWh of electricity being generated during the year.

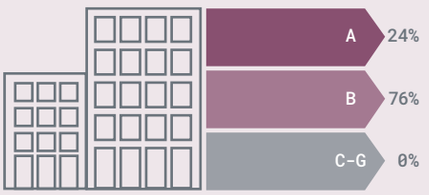
Energy efficiency

The Company's buildings are either constructed, or acquired as newly operational properties, and therefore conform to the Company's requirements for the highest standards of energy efficiency. The properties are designed with this in mind, with 100% of the portfolio EPC rated B or above.

At Scape Mile End the Asset and Facilities Manager is in the process of replacing all existing fluorescent lighting with LED lighting to improve energy efficiency across the building. Energy consumption for a fluorescent lamp is up to ten times the usage of LED equivalents and therefore significant financial savings can be achieved by upgrading building light fittings.

An energy performance certificate ("EPC") is required by law whenever a building is bought, sold or rented. An EPC is a key measure of an asset's energy efficiency, and grades the property from A (most efficient) to G (least efficient).

The Company portfolio (by gross internal area) is rated as follows:



At 30 June 2019.

ENERGY AND CARBON DATA

Greenhouse gas emissions

Carbon emissions data	**Year ended 30 June 2019**	Year ended 30 June 2018
Absolute energy use:		
Residential gas (kWh)	**8,781,918**	9,356,436
Residential oil (kWh)	**—**	—
Residential electricity (kWh)	**5,851,542**	5,701,264
Absolute CO_2e emissions (tonnes CO_2e)	**3,110**	3,335
Residential gas emissions (tonnes CO_2e) (Scope 1)	**1,615**	1,721
Residential oil emissions (tonnes CO_2e) (Scope 1)	**—**	—
Residential electricity emissions (tonnes CO_2e) (Scope 2)	**1,496**	1,614
Total residential emissions (tonnes CO_2e) (Scopes 1+2)	**3,110**	3,335
CO_2e emissions per sq ft	**0.0036**	0.0043
Residential gas and oil emissions (tonnes CO_2e/sq ft) (Scope 1)	**0.0019**	0.0022
Residential electricity emissions (tonnes CO_2e/sq ft) (Scope 2)	**0.0017**	0.0021
Total residential emissions (tonnes CO_2e/sq ft) (Scopes 1+2)	**0.0036**	0.0043

Methodology/notes:

The principal methodology used to calculate the emissions reflects the UK Government's Environmental Reporting Guidelines (2019 version). The Company has reported on all the emission sources required under the Regulations. An operational control approach was used to define the Company's organisational boundary and responsibility for GHG emissions. The Company owns 100% of the property assets it operates and has therefore reported on that basis. All material emission sources within this boundary have been reported upon, in line with the requirements of the Regulations.

Impact area	**EPRA code**	Units of measure	Indicator	**30 June 2019**	30 June 2018
Total electricity consumption	**Elec-Abs**	Annual kWh	All properties	**5,851,542**	5,701,264
Like-for-like total electricity consumption	**Elec-Abs-Lfl**	Annual kWh	All properties	**5,752,917**	4,873,169
Total district heating and cooling consumption	**DH&C-Abs**	Annual kWh	All properties	**1,077,590**	1,202,730
Total fuel consumption	**Fuels-Abs**	Annual kWh	All properties	**14,633,460**	15,057,700
Like-for-like total fuel consumption	**Fuels-Abs-Lfl**	Annual kWh	All properties	**14,455,981**	12,331,536
Building energy intensity	**Energy-Int**	kWh/appropriate denominator	All properties	**3,555**	4,229

Methodology/notes:

Total consumption on an absolute basis has increased year-on-year due to Scape Bloomsbury becoming operational.

Like-for-like data Scape Bloomsbury has been excluded in the current year like-for-like data to ensure a comparable portfolio year-on-year. The asset became operational part way through the current reporting year.

District heating Scape Greenwich is the only property with district heating and cooling systems and therefore consumption and like-for-like data is identical.

Appropriate denominator Consumption per bed has been chosen as the denominator.

ENVIRONMENTAL, SOCIAL, GOVERNANCE CONTINUED

ENERGY AND CARBON DATA CONTINUED

Impact area	EPRA code	Units of measure	Indicator	30 June 2019	30 June 2018
Total direct GHG emissions	**GHG-Dir-Abs**	Annual metric tonnes CO_2	All properties	**3,110**	3,335
GHG emissions intensity from building consumption	**GHG-Int**	Tonnes CO_2/ appropriate denominator	All properties	**0.8**	0.9

Methodology/notes:

Appropriate denominator Consumption per bed has been chosen as the denominator.

Impact area	EPRA code	Units of measure	Indicator	30 June 2019	30 June 2018
Total water consumption	**Water-Abs**	Annual cubic metres	All properties	**197,016**	169,329
Like-for-like total water consumption	**Water-Abs-Lfl**	Annual cubic metres	All properties	**179,843**	114,279
Building water intensity	**Water-Int**	Annual metres	All properties	**47.9**	47.6

Methodology/notes:

Like-for-like data Scape Bloomsbury has been excluded in the current year like-for-like data to ensure a comparable portfolio year-on-year. The asset became operational part way through the reporting year.

Appropriate denominator Consumption per bed has been chosen as the denominator.

Impact area	EPRA code	Units of measure	Indicator	30 June 2019		30 June 2018	
Total weight of waste by disposal route	**Waste-Abs**	Annual metric tonnes and proportion by disposal route	Tonnes of waste	**705**	**100%**	551	100%
			Waste to energy	**604**	**86%**	458	83%
			Waste to landfill	**3**	**0%**	3	0%
			Waste to recycling	**98**	**14%**	90	16%
Like-for-like total weight of waste by disposal route	**Waste-Abs-Lfl**	Annual metric tonnes and proportion by disposal route	Tonnes of waste	**613**	**100%**	463	100%
			Waste to energy	**525**	**86%**	390	84%
			Waste to landfill	**3**	**1%**	3	1%
			Waste to recycling	**85**	**14%**	70	15%

Methodology/notes:

Like-for-like data Scape Bloomsbury has been excluded in the current year like-for-like data to ensure a comparable portfolio year-on-year. The asset became operational part way through the reporting year.

SOCIAL PERFORMANCE MEASURES DATA

				30 June 2019		30 June 2018	
Impact area	**EPRA code**	Units of measure	Indicator	**Female**	**Male**	Female	Male
Employee gender diversity	**Diversity-Emp**	Number of employees	Board of Directors	**2**	**3**	2	3
			Senior management	**2**	**3**	2	5
			Employees	**64**	**57**	72	49
			Total	**68**	**63**	76	57
Gender pay ratio	**Diversity-Pay**	Percentage differential	**All employees**	**-15.1%**	**+15.1%**	-13.2%	+13.2%

Impact area	**EPRA code**	Units of measure	Indicator	**30 June 2019**	30 June 2018
Employee training and development	**Emp-Training**	Average hours per annum	All employees	**8.3**	6.2
Employee performance appraisals	**Emp-Dev**	Percentage of employees	All employees	**100%**	100%
New hires and turnover	**Emp-Turnover**	Percentage of employees	All employees	**71%**	53%

Methodology/notes:

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. GCP Operations Limited experiences a high employee turnover rate due to the nature of the roles in the business which include temporary staff and are predominantly service based.

Impact area	**EPRA code**	Units of measure	Indicator	**30 June 2019**	30 June 2018
Employee health and safety	**H&S-Emp**	Injury rate, lost day rate, accident severity rate and absentee rate	Injury rate	**10.5%**	7.9%
			Lost day rate	**0.0%**	0.0%
			Accident severity rate	**0.0%**	0.0%
			Absentee rate	**0.7%**	1.7%
Asset health and safety assessments	**H&S-Assets**	Percentage of assets	All properties	**100%**	100%
Asset health and safety compliance	**H&S-Comp**	Percentage of assets	All properties	**100%**	100%
Community engagement, impact assessments and development programmes	**Comty-Eng**	Percentage of assets	All properties	The Company is indirectly involved in a number of social and local community initiatives via the Asset and Facilities Managers, such as initiatives to give back to the local area through sponsorship and local events. Read more on pages 52 to 55.	

RISK MANAGEMENT

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

Role of the Board

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

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

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

Internal control review

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

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

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

The following are the main features of the Group's internal control and risk management systems:

- a defined schedule of matters reserved for decision by the Board, which is reviewed by the Board at least annually;
- the audit and risk committee regularly reviews the Company's internal controls, risk management systems and risk matrix;
- the Company has defined investment criteria, as set out in the investment policy. Compliance with these criteria is regularly reviewed by the Investment Manager, particularly when considering possible new investments;
- the Board has a procedure to ensure that the Company can continue to be approved as an investment company by complying with sections 1158/1159 of the Corporation Tax Act 2010;
- the Investment Manager and Administrator prepare forecasts and management accounts which allow the Board to assess the Company's activities and to review its performance;
- contractual agreements with the Investment Manager and other third party service providers, and adherence to them, are regularly reviewed;
- the services and controls at the Investment Manager and at other service providers are reviewed annually and assurance letters are provided by service providers to the Company on an annual basis;
- the audit and risk committee receives and reviews assurance reports on the controls of all third party service providers, including the Depository, Investment Manager and Administrator, undertaken by professional service providers; and
- the Investment Manager's Risk Officer continually reviews the Investment Manager's controls in its capacity as AIFM to the Company. Risk Officer reports are submitted to the committee on a six-monthly basis.

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

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

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

Internal control assessment process

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

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

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

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

A risk matrix is in place against which the risks identified and the controls 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 to mitigate them.

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

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

RISK MANAGEMENT CONTINUED

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, it could have the potential to significantly impact the Group's ability to meet its investment objective.

RISK 1: OPERATIONAL RISK

RISK	IMPACT	HOW THE RISK IS MANAGED	CHANGE IN RESIDUAL RISK OVER THE YEAR
Reliance on the Investment Manager and third party service providers The Group relies upon the performance of third party service providers to perform its main functions. In particular, the Group depends on the Investment Manager to provide investment advice and management services. Such services, which include monitoring the performance of the investment portfolio and conducting due diligence in respect of any new investments, are integral to the Group's performance.	Failure by a third party service provider to carry out its obligations in accordance with the terms of its appointment, or to exercise due care and skill, could have a material adverse effect on the Group's performance. The misconduct or misrepresentations by employees of the Group, the Investment Manager, the Asset and Facilities Managers or other third party service providers could cause significant losses to the Group.	The performance of the Group's service providers is closely monitored by the management engagement committee of the Board, which conducts review meetings with each of the Group's principal third party service providers on an annual basis. The audit and risk committee also reviews the internal controls reports and other compliance and regulatory reports of its service providers on an annual basis. The performance of the employees within the Group is monitored by the Board of GCP Operations and Scape and considered regularly by the Board.	**Stable** The Investment Manager continues to provide adequate resource and act with due skill, care and diligence in its responsibilities as Investment Manager and AIFM to the Company. The Company's third party service providers continue to act in accordance with their obligations.
Due diligence Prior to entering into an agreement to acquire any property, the Investment Manager will perform due diligence, on behalf of the Group, on the proposed investment. The due diligence process may not reveal all the facts that may be relevant in connection with any proposed investment.	To the extent that the Investment Manager underestimates or fails to identify risks and liabilities associated with the investment in question, the Group may be subject to defects in title, to environmental, structural or operational defects requiring remediation, or may be unable to obtain necessary permits which may materially and adversely impact the EPRA NAV and the earnings of the Company.	In addition to the due diligence carried out by the Investment Manager, third party technical, insurance and legal experts are engaged to advise on specific risks to an acquisition, whether it be structured via a property-owning vehicle or a direct property acquisition.	**Stable** The Company's property portfolio has continued to perform in line with expectations, generating rental income for the year of £44.4 million.

RISK	IMPACT	HOW THE RISK IS MANAGED	CHANGE IN RESIDUAL RISK OVER THE YEAR
Concentration risk The Company's property portfolio comprised eleven assets at 30 June 2019. Substantially all of the Group's assets are currently located in and around London.	As a result of portfolio concentration, the Group may be adversely affected by events, including Brexit, which may damage or diminish London's attractiveness to students (especially overseas students) or London property values.	The Group is focused on the London market because this is where the largest supply/demand imbalance exists in the UK student accommodation market. The Investment Manager and the Asset and Facilities Managers have significant experience in the sector and continuously monitor the market and provide quarterly updates to the Board, to act as an early warning signal of any adverse market conditions ahead.	**Decrease** The Company has completed the construction of its first asset in Brighton under a forward-funding agreement and commenced construction for a second asset in Brighton. The Directors believe that Brighton demonstrates the strong supply and demand imbalances for student residential accommodation similar to the characteristics that make London attractive.
Net income and property values Occupancy, rental income and property values may be adversely affected by a number of factors, including a fall in the number of students, competing sites, any harm to the reputation of the Group or the Scape brand amongst universities, students or other potential customers, or as a result of other local or national factors, including Brexit. The failure to collect rents, periodic renovation costs and increased operating costs may also adversely affect the Group.	A decrease in rental income, occupancy and/or property values may materially and adversely impact the NAV and earnings of the Company as well as the ability to service interest on its debt facility in the longer term.	The Investment Manager will only propose to the Board those assets which it believes are in the most advantageous locations and benefit from large supply and demand imbalances that can withstand the entry of new competitors into the market. In addition, the quality of assets that the Group acquires will be amongst the best in class to minimise occupancy risk. The Investment Manager monitors the performance of the Asset and Facilities Managers and provides the Board with performance reports on a quarterly basis, including any operational or performance-related issues which could potentially have an impact on brand confidence or integrity.	**Stable** The Company's portfolio has achieved full occupancy for the sixth consecutive year and year-on-year student rental growth[1] of 3.5%.
Property valuation The valuation of the Group's property portfolio is inherently subjective, in part because all property valuations are made on the basis of assumptions which may not prove to be accurate, and because of the individual nature of each property and limited transactional activity.	Valuations of the Group's investments may not reflect actual sale prices, even where any such sales occur shortly after the relevant valuation date. Property investments are typically illiquid and may be difficult for the Company to sell and the price achieved on any such realisation may be at a discount to the prevailing valuation of the relevant investments.	The Company has entered into a valuation agreement with Knight Frank LLP to provide quarterly valuations of all of the Group's assets. Knight Frank LLP is one of the largest valuers of student accommodation in the UK and therefore has access to a large number of data points to support its valuations. In addition to this, the Board of Directors has significant experience of property valuation and its constituent elements.	**Stable** The Company invests funds with the aim of generating capital appreciation and investment income.

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

RISK MANAGEMENT CONTINUED

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

RISK 1: OPERATIONAL RISK CONTINUED

RISK	IMPACT	HOW THE RISK IS MANAGED	CHANGE IN RESIDUAL RISK OVER THE YEAR
Compliance with laws and regulations Any change in the laws, regulations and/or government policy affecting the Group, including any change in the Company's tax status or in taxation legislation in the UK (including a change in interpretation of such legislation) may have a material adverse effect on the ability of the Company to successfully pursue its investment policy and meet its investment objective or provide favourable returns to shareholders.	An increase in the rates of stamp duty land tax could have a material impact on the value of assets acquired. In addition, if the Group fails to remain a REIT for UK tax purposes, its profits and property valuation gains will be subject to UK corporation tax.	The Company has appointed Gowling WLG (UK) LLP as legal counsel, Link Company Matters Limited as Company Secretary and Deloitte LLP as tax adviser to ensure compliance with all relevant laws and regulations. The Board has ultimate responsibility for ensuring adherence to all laws and regulations, including the UK REIT regime, and monitors the compliance reports provided by the Investment Manager and other third party service providers.	**Stable** The Company's internal compliance procedures continue to operate effectively.

RISK 2: MARKET RISK

RISK	IMPACT	HOW THE RISK IS MANAGED	CHANGE IN RESIDUAL RISK OVER THE YEAR
UK property market conditions The Group's profitability depends on property values in the UK to a significant extent.	An overall downturn in the UK property market as a result of Brexit and/or other factors and the availability of credit to the UK property sector may have a materially adverse effect upon the value of the property owned by the Group and ultimately upon the NAV and the ability of the Company to generate revenues.	The Investment Manager continuously monitors market conditions and provides the Board with quarterly updates on the student accommodation market and senior debt market to act as an early warning signal of any adverse market conditions ahead.	**Stable** The valuation of the Company's property portfolio at 30 June 2019 was £921.6 million[1], representing an increase of 10.3% year-on-year on a like-for-like basis.
Government policy and Brexit Changes in government policy which adversely impact the number of students in the UK may have a material adverse impact on the Company's ability to meet its stated objectives. Further, the Group may be subject to a period of significant uncertainty when the UK leaves the EU.	Material reductions to the number of students, including international students, attending HEIs in the UK and/or material adverse impact on the value of student accommodation assets in the UK.	The Board, together with its relevant advisers, closely monitors changes in government policy in respect of UK, EU and international students.	**Increase** There continues to be considerable uncertainty around the outcome of Brexit, with negotiations with the EU ongoing.

1. Includes lease incentives held as receivables.

RISK 3: FINANCIAL RISK

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

Emerging risks

The Board notes emerging risks as a new area of focus within the 2019 AIC Code. Emerging risks include trends which are characterised by a high degree of uncertainty in terms of their occurrence, probability and their potential impact. As part of the Company's risk management processes, emerging risks are considered at the formal reviews of the Company's risk matrix. Emerging risks are by their very nature uncertain; examples include climate change, demographic trends, global financial volatility, new technologies and natural resources management, all areas which have been considered as part of the Company's risk reviews.

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

Based on their assessment and considerations, the Directors have concluded that the financial statements of the Company and the Group should continue to be prepared on a going concern basis and the financial statements have been prepared accordingly.

The Directors have also made an assessment of the viability of the Company.

Viability statement

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

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

This assessment involved an evaluation of the potential impact on the Group of these risks occurring. Where appropriate, the Group's financial model was subject to a sensitivity analysis involving flexing a number of key assumptions in the underlying financial forecasts in order to analyse the effect on the Group's net cash flows and other key financial ratios, including loan covenants.

This analysis included modelling the impact of severe but plausible downside scenarios that incorporate the principal risks or a combination of these 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 generate revenues considered to be dependable due to the inherent supply/demand imbalances of the market in which the Company operates. Additionally, the Company's leverage predominantly comprises fixed-rate facilities which mature beyond the five-year horizon. Therefore, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five-year period of their assessment.

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

Robert Peto
Chairman

3 September 2019

GOVERNANCE

WHAT'S IN THIS SECTION

BOARD OF DIRECTORS
See pages 46 and 47

THE INVESTMENT MANAGER
See pages 48 and 49

BOARD LEADERSHIP AND PURPOSE
See pages 50 to 52, 54 and 55

STAKEHOLDER MODEL
See page 53

DIVISION OF RESPONSIBILITIES
See pages 56 and 57

COMPOSITION, SUCCESSION AND EVALUATION
See pages 58 and 59

AUDIT, RISK AND INTERNAL CONTROL
See the audit and risk committee report on pages 60 to 62, risk management disclosures on pages 38 to 43 and the financial statements on pages 72 to 110

REMUNERATION
See the Directors' remuneration report on pages 63 to 66

DIRECTORS' REPORT
See pages 67 to 69

THE
KINFOLK
ENTREPRENEUR
KINFOLK

BOARD OF DIRECTORS

The Board of Directors is responsible for the long-term success of the Company and the Group.

Robert Peto

Chairman

Mr Peto is non-executive chairman of Standard Life Investments Property Income Trust Limited. He was non-executive chairman of DTZ Investment Management Limited, the regulated arm of DTZ Investors which he founded in 1992, until 2017. Mr Peto chairs a number of investment committees for property funds and is a non-executive director of Lend Lease Europe GP Limited (Retail Fund), Western Heritable Limited, Mactaggart Heritable Limited and Bath & West Enterprises Limited, the commercial subsidiary of the Royal Bath & West Society. He was Global President of RICS in 2010/11, a member of the Bank of England Property Advisory Group from 2007 to 2011, chairman of DTZ UK from 1998 to 2008 and a member of the board of DTZ Holdings plc from 1998 to 2009.

Skills and experience: Significant board level experience in the real estate sector.

Date of appointment: 9 April 2013.

Malcolm Naish

Senior Independent Director and Chair of the management engagement committee

Mr Naish is a non-executive director of Ground Rents Income Fund plc and Target Healthcare REIT Limited. He was head of real estate at Scottish Widows Investment Partnership ("SWIP") until 2012, with responsibility for a portfolio of commercial property assets spanning the UK, Continental Europe and North America, and SWIP's real estate investment management business. He qualified as a chartered surveyor in 1976 and has over 40 years' experience of working in the real estate industry. Immediately prior to joining SWIP in 2007, Mr Naish was director and head of DTZ Investment Management, where he also led new business development in the UK and international markets. He was a founding partner of Jones Lang Wootton Fund Management and UK managing director of LaSalle Investment Management. In 2002, he co-founded Fountain Capital Partners, a pan-European real estate investment manager and adviser. Mr Naish was also chairman of the Scottish Property Federation for 2010/11. He now holds a number of non-executive directorships and roles in the charity sector.

Skills and experience: Significant board level experience in the real estate sector.

Date of appointment: 9 April 2013.

Marlene Wood

Chair of the audit and risk committee

Ms Wood is a chartered accountant with a broad range of experience in both the private and public sectors and is currently a non-executive director and chair of the audit committee of RM Secured Direct Lending PLC and a non-executive director of RM ZDP PLC. She is deputy chair of the Scottish Funding Council for Further and Higher Education, chairs its finance committee and is also a member of the remuneration committee. She spent 20 years with the Miller Group, a major UK property business, predominantly as finance director for Miller Developments, the property development and investment arm, and latterly as group accounting and treasury director. Ms Wood is currently non-executive director and treasurer for One Parent Families Scotland.

Skills and experience: Substantial recent and relevant financial experience in both the private and public sectors.

Date of appointment: 23 March 2015. Chair of the audit and risk committee from 21 July 2015.

Gillian Day

Chair of the remuneration committee

Ms Day has 20 years of experience in finance, advising a broad range of private and public companies across a number of sectors and working extensively with institutional investors, multilateral agencies and governments. She is currently at PwC within their Sustainability and Climate Change advisory group. Ms Day is a governor of The London School of Economics and a member of the finance committee. She has also served as a governor of the Museum of London and on its development board, audit and remuneration committees. She began her career at J.P. Morgan with a variety of advisory and capital markets roles in New York and London and then joined The Royal Bank of Scotland in private placements, portfolio management and corporate coverage. She was also at the European Investment Bank as member of the investment committee for the European Fund for Strategic Investment and served as Head of Private and Institutional Capital Engagement at CDC Group. Ms Day has a Masters from Columbia University's School of International and Public Affairs and a BSc in Economics from The London School of Economics and Political Science.

Skills and experience: 20 years' experience in finance in both the private and public sectors.

Date of appointment: 23 February 2018.

David Hunter

Director

Mr Hunter is a professional strategic adviser focused principally on UK and international real estate. He is on the board of both listed and unlisted companies in the UK and overseas, including as chairman of Custodian REIT PLC and ICG-Longbow (the real estate division of Intermediate Capital Group plc), senior independent director of Yatra Capital Limited and a director of Saffron India Real Estate Fund, and is adviser to French family office Quilvest. Mr Hunter was previously chairman of South African Property Opportunities Limited. He qualified as a chartered surveyor in 1978 and has over 25 years' experience as a fund manager, including as managing director of Aberdeen Asset Management's property fund business. Mr Hunter is a past president of the British Property Federation and was actively involved in the introduction of REITs to the UK. He is honorary Swedish consul to Glasgow and an honorary professor of real estate at Heriot-Watt University.

Skills and experience: Significant board level experience in the real estate sector.

Date of appointment: 1 May 2019.

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

THE INVESTMENT MANAGER

The Board of Directors has appointed Gravis Capital Management Limited to provide day-to-day investment management services to the Group.

INVESTMENT TEAM

Nick Barker
Director

Mr Barker has lead responsibility for the provision of investment advice to the Company. He qualified as a Member of RICS in 2007 whilst working at Cushman & Wakefield Investors, having previously read Investment & Finance in Property at the University of Reading. Prior to that, Mr Barker's early career also included working in property in Brazil for DTZ's local representative and subsequently Jones Lang LaSalle. Mr Barker joined the Investment Manager in 2015 from Schroder Real Estate Investment Management Limited, where he worked for eight years, being head of alternatives for the real estate business and a member of the fund management team for the Schroder UK Real Estate Fund.

Tom Ward
Director, founder

Mr Ward is part of the wider investment management team providing strategic advice to the Company and is global CEO of Scape. He qualified as a chartered accountant with Arthur Andersen LLP in 2002 and continued to work in practice with Deloitte LLP in its Corporate Finance division, focusing on asset-backed securitisation. Mr Ward joined DTZ Corporate Finance in 2004, where he spent five years in the Structured Finance team, focusing on developing, funding and structuring property transactions on student and residential accommodation. Mr Ward is one of the founding partners of the Investment Manager, where he has overall responsibility for advising on the development, structuring and acquisition of student residential and educational assets.

Harry Daws
Associate Director

Mr Daws is responsible for new asset reviews, due diligence and financing for the Group. He graduated with a first class degree in Physics from Bristol University in 2008 and subsequently trained and qualified as an Associate of the Institute of Chartered Accountants with Deloitte LLP in London, where he spent three years within Corporate Audit. Mr Daws joined the Investment Manager in 2012.

Joe McDonagh
Associate

Mr McDonagh is responsible for financial analysis, market research and providing support to the wider investment team. Mr McDonagh joined the Investment Manager from Grant Thornton, where he was part of the advisory team providing advice to clients predominately in the infrastructure and real estate sectors. He was responsible for consulting on new investments, creating bespoke financial models, performing due diligence and conducting option analysis on different funding structures for his clients. He graduated from the University of Bristol in 2013 with a degree in Chemistry and qualified as a chartered accountant. Mr McDonagh joined the Investment Manager in 2018.

FINANCIAL AND CORPORATE ADVISORY

Saira Johnston
Chief Financial Officer

Ms Johnston is Chief Financial Officer for the Investment Manager and is responsible for overseeing the finance team and liaising with client boards. She qualified as a chartered accountant with KPMG after graduating from Imperial College with a degree in Maths with Management Studies. She left KPMG in 2003 and has since worked in a range of finance roles across the real estate fund industry, including CBRE Global Investors and Morgan Stanley. Ms Johnston joined the Investment Manager in 2017 from Moorfield Group, where she was financial controller for over four years.

Dion Di Miceli
Head of Investment Companies

Mr Di Miceli has responsibility for liaising with the client boards, investors and advisers and leading product development alongside the fund managers. A member of the Chartered Institute for Securities & Investment since 2005, Mr Di Miceli qualified as a chartered accountant with Arthur Andersen LLP in 2002 and subsequently spent four years in the Investment Funds practice at Ernst & Young LLP. He joined the Investment Companies team at Cenkos Securities plc in 2007 where, as a senior corporate adviser, he worked with investment company boards and their managers advising on and structuring a broad range of transactions covering IPOs, secondary issuance, mergers and corporate reconstructions. Mr Di Miceli joined the Investment Manager in 2016.

Chloe Marlow
Head of Corporate Reporting

Ms Marlow is responsible for corporate reporting at the Investment Manager and liaising with client Boards. Ms Marlow is a qualified chartered management accountant with a broad range of experience gained in the financial services sector. Her early career was spent at Lloyds Banking Group before moving into the fund administration sector with Capita Sinclair Henderson where she was responsible for overseeing the accounting and financial reporting for a portfolio of alternative investment funds. Ms Marlow joined the Investment Manager in 2013.

Paul White
Fund Financial Controller

Mr White is responsible for overseeing the accounting and financial reporting of the Group. He joined the Investment Manager from Langham Hall, a fund administrator, where he was responsible for managing the administration of a variety of real estate clients, including a portfolio of pan-European real estate funds. Prior to this, Mr White worked as an audit senior for a medium-sized audit firm, where he completed his accountancy training. Mr White is a qualified chartered accountant and graduated from Queen's University Belfast with a degree in Accounting. He joined the Investment Manager in 2018.

BOARD LEADERSHIP AND PURPOSE

This corporate governance statement forms part of the Directors' report.

Robert Peto
Chairman

Introduction from the Chairman

I am pleased to introduce this year's corporate governance statement. In this statement, the Company reports on its compliance with the AIC Code, sets out how the Board and its committees have operated during the past year and describes how the Board exercises effective stewardship over the Group's activities in the interests of shareholders. The Board is accountable to shareholders for the governance of the Group's affairs and is committed to maintaining the highest standard of corporate governance for the long-term success of the Company.

The Company reviews its standards of governance against the principles and recommendations of the AIC Code, as published in July 2016. The Board considers that reporting against the principles and recommendations of the AIC Code, as explained by the AIC Guide, provides better information to shareholders as it addresses all the principles set out in the UK Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to investment companies, and is endorsed by the FRC. The terms of the FRC's endorsement mean that AIC members who report against the AIC Code and the AIC Guide fully meet their obligations under the UK Code and the related disclosure requirements contained in the listing rules of the FCA.

In February 2019, the AIC published a revised version of the AIC Code to reflect the changes made to the 2018 UK Code. The 2019 AIC Code will apply to accounting periods beginning on or after 1 January 2019. The Company is mindful of these changes and is reviewing its corporate governance framework to ensure compliance with the 2019 AIC Code, against which it will report for the year ending 30 June 2020.

A copy of the AIC Code and the AIC Guide can be found at www.theaic.co.uk. A copy of the UK Code can be obtained at www.frc.org.uk.

Statement of compliance with the AIC Code

Pursuant to the listing rules of the FCA, the Company is required to provide shareholders with a statement on how the main and supporting principles set out in the AIC Code have been applied and whether the Company has complied with the provisions of the AIC Code. The Board recognises the importance of a strong corporate governance culture and has established a framework for corporate governance which it considers to be appropriate to the business of the Company as a REIT and the Group as a whole.

The UK Code includes provisions relating to:

- the role of the chief executive;
- executive directors' remuneration; and
- the need for an internal audit function.

For the reasons set out in the AIC Guide, the Board considers these provisions are not relevant to the Company, being an externally managed investment company. The Company has therefore not reported further in respect of these provisions.

The Board has reviewed the principles and recommendations of the AIC Code, as published in July 2016, by reference to the AIC Guide, and considers that it has complied throughout the year, except as disclosed below:

- Directors are not appointed for a specific term as all Directors are non-executive and the Company has adopted a policy of all Directors, including the Chairman, standing for annual re-election. The Board is mindful of and will have regard to corporate governance best practice recommendations with respect to the tenure of the Chair and in future succession planning; and
- given the structure and size of the Board, the Board does not consider it necessary to appoint a separate nomination committee. The roles and responsibilities normally reserved for this committee are a matter for the full Board.

The Board of Directors

The Board of Directors is responsible for the long-term sustainable success of the Company and the Group, generating value for shareholders and contributing to wider society. The Board provides overall leadership, sets the strategic aims of the Group and ensures that the necessary resources are in place for the Company to meet its objectives and fulfil its obligations to shareholders within a framework of high standards of corporate governance and effective internal controls.

Matters reserved for the Board

The Directors have adopted a formal schedule of matters specifically reserved for their approval. These include the following:

- investment and business strategy of the Company;
- approval of annual and half-yearly reports and financial statements and accounting policies, prospectuses, circulars and other shareholder communications;
- acquisitions and disposals of student residential accommodation, and teaching facilities and/or subsidiaries of the Company;
- raising new capital and approval of major financing facilities;
- approval of the valuation of the Company's portfolio of student residential assets;
- approval of the NAV of the Company;
- approval and recommendation of dividends;
- Board appointments and removals; and
- appointment and removal of the Investment Manager, Auditor and the Company's other service providers.

Committees

The Board has established four committees to assist its operations: the audit and risk committee, the management engagement committee, the remuneration committee and the disclosure committee. Each committee's delegated responsibilities are clearly defined in formal terms of reference, which are available on the Company's website.

Audit and risk committee

The committee meets six times a year and comprises all Directors with the exception of the Company's Chairman.

The Board considers that the members of the audit and risk committee have the requisite skills and experience to fulfil the responsibilities of the committee and that the committee, as a whole, has the competence relevant to the REIT sector. The Chair of the audit and risk committee has significant recent and relevant financial experience. The audit and risk committee has direct access to the Company's Auditor, and provides a forum through which the Auditor reports to the Board. Representatives of the Auditor attend meetings of the audit and risk committee at least twice a year.

Further details about the audit and risk committee and its activities during the year under review are set out on pages 60 to 62.

Management engagement committee

The management engagement committee comprises all Directors. It meets at least once a year to review the ongoing performance and the continuing appointment of all service providers of the Company, including the Investment Manager. The committee also considers any variation to the terms of all service providers' agreements and reports its findings to the Board.

The performance of the Group's service providers is closely monitored by the committee, principally by way of individual review meetings which are conducted by the Directors with each of the Group's main service providers on an annual basis. Eight review meetings were held in the year.

A formal scoring system has been adopted by the Directors in respect of the performance of each service provider.

Remuneration committee

The remuneration committee deals with matters of Directors' remuneration. In particular, the committee reviews and makes recommendations to the Board regarding the ongoing appropriateness and relevance of the remuneration policy and Directors' fee levels and considers the need to appoint external remuneration consultants. The committee meets at least once a year and comprises all Directors.

Further details about the remuneration committee and remuneration matters are set out in the Directors' remuneration report and policy on pages 63 to 66.

Disclosure committee

The disclosure committee comprises all Directors and is chaired by Mr Peto. The committee ensures the identification and disclosure of inside information and the Company's ongoing compliance with MAR. No meetings of the committee were held during the year.

BOARD LEADERSHIP AND PURPOSE CONTINUED

STAKEHOLDER ENGAGEMENT

These relationships provide the foundation for the Group's growth and sustainability, which in return provides benefits to all parties.

Shareholders

The Company creates earnings that benefit shareholders through dividends and capital appreciation. The Board and the Investment Manager recognise the importance of shareholder relations. The Company and the Board primarily engage with investors through its corporate broker and the Investment Manager, who maintain an ongoing dialogue with shareholders through daily market interactions, shareholder presentations, investor seminars, analyst presentations, site visits and marketing presentations.

In addition, the Board engages with the Company's shareholders at the general meetings of the Company, which shareholders are encouraged to attend. The Directors make themselves available to discuss matters with shareholders outside of these formal meetings, as appropriate. Shareholders wishing to communicate directly with the Board should contact the Company Secretary at the registered office. Further dialogue with shareholders is achieved through the annual and half-yearly reports, news releases via a regulatory information service and the Company's website.

2018 annual general meeting

The 2018 annual general meeting of the Company was held on 6 November 2018. Resolutions 1 to 9 related to ordinary business and resolutions 10 to 15 related to special business as follows:

- to approve the continuation of the Company as a real estate investment trust;
- to authorise the Directors to allot shares pursuant to section 551 of the Companies Act 2006;
- to authorise the Directors to allot shares for cash pursuant to sections 570 and 573 of the Companies Act 2006 otherwise than in accordance with statutory pre-emption rights;
- to authorise the Directors to make market purchases of the Company's own shares;
- to authorise the Directors to convene a general meeting on not less than 14 clear days' notice; and
- to authorise the Company to amend the articles of association.

All resolutions were passed with in excess of 97% of votes cast in favour.

2019 annual general meeting

The annual general meeting of the Company will be held on 6 November 2019 at the offices of Gowling WLG (UK) LLP, 4 More London Riverside, London SE1 2AU.

A separate notice convening the annual general meeting has been distributed to shareholders along with the annual report, which includes an explanation of the items of business to be considered at the meeting. This notice can also be found on the Company's website. All shareholders are encouraged to attend and vote at the annual general meeting, during which the Board and Investment Manager will be available to discuss issues affecting the Company.

Students

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

The Board engages with its customers through the receipt of regular feedback from the Asset and Facilities Managers and the Investment Manager. The Asset and Facilities Managers engage with students on a daily basis, through interaction on site, regular social events and student surveys. All Scape buildings have people available 24/7 to keep students safe and secure.

Future Shapers

Scape has collaborated with WeWork Old Street, located in Scape Shoreditch, to run an annual competition, 'Future Shapers'. Students from across the Scape portfolio are invited to pitch their business ideas to a panel of entrepreneurial judges. The winner receives a desk at WeWork Old Street for a year, to start their journey as an entrepreneur and develop their idea. This provides the student with an opportunity to become part of the WeWork community and to receive guidance from other members to boost their skills. Students also gain access to network with some of the most inspirational start-ups in the city.

STAKEHOLDER MODEL

The stakeholder model below demonstrates how the Company interacts with all of its stakeholders.

SOCIETY

The Company positively impacts society through its sustainable environmental initiatives, investment in areas undergoing regeneration and local employment practices.

GCP STUDENT

Equity →
← Total returns

SHAREHOLDERS

All investors in the Company, be these institutional, such as pension funds or wealth managers, or retail, such as private individuals.

Productivity →
← Remuneration

EMPLOYEES

Everyone who is directly employed by the Group; their knowledge, expertise and skill are a major part of the Company's intangible value.

Student accommodation ↓ ↑ Rental income

Taxes ↓ ↑ Services

Payment →
← Products and services

CUSTOMERS

The students who reside in the Company's properties. For the 2018/19 academic year, the Company's operational portfolio has provided a home to c.3,100 students.

PUBLIC SECTOR

Organisations owned and operated by the UK government that exist to provide public services for society.

SUPPLIERS

Suppliers across the UK who provide a wide range of property and administrative services to the Company and its subsidiaries.

BOARD LEADERSHIP AND PURPOSE CONTINUED

STAKEHOLDER ENGAGEMENT CONTINUED

Public sector

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

Suppliers

The Group's supply chain comprises primarily UK-based suppliers or specialist contractors providing goods or services in the UK. In relation to the investment portfolio, these are mostly property management related services, such as property maintenance, lifecycle works, as well as other technical services. There are also real estate services such as development, construction and refurbishment. The Asset and Facilities Managers have overall responsibility for the procurement of property management services and provide feedback to the Board of the Company on a regular basis as appropriate. The Company also contracts professional services firms, such as the Investment Manager, legal counsel and fund administration services, all of which are based in the UK.

Employees

The Group develops and rewards people both financially and through personal development. Scape has overall responsibility for the supervision and provision of asset management services through oversight and management of the employees of GCP Operations Limited, a subsidiary of the Company. The engagement and wellbeing of employees is important to the Company. Employee research is conducted through staff forums and surveys and the results are fed back to the board of GCP Operations Limited on a regular basis.

EAP

In addition to annual appraisals, regular training programmes and employee benefit schemes, the Company's employees have access to a comprehensive employee assistance programme ("EAP") providing a support network that offers expert advice and guidance 24/7.

The EAP covers a wide range of issues, providing access to services such as counselling for emotional issues, bereavement support and legal and medical advice. Additionally, in this financial year, a training scheme on mental health was introduced to help assist staff encountering mental health issues.

Scape operates an internal recruitment scheme to provide opportunities within the business. Vacant roles are advertised internally with a focus on recruiting from within, in order to develop staff and retain the best talent, whilst continuing to attract a diverse workforce. Scape is also introducing a global exchange programme which will provide Group staff the opportunity to work at other Scape sites. An awards scheme to recognise exceptional performance of customer-facing staff is also in operation, recognising staff members who go above and beyond in their day-to-day duties.

Diversity and equality

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

Further information on the Group's diversity policy is included on page 58.

Human rights

The Group respects human rights and aims to provide assurance to internal and external stakeholders that it will carry out its affairs in accordance with the principles of the Universal Declaration of Human Rights. No human rights concerns have arisen within the Group's operations or, to the best of its knowledge, within its supply chain during the year ended 30 June 2019.

The Board is satisfied that, to the best of its knowledge, the Group's principal advisers comply with the provisions of the Modern Slavery Act 2015.

The Company positively impacts society through its sustainable environmental initiatives, investment in areas undergoing regeneration and local employment practices.

Infrastructure

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

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

London Plan

The existing London Plan recognises that London's universities make a significant contribution to its economy and labour market and considers it is important that their attractiveness and potential growth are not compromised by inadequate provision for new student accommodation.

As part of the existing London Plan, Wembley is undergoing significant investment under the £3 billion Wembley Park regeneration plan.

By investing in areas such as Wembley, the Company is helping to reduce pressure on local housing stock in the private rental sector through the construction of purpose-built student accommodation.

Social and community

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

Scape has partnered with local job centres in the vicinity of the Company's buildings to provide mentoring services to candidates, including providing advice on interview preparation and technique and guidance on how to prepare a CV. This partnership has been beneficial to both parties, with the Group being able to provide employment to three candidates.

Charity events

In May 2019, Scape teamed up with Missing People, a charity that search for missing people, during "Find Every Child Week" to raise awareness of the 80,000 children who go missing each year in the UK. They held a Q&A with students which was shared across social media channels, in addition to hosting appeal campaigns at each of the Company's properties.

Staff also supported the charity's "Big Tweet" campaign at the Twitter HQ offices in Soho, London, an online appeal for missing children. Since the campaign, 15 of the missing children featured in the appeal have since been found.

DIVISION OF RESPONSIBILITIES

The Board is responsible for the effective stewardship of the Company's affairs, including corporate strategy, corporate governance, risk assessment and overall investment policy.

THE BOARD

PURPOSE:

Responsible for the long-term sustainable success of the Company and the Group.

It provides overall leadership, sets the strategic aims of the Group and ensures that the necessary resources are in place for the Company to meet its objectives and fulfil its obligations to shareholders within a framework of high standards of corporate governance and effective internal controls.

COMPOSITION:

Chair: Robert Peto

Malcolm Naish

Marlene Wood

Gillian Day

David Hunter

BOARD COMMITTEES

Audit and risk committee

PURPOSE:
Ensures that the Group's financial performance is properly monitored, controlled and reported.

COMPOSITION:
Chair: Marlene Wood
Gillian Day
David Hunter
Malcolm Naish

See the audit and risk committee report on pages 60 to 62.

Management engagement committee

PURPOSE:
Reviews the performance and continuing appointments of the Investment Manager and other service providers.

COMPOSITION:
Chair: Malcolm Naish
Gillian Day
David Hunter
Robert Peto
Marlene Wood

Remuneration committee

PURPOSE:
Reviews the remuneration of the Directors.

COMPOSITION:
Chair: Gillian Day
David Hunter
Malcolm Naish
Robert Peto
Marlene Wood

See the Directors' remuneration report on pages 63 to 66.

Disclosure committee

PURPOSE:
Ensures the identification and disclosure of inside information and ongoing compliance with MAR.

COMPOSITION:
Chair: Robert Peto
Gillian Day
David Hunter
Malcolm Naish
Marlene Wood

Division of responsibilities

Board responsibilities

Under the leadership of the Chairman, the Board is responsible for the effective stewardship of the Company's affairs, including corporate strategy, corporate governance, risk assessment and overall investment policy. The Directors have overall responsibility for the review of investment activity and performance and the control and supervision of the Investment Manager and the Asset and Facilities Managers, including Scape, which is responsible for the day-to-day oversight of the Group's employees.

Chairman and Senior Independent Director

The Chairman is deemed by his fellow independent Board members to be independent in character and judgement and free of any conflicts of interest. He considers himself to have sufficient time to spend on the affairs of the Group. He has no significant commitments other than those disclosed in his biography on page 46.

Mr Naish is the Senior Independent Director of the Company. He acts as a sounding board for the Chairman, meets with major shareholders as appropriate, provides a channel for any shareholder concerns regarding the Chairman and takes the lead in the annual evaluation of the Chairman by the independent Directors. In the event the Company experiences a period of stress, the Senior Independent Director would work with the Chairman, the other Directors and/or shareholders to resolve any issues.

Company Secretary

The Board has direct access to the advice and services of the Secretary, Link Company Matters Limited, which is responsible for ensuring that Board and committee procedures are followed and that applicable regulations are complied with. The Secretary is also responsible to the Board for ensuring timely delivery of the information and reports which the Directors require and that the statutory obligations of the Company are met.

Service providers

The Company's main functions are delegated to a number of service providers, each engaged under separate contracts. The management of the Company's portfolio is delegated to the Investment Manager, which manages the assets in accordance with the Company's objectives and policies. At each Board meeting, representatives from the Investment Manager are in attendance to present reports to the Directors covering the Company's current and future activities, portfolio of assets and its investment performance over the preceding period. The Board and the Investment Manager operate in a fully supportive, co-operative and open environment and ongoing communication with the Board is maintained between formal meetings.

Meetings

The Company has six scheduled Board meetings a year, with additional meetings in respect of share issuances, property acquisitions and regulatory matters arranged as necessary.

At each Board meeting, the Directors follow a formal agenda which is circulated in advance by the Secretary. The Secretary, the Administrator and the Investment Manager regularly provide the Board with financial information, including an annual expenses budget, together with briefing notes and papers in relation to changes in the Company's economic and financial environment, statutory and regulatory changes and corporate governance best practice. A description of the Group's risk management and internal control systems is set out in the strategic report on page 39.

The number of scheduled Board, audit and risk committee, management engagement committee and remuneration committee meetings held during the year ended 30 June 2019 and the attendance of the individual Directors is shown below:

	Board		Audit and risk committee		Management engagement committee		Remuneration committee	
	Number entitled to attend	Number attended	Number entitled to attend	Number attended	Number entitled to attend	Number attended	Number entitled to attend	Number attended
Robert Peto	6	6	N/A	N/A	1	1	1	1
Gillian Day	6	6	6	6	1	1	1	1
Peter Dunscombe[1]	3	3	3	3	1	1	—	—
David Hunter[2]	1	1	1	1	—	—	1	1
Malcolm Naish	6	6	6	6	1	1	1	1
Marlene Wood	6	6	6	6	1	1	1	1

1. Retired as a Director on 6 November 2018.
2. Appointed as a Director on 1 May 2019.

Fifteen additional Board meetings were held by the Company during the year. These meetings were in respect of share issuances, property acquisitions and the appointment of Mr Hunter to the Board.

COMPOSITION, SUCCESSION AND EVALUATION

Composition of the Board

The Board consists of five non-executive Directors. It seeks to ensure that it has an appropriate balance of skills and experience, and considers that, collectively, it has substantial recent and relevant experience of financial and public company management, the UK real estate sector and investment companies.

The Board regularly reviews its composition and effectiveness. Following the retirement of Peter Dunscombe as a Director on 6 November 2018, the Board appointed David Hunter as a Director of the Company with effect from 1 May 2019. The Company engaged Carmichael Fisher, an independent search consultancy with no connection to the Company or its Directors, to assist it with this appointment. The Directors considered the desired background and expertise of the new Director in order to complement the skills already on the Board and a shortlist of potential candidates was then provided by Carmichael Fisher. The Directors met with a number of these candidates, following which Mr Hunter was appointed to the Board.

Induction of new Directors

The Company has an established process in place for the induction of new Directors. An induction pack is provided to new Directors by the Secretary, containing relevant information about the Company, its constitutional documents and its processes and procedures. New appointees meet with relevant persons at the Investment Manager and have the opportunity to view the property assets of the Group. Directors' training is also provided to each new Director by the Company's solicitor. During the year under review, this induction process was undertaken following the appointment of Mr Hunter as a Director of the Company.

Independence of the Directors

The independence of the Directors is reviewed as part of the annual evaluation process and each Director is considered to be independent in character and judgement and entirely independent of the Investment Manager. None of the Directors sit on the boards of any other companies managed by the Investment Manager.

Terms of appointment

The terms and conditions of the appointment of the Directors are formalised in letters of appointment, copies of which are available for inspection at the Company's registered office. None of the Directors has a contract of service with the Company nor has there been any other contract or arrangement between the Company and any Director at any time during the year.

Re-election

Under the Company's articles of association and in accordance with the AIC Code, Directors are subject to election by shareholders at the first annual general meeting after their appointment and to annual re-election at the Company's annual general meetings thereafter.

Following his appointment as a Director during the year, Mr Hunter will be standing for election at the forthcoming annual general meeting.

Following formal performance evaluation as detailed above, the Board strongly recommends the election/re-election of each Director on the basis of their experience and expertise in investment matters, their independence and continuing effectiveness and commitment to the Company.

As set out in the Chairman's statement on page 5, it is intended that Mr Peto will retire as a Director and as Chairman of the Company following the annual general meeting to be held in late 2020. It is intended that Mr Hunter will be appointed as Chairman of the Company at that time.

Diversity

The Board regularly reviews its composition and effectiveness with the objective of ensuring that it has an appropriate balance of skills and experience required to meet the future opportunities and challenges facing the Company. As part of this, the Directors actively consider the diversity, including the gender and ethnicity, on the Board.

The Group is dedicated 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 or beliefs, age or sexual orientation.

This policy aims to remove unfair and discriminatory practices within the Group and to encourage full contribution from its diverse community. The Group is committed to actively opposing all forms of discrimination.

The Group also aims to provide a service that does not discriminate against its clients and customers in the means by which they can access the services and goods supplied by the Group. The Board believes that all employees and clients are entitled to be treated with respect and dignity.

The objective of the Group's diversity policy is to prevent, reduce and stop all forms of unlawful discrimination in line with the Equality Act 2010. This is to ensure that recruitment, promotion, training, development, assessment, benefits, pay, terms and conditions of employment, redundancy and dismissals are determined on the basis of capability, qualifications, experience, skills and productivity.

The Group values diversity amongst its workforce. It aims for its workforce to be truly representative of all sections of society and that each employee feels respected and able to give their best.

Performance evaluation

The Directors are aware that they continually need to monitor and improve Board performance and recognise that this can be achieved through regular Board evaluation, which provides a valuable feedback mechanism for improving Board effectiveness.

The Board has agreed that an external Board evaluation will be carried out every three years and, in the intervening years, evaluations will be carried out by means of questionnaires. As the evaluation of the Board was carried out by Stephenson Executive Search Limited in 2017, for the previous year and the year under review, the Directors have undertaken an internal performance evaluation, led by the Chairman, specifically designed to assess the strengths and independence of the Board and the performance of its committees, the Chairman and individual Directors.

The questionnaires are also intended to analyse the focus of Board meetings and assess whether they are appropriate, or if any additional information may be required to facilitate Board discussions. The Chairman acts on the results of the evaluation by recognising the strengths and addressing any weaknesses of the Board, as appropriate. The evaluation of the Chairman is carried out by the other Directors of the Company, led by the Senior Independent Director. The results of the Board evaluation process were reviewed and discussed by the Board as a whole.

The Chairman leads the Board and is responsible for its overall effectiveness in directing the Company. He promotes a culture of openness and debate and facilitates constructive board relations and the effective contribution of all Directors. In liaison with the Company Secretary, he ensures that the Directors receive accurate, timely and clear information.

As a result of the evaluation, the Board considers that all of the current Directors make an effective contribution and have the requisite skills and experience to continue to provide able leadership and direction for the Company.

Insurance and indemnity provisions

The Board has agreed arrangements whereby Directors may take independent professional advice in the furtherance of their duties. The Company has Directors' and Officers' liability insurance and crime and property loss cover for financial institutions to cover legal defence costs. Under the Company's articles of association, the Directors are provided, subject to the provisions of UK legislation, with an indemnity in respect of liabilities which they may sustain or incur in connection with their appointment. Apart from this, there are no third party indemnity provisions in place for the Directors.

Conflicts of interest

It is the responsibility of each individual Director to avoid an unauthorised conflict of interest situation arising. The Director must request authorisation from the Board as soon as he or she becomes aware of the possibility of an interest that conflicts, or might possibly conflict, with the interests of the Company ("situational conflicts"). The Company's articles of association authorise the Board to approve such situations, where deemed appropriate.

A register of conflicts is maintained by the Company Secretary and is reviewed at Board meetings, to ensure that any authorised conflicts remain appropriate. The Directors are required to confirm at these meetings whether there has been any change to their position.

The Board has adopted the policy of maintaining a gifts and hospitality register to record all gifts and hospitality in excess of £50 accepted by the Directors from the Company's service providers and other relevant third parties. This register is reviewed at Board meetings.

The Board is responsible for considering Directors' requests for authorisation of situational conflicts and for deciding whether or not the situational conflict should be authorised. The factors to be considered will include: whether the situational conflict could prevent the Director from properly performing their duties; whether it has, or could have, any impact on the Company; and whether it could be regarded as likely to affect the judgement and/or actions of the Director in question. When the Board is deciding whether to authorise a conflict or potential conflict, only Directors who have no interest in the matter being considered are able to take the relevant decision, and in taking the decision the Directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The Directors are able to impose limits or conditions when giving authorisation if they think this is appropriate in the circumstances.

Internal control review and assessment process

Details of the Company's internal control review and the assessment process are outlined in the strategic report on page 39.

Relations with shareholders

Further information regarding the Company's relations with shareholders is set out on page 52.

AUDIT, RISK AND INTERNAL CONTROL

I am pleased to present the audit and risk committee report for the year ended 30 June 2019.

Marlene Wood
Chair of the audit and risk committee

Meetings

The audit and risk committee met six times during the year under review and twice post year end. In March 2019, the committee reviewed the half-yearly report for the six months ended 31 December 2018 and recommended its approval to the Board. In February 2019, the external Auditor's plan for their audit of the year-end financial statements was received and discussed. In September 2019, the committee reviewed the year-end financial statements and discussed the findings of the external audit with the Auditor. Further details of the committee's activities during the year are provided below.

Composition

Details of the composition of the committee and how its performance evaluation has been conducted are detailed in the corporate governance statement on page 51.

Role of the audit and risk committee

The primary responsibilities of the audit and risk committee are as follows:

- monitor the integrity of the financial statements of the Company and the Group, the financial reporting process and the accounting policies of the Company and the Group;
- keep under review the effectiveness of the Company's and the Group's internal financial control environment and risk management systems;
- review the scope and effectiveness of the audit process undertaken by the Auditor;
- make recommendations to the Board in relation to the appointment, re-appointment or removal of the external Auditor and to approve its remuneration and terms of engagement;
- review and monitor the Auditor's independence, objectivity, effectiveness, resources and qualifications;
- approve any non-audit services to be provided by the Auditor and monitor the level of fees payable in that respect;
- review the quarterly and annual valuation of the Group's underlying property assets;
- review the quarterly NAV and interim dividend recommendations from the Investment Manager and recommend to the Board the quantum of distribution to shareholders by way of a dividend and the amounts payable as REIT PID and ordinary UK dividend, respectively;
- assess that the Company meets its loan covenants and will continue to do so; and
- monitor and ensure REIT compliance by the Group.

The audit and risk committee operates within defined terms of reference, which are regularly reviewed and updated, as necessary. The terms of reference are available on the Company's website.

The audit and risk committee has direct access to the Company's Auditor, Ernst & Young LLP, and provides a forum through which the Auditor reports to the Board. Representatives of the Auditor attend meetings of the audit and risk committee on a regular basis.

Activities in the year

During the year, the audit and risk committee has:

- conducted a review of the internal controls and risk management systems of the Company and its third party service providers. Details of this review are set out on page 39 of the strategic report;
- reviewed and, where appropriate, updated the Company's FPPP;
- reviewed the quarterly and annual valuations of the underlying property assets of the Company;
- reviewed the quarterly interim dividend proposals and NAVs and made formal recommendations to the Board;
- reviewed the Group's deposit takers and banking arrangements;
- agreed the audit plan and fees with the Auditor in respect of the review of the half-yearly report for the six months ended 31 December 2018 and the statutory audit of the annual report for the year ended 30 June 2019, including the principal areas of focus;
- reviewed and approved the scope of services provided by Deloitte LLP as the tax adviser to the Group and the associated fees;
- received and discussed with the Auditor its report on the results of the review of the half-yearly financial statements and the year-end audit;
- reviewed the Company's annual and half-yearly consolidated financial statements and recommended these to the Board for approval; and
- reviewed whether an internal audit function would be of value and concluded that this would provide minimal added comfort at considerable extra cost to the Company.

Significant issues

The audit and risk committee has taken into account the most significant risks and issues, both operational and financial, which are likely to impact the Company's financial statements. It considered the following key issues in relation to the Group's financial statements during the year and post year end:

Valuation of property assets, rental income and operating costs	The audit and risk committee considered the quarterly valuations of the Company's portfolio assets and the year-end valuation as at 30 June 2019 and the market report provided by the Company's valuer, Knight Frank LLP. In order to enable a full discussion of the valuations of the Company's investment properties, and to enable the Directors to challenge the valuations and the underlying assumptions, as appropriate, the Directors met with the valuer once during the year as part of the annual schedule of review meetings with the Company's third party service providers. The audit and risk committee receives and reviews quarterly management accounts from the Administrator and quarterly financial report from the Investment Manager at each meeting, taking into consideration matters including occupancy levels and operational costs against Board-approved budget projections, both at property and Group level.
Internal controls	The audit and risk committee carefully considers the internal control systems by monitoring the services and controls of its third party service providers. During the year, the committee reviewed reports from the Company's suppliers in respect of their policies on the prevention of market abuse, cyber-crime, anti-bribery, whistleblowing and their compliance with the Criminal Finances Act 2017. The audit and risk committee reviewed and, where appropriate, updated the risk matrix during the year under review. This is done on a bi-annual basis. The committee received a report on internal control and compliance from the Investment Manager and the Company's other service providers and no significant matters of concern were identified.
Maintenance of REIT status	The audit and risk committee monitored the compliance status of the Company and considered each of the requirements for the maintenance of REIT status at all its meetings held during the year.
Going concern and long-term viability of the Company	The audit and risk committee considered the Company's financial requirements for the next twelve months and concluded that it has sufficient resources to meet its commitments and any outstanding loan covenants. Consequently, the financial statements have been prepared on a going concern basis. The audit and risk committee also considered the longer-term viability statement within the annual report for the year ended 30 June 2019, covering a five-year period, and the underlying factors and assumptions which contributed to the committee deciding that five years was an appropriate length of time to consider the Company's long-term viability. The Company's viability statement can be found on page 43.

AUDIT, RISK AND INTERNAL CONTROL CONTINUED

Audit fees and non-audit services provided by the Auditor

The audit and risk committee reviewed the audit plan and fees presented by the Auditor and considered its report on the financial statements. Total audit fees for the year amounted to £159,000 (2018: £142,000). This incorporates a fee of £26,000 (2018: £26,000) for the audit of the annual report and consolidated financial statements for the year ended 30 June 2019 and £133,000 (2018: £107,000) for the audit of the annual reports of the Company's subsidiaries for 2019.

The audit and risk committee reviews the scope and nature of all proposed non-audit services before engagement, to seek to ensure that the independence and objectivity of the Auditor are safeguarded. The committee has agreed a policy whereby, in order to avoid any potential impact on the independence and objectivity of the Auditor, the Company will not seek to obtain any non-audit services from the Auditor, with the exception of interim reviews of the Company's half-yearly financial statements. During the year under review, the Auditor carried out the interim review of the half-yearly report and consolidated financial statements for the six months ended 31 December 2018 for a fee of £9,000 (2018: £9,000).

Details of the Auditor's remuneration are set out in note 6 to the financial statements.

Effectiveness of the external audit

The audit and risk committee reviews the effectiveness of the external audit carried out by the Auditor on an annual basis. The Chair of the audit and risk committee maintained regular contact with the Company's audit partner throughout the year and also met with him prior to the finalisation of the audit of the 2019 annual financial statements, without the Investment Manager present, to discuss how the external audit was carried out, the findings from such audit and whether any issues had arisen from the Auditor's interaction with the Company's various service providers. In addition, two Directors met with the audit partner, James Beszant and the Auditor's team during the year to carry out an in-depth review of the services provided by the Auditor to the Company and to discuss any issues affecting the Group. This provided an opportunity for an open dialogue. During the course of such review, the Auditor demonstrated its understanding of the Group's business risks and the consequential impact on the risks included in the financial statements.

Independence and objectivity of the Auditor

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

The audit and risk committee is satisfied that the Auditor's objectivity and independence is not impaired by the performance of these non-audit services and that the Auditor has fulfilled its obligations to the Company and its shareholders.

Ernst & Young LLP has been Auditor to the Company since launch in 2013. The committee reviews the continuing appointment of the Auditor on an annual basis and gives regular consideration to the Auditor's fees and independence, along with matters raised during each audit.

The audit of the Company and its subsidiaries was last put out to tender in January 2016, following which Ernst & Young LLP was retained as Auditor. In accordance with the statutory requirements relating to the appointment of auditors, the Company would need to conduct an audit tender no later than for the accounting period beginning 1 July 2026.

As noted in last year's annual report, James Beszant is now audit partner to the Company following the rotation off the audit of the Company by Ashley Coups.

Re-appointment of the Auditor

Following consideration of the performance of the Auditor, the services provided during the year and a review of its independence and objectivity, the committee has recommended to the Board the re-appointment of Ernst & Young LLP as Auditor to the Company.

Marlene Wood
Chair of the audit and risk committee

3 September 2019

REMUNERATION

DIRECTORS' REMUNERATION REPORT

I am pleased to present the Directors' remuneration report for the year ended 30 June 2019.

Gillian Day
Chair of the remuneration committee

Statement from the Chair of the remuneration committee

This is my first report as Chair of the remuneration committee, following the retirement of Peter Dunscombe as a Director of the Company on 6 November 2018.

As set out on page 56 in the corporate governance statement, the remuneration committee comprises all Directors of the Company. It assists the Board in developing a fair and transparent framework for setting the levels of Directors' remuneration while having regard to the Company's financial position and performance, remuneration in other companies of comparable scale and complexity and market statistics generally. It also reviews the ongoing appropriateness and relevance of the Directors' remuneration policy. The remuneration committee met once during the year.

During the year ended 30 June 2019, the annual fees for Directors were set at the rate of £48,200 for the Chairman, £43,100 for the Chair of the audit and risk committee and £37,900 for the other Directors. Directors' fees were last increased on 1 July 2018.

The remuneration committee reviews Directors' fees on an annual basis. While no remuneration consultant was appointed by the Company during the year under review, the remuneration committee met in May 2019 to review Directors' remuneration levels in the context of the scale of the Company's operations, the level of involvement and time commitment required of the Directors and the wider REIT sector, and to make recommendations to the Board. At this review, the committee also considered the option to increase the Directors' fees annually at least in line with inflation so that substantial fee increases were not required to be made in any one year going forward. Therefore, the Board agreed that, with effect from 1 July 2019, Directors' fee levels would receive an inflationary increase of 3.5%, rounded to the nearest hundred pounds. No other changes were made to the Directors' remuneration.

The Directors' remuneration policy was last approved by shareholders in 2017. There will be no significant change in the way the current, approved remuneration policy will be implemented during the course of the next financial year.

An ordinary resolution will be put to shareholders at the forthcoming annual general meeting to receive and approve the Directors' remuneration report.

REMUNERATION CONTINUED

DIRECTORS' REMUNERATION REPORT CONTINUED

Voting at annual general meeting

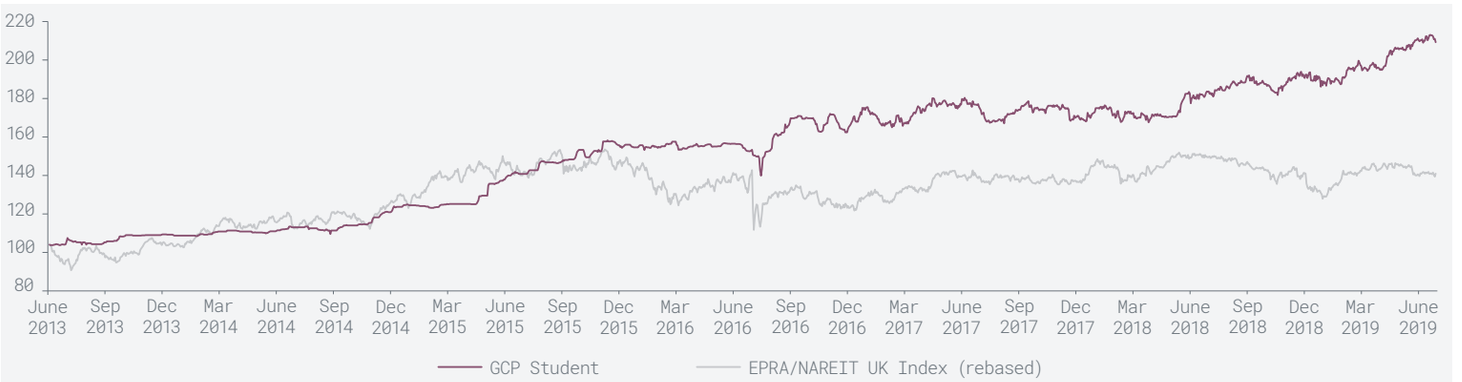
The Directors' remuneration report for the year ended 30 June 2018 was approved by shareholders at the annual general meeting held on 6 November 2018. The votes cast by proxy were as follows:

	Directors' remuneration report	
	Number of votes	% of votes cast
For	223,917,661	99.8459
Against	344,695	0.1537
At Chairman's discretion	971	0.0004
Total votes cast	224,263,327	100
Number of votes withheld	7,262	—

Performance of the Company

The graph below compares the total return to shareholders compared to the total shareholder return of the EPRA/NAREIT UK Index. The Index was chosen for comparison as it was the benchmark used for investment performance measurement purposes during the year ended 30 June 2019.

Total shareholder return



Directors' remuneration for the year ended 30 June 2019 (audited)

The remuneration paid to the Directors during the year ended 30 June 2019 is set out in the table below:

	Fees		Expenses		Total	
	Year to 30 June 2019 £	Year to 30 June 2018 £	**Year to 30 June 2019 £**	Year to 30 June 2018 £	**Year to 30 June 2019 £**	Year to 30 June 2018 £
Robert Peto (Chairman)	**48,200**	47,000	**1,075**	3,103	**49,275**	50,103
Malcolm Naish	**37,900**	37,000	**—**	—	**37,900**	37,000
Marlene Wood (Chair of the audit and risk committee)	**43,100**	42,000	**1,939**	1,913	**45,039**	43,913
Gillian Day	**37,900**	12,903	**34**	64	**37,934**	12,967
Peter Dunscombe[1]	**13,216**	37,000	**—**	—	**13,216**	37,000
David Hunter[2]	**6,317**	—	**—**	—	**6,317**	—
	186,633	175,903	**3,048**	5,080	**189,681**	180,983

1. Retired as a Director of the Company on 6 November 2018.
2. Appointed as a Director of the Company on 1 May 2019.

Relative importance of spend on pay

The table below sets out, in respect of the year ended 30 June 2019:

a) the remuneration paid to the Directors;

b) the distributions made to shareholders by way of dividend; and

c) the remuneration paid to the employees within the Group.

	Year to 30 June 2019 £'000	Year to 30 June 2018 £'000	% change
Directors' remuneration	**186**[1]	176	5.7
Dividends paid to shareholders	**25,297**[2]	22,911[3]	10.4
Employees' remuneration	**3,258**	2,789	16.8

Directors' interests (audited)

There is no requirement under the Company's articles of association for Directors to hold shares in the Company.

As at 30 June 2019, the interests of the Directors and any connected persons in the ordinary shares of the Company are set out below:

	Year to 30 June 2019 Number of shares	Year to 30 June 2018 Number of shares
Robert Peto (Chairman)[4]	**41,714**	41,714
Malcolm Naish	**31,286**	31,286
Marlene Wood	**7,810**	7,810
Gillian Day	**—**	—
David Hunter	**—**	—

There have been no changes to any of the above holdings between 30 June 2019 and the date of this report.

None of the Directors or any persons connected with them had a material interest in the Company's transactions, arrangements or agreements during the period.

1. Mr Hunter was appointed as a Director of the Company on 1 May 2019.
2. Includes fourth interim dividend of £6.5 million for the quarter ended 30 June 2019 which will be paid on 9 September 2019.
3. Includes fourth interim dividend of £5.8 million for the quarter ended 30 June 2018 which was paid on 10 September 2018.
4. The legal and beneficial interest in 50% of Mr Peto's shares is held by his spouse.

REMUNERATION

DIRECTORS' REMUNERATION POLICY

Introduction

The Directors' remuneration policy is put to a shareholder vote at least once every three years and in any year if there is to be a change in the Directors' remuneration policy. A resolution to approve this remuneration policy was proposed at the annual general meeting of the Company held on 25 October 2017. The resolution was passed, and the remuneration policy provisions set out below will apply until they are next put to shareholders for renewal of that approval.

Directors' remuneration policy

The Company follows the recommendation of the AIC Code that non-executive Directors' remuneration should reflect the time commitment and responsibilities of the role. The Board's policy is that the remuneration of non-executive Directors should reflect the experience of the Board as a whole, and be determined with reference to comparable organisations and appointments.

The fees of the non-executive Directors are determined within the limits set out in the Company's articles of association; the Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits. There are no performance conditions attaching to the remuneration of the Directors as the Board does not consider such arrangements or benefits necessary or appropriate for non-executive Directors. Under the Directors' letters of appointment, there is no notice period and no compensation is payable to a Director on leaving office.

It is the Board's policy that Directors do not have service contracts, but Directors are provided with a letter of appointment as a non-executive Director. The terms of their appointment provide that Directors shall retire and be subject to election at the first annual general meeting after their appointment. The Directors are subject to retirement by rotation in accordance with the articles of association; however, the Company has adopted the policy of annual re-election of all Directors.

The Company is committed to ongoing shareholder dialogue and any views expressed by shareholders on the fees being paid to Directors would be taken into consideration by the Board when reviewing the Directors' remuneration policy and in the annual review of Directors' fees.

Directors' fee levels

The Board has set three levels of fees: one for the Chairman, one for other Directors, and an additional fee that is paid to the Director who chairs the audit and risk committee. Fees are reviewed annually in accordance with the above policy. The fee for any new Director appointed will be determined on the same basis.

The basic and additional fees payable to Directors in respect of the year ended 30 June 2019 and the expected fees payable in respect of the year ending 30 June 2020 are set out in the table below:

	Expected annual fees for the year to 30 June 2020 £	Annual fees for the year to 30 June 2019 £
Chairman	**49,900**	48,200
Chair of the audit and risk committee	**44,600**	43,100
Non-executive Director	**39,200**	37,900
Total remuneration paid to Directors	**212,100**	186,000[1]

1. Includes £13,200 in respect of Mr Dunscombe's salary from 1 July 2018 to 6 November 2018, the date of his retirement from the Board. Includes £6,300 in respect of Mr Hunter's salary from 1 May 2019, the date of his appointment as a Director, to 30 June 2019.

The approval of shareholders would be required to increase the aggregate limit of Directors' fees of £250,000, as set out in the Company's articles of association.

Approval

The Directors' remuneration report was approved by the Board and signed on its behalf by:

Gillian Day
Chair of the remuneration committee

3 September 2019

DIRECTORS' REPORT

The Directors are pleased to present their report for the year ended 30 June 2019.

Corporate governance

The corporate governance statement on pages 50 to 59 forms part of this Directors' report.

Directors

The Directors in office at the date of this report and their biographical details are shown on pages 46 and 47.

Peter Dunscombe retired as a Director with effect from 6 November 2018.

Details of the Directors' terms of appointment can be found in the corporate governance statement and the Directors' remuneration report.

Share capital

On 25 September 2018, the Company issued 25,512,151 ordinary shares at a price of 149.50 pence per share, with an aggregate nominal value of £255,121.51, raising gross proceeds of £38.1 million. The placing price represented a 3.10 pence discount to the closing mid-price per ordinary share on 7 September 2018 of 152.60 pence. The shares were issued under the existing shareholder authorities granted at the Company's annual general meeting held on 25 October 2017, to issue up to 38,506,400 ordinary shares on a non-pre-emptive basis.

The shares were issued to institutional investors and professionally advised private investors and admitted to trading on the Premium Segment of the London Stock Exchange's Main Market on 25 September 2018.

At the annual general meeting held on 6 November 2018, the Company was granted authority to allot ordinary shares of the Company up to 10% of the Company's total issued share capital at that date, amounting to 38,506,400 ordinary shares.

On 4 June 2019, the Company issued 3,076,923 ordinary shares at a price of 162.50 pence per share, with an aggregate nominal value of £30,769.23, raising gross proceeds of £5.0 million. The placing price represented a 2.47 pence premium to the Company's prevailing EPRA NAV (ex-income) on 31 March 2019 of 160.03 pence per ordinary share. The shares were issued to institutional investors and professionally advised private investors and admitted to trading on the Premium Segment of the London Stock Exchange's Main Market on 4 June 2019.

As at the date of this report, the Company may allot further ordinary shares up to an aggregate nominal amount of £354,294.77 under its existing authority.

At the annual general meeting held on 6 November 2018, the Company was granted authority to purchase up to 14.99% of the Company's ordinary share capital in issue at that date on which the notice of AGM was published, amounting to 57,721,176 ordinary shares. No ordinary shares have been bought back under this authority. This authority will expire at the conclusion of, and renewal will be sought at, the annual general meeting to be held on 6 November 2019. Shares bought back by the Company may be held in treasury, from where they could be re-issued at or above the prevailing NAV quickly and cost effectively. This provides the Company with additional flexibility in the management of its capital base. No shares were held in treasury during the year or at the year end.

At the year end, and as at the date of this report, the issued share capital of the Company comprised 413,653,630 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 2019, the total voting rights of the Company were 413,653,630, and as at the date of this report are 413,653,630.

DIRECTORS' REPORT CONTINUED

Dividends

Dividends totalling 6.15 pence per ordinary share have been paid or declared in respect of the year ended 30 June 2019 as follows:

	Year ended 30 June 2019 pence	Year ended 30 June 2018 pence
First interim dividend	**1.53**	1.48
Second interim dividend	**1.53**	1.48
Third interim dividend	**1.53**	1.48
Fourth interim dividend	**1.56**	1.51
Total	**6.15**	5.95

Substantial shareholdings

As at 30 June 2019, the Company had been informed of the following notifiable interests in the voting rights of the Company:

	Number of ordinary shares held	% of total voting rights as at 30 June 2019
Bank of Montreal	25,429,101	6.15
CCLA Investment Management Limited	21,430,788	5.18

The Company has not been informed of any other changes to the notifiable interests between 30 June 2019 and the date of this report.

Information about securities carrying voting rights
The following information is disclosed in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and DTR 7.2.6 of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules:

- the Company's capital structure and voting rights and details of the substantial shareholders in the Company are set out on pages 67 and 68;
- an amendment to the Company's articles of association and the giving of powers to issue or buy back the Company's shares requires an appropriate resolution to be passed by shareholders. Proposals to grant powers to the Board to issue and buy back shares are set out in the notice of annual general meeting; and
- there are no restrictions concerning the transfer of securities in the Company or on voting rights; no special rights with regard to control attached to securities and no agreements between holders of securities regarding their transfer known to the Company.

Significant agreements
The following facility agreements are considered significant in terms of their potential impact on the business of the Group as a whole, and that could alter or terminate on the change of control of the Company:

- secured borrowings from PGIM totalling £170 million expiring in September 2024 with fixed rate interest at 3.07% for tranche A of £130 million and 2.83% for tranche B of £40 million; and
- secured borrowings from PGIM totalling £65 million expiring in April 2029 with fixed rate interest at 2.82%.

Further details regarding the principal agreements between the Company and its service providers, including the Investment Manager, are set out within the notes to the consolidated financial statements on pages 87 and 102.

Continuing appointment of the Investment Manager
The Board keeps the performance of the Investment Manager under continual review. The management engagement committee, comprising all Directors, conducts an annual review of the Investment Manager's performance and makes a recommendation to the Board about its continuing appointment.

It is considered that the Investment Manager has executed the Company's investment strategy according to the Board's expectations. Accordingly, the Directors believe that the continuing appointment of Gravis Capital Management Limited as the Investment Manager of the Company, on the terms agreed, is in the best interests of the Company and its shareholders as a whole.

Auditor
The Directors holding office at the date of this annual report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditor is unaware. Each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

Ernst & Young LLP has expressed its willingness to continue in office as Auditor of the Company and resolutions for its re-appointment and to authorise the Board to determine its remuneration will be proposed at the forthcoming annual general meeting.

Financial risk management
Information about the Company's financial risk management objectives and policies is set out in note 22 to the financial statements.

Requirements of the Listing Rules
Listing Rule 9.8.4 requires the Company to include specified information in a single identifiable section of the annual report or a cross reference table indicating where the information is set out. The information required under Listing Rule 9.8.4(7) in relation to allotments of shares is set out on page 67. The Directors confirm that no additional disclosures are required in relation to Listing Rule 9.8.4.

Greenhouse gas emissions
Information about the Company's GHG emissions is set out in the strategic report on page 35.

Future developments
Further information regarding likely future developments in the business of the Company and the Group is set out in the Investment Manager's report on page 15.

This Directors' report has been approved by the Board.

By order of the Board

Link Company Matters Limited
Company Secretary

3 September 2019

FINANCIAL STATEMENTS

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STATEMENT OF DIRECTORS' RESPONSIBILITIES

In respect of the annual report and financial statements

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

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

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

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

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

Under applicable law and regulations, the Directors are also responsible for preparing a strategic report, Directors' report, Directors' remuneration report and corporate governance statement that comply with that law and those regulations, and for ensuring that the annual report includes information required by the Listing Rules and Disclosure Guidance and Transparency Rules of the FCA.

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

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

We confirm that to the best of our knowledge:

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

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

On behalf of the Board

Robert Peto
Chairman

3 September 2019

INDEPENDENT AUDITOR'S REPORT

To the members of GCP Student Living plc

Opinion

In our opinion, the financial statements of GCP Student Living plc (the "parent company") and its subsidiaries (collectively, the "Group"):

- give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 June 2019 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the Group financial statements, Article 4 of the IAS Regulation.

What we have audited

We have audited the financial statements of GCP Student Living plc which comprise:

GROUP	PARENT COMPANY
Consolidated statement of comprehensive income for the year ended 30 June 2019	Company statement of financial position as at 30 June 2019
Consolidated statement of financial position as at 30 June 2019	Company statement of changes in equity for the year ended 30 June 2019
Consolidated statement of changes in equity for the year ended 30 June 2019	Company statement of cash flows for the year ended 30 June 2019
Consolidated statement of cash flows for the year ended 30 June 2019	Related notes 1 to 8 to the financial statements including a summary of significant accounting policies
Related notes 1 to 30 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in their preparation is applicable law and IFRS as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report below. We are independent of the Group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's ("FRC") Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on pages 40 to 43 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation set out on page 43 in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement set out on page 39 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the Directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation set out on page 43 in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

INDEPENDENT AUDITOR'S REPORT CONTINUED

To the members of GCP Student Living plc

Overview of our audit approach

Key audit matters	— Incomplete or inaccurate rental revenue recognition. — Fair value of investment property portfolio.
Audit scope	— The Group comprises 26 legal entities. We performed an audit of the complete financial information of each legal entity.
Materiality	— Overall Group materiality of £6.8 million (30 June 2018: £5.7 million) which represents 1% of net assets.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

RISK	OUR RESPONSE TO THE RISK	KEY OBSERVATIONS COMMUNICATED TO THE AUDIT AND RISK COMMITTEE
Inaccurate or incomplete rental revenue recognition (2019: £44.4 million and 2018: £35.8 million) Refer to note 4 of the consolidated financial statements, which includes the accounting policy (page 86). The Group has a number of revenue streams including direct let rental revenue and revenue from nomination agreements. There is a risk of incomplete or inaccurate rental revenue recognition through failure to recognise proper income entitlements or to apply the appropriate accounting treatment.	— We performed a walkthrough of the revenue recognition process for each revenue stream. — We performed substantive analytical review procedures over direct let rental revenue for each property. We formed an expectation of the rental income for each property based on the number of rooms at each price point, comparing this expectation to the actual revenue recognised during the year. — We agreed the total nomination and commercial income per the income schedules through to the trial balance. — We recalculated a sample of nomination income in line with the signed nomination agreements. — We agreed a sample of rental rates to tenancy agreements and recalculated rental revenue for each property for the period. — We recalculated lease incentives based on the terms within the lease agreement to assess the appropriateness of the amount recorded. — To test for the risk of management override of controls, through the inappropriate adjustment of rental revenue, we tested a sample of rental revenue journals to identify unauthorised or inappropriate journals. We enquired as to the nature of each transaction sampled and obtained corroborating evidence to conclude on whether the journals were reasonable and in line with our expectations. We selected journals by applying criteria and thresholds based on our professional judgment.	Based on the procedures performed we have no matters to report in respect of revenue recognition.

RISK	OUR RESPONSE TO THE RISK	KEY OBSERVATIONS COMMUNICATED TO THE AUDIT AND RISK COMMITTEE

Fair value of investment property portfolio (2019: £919.2 million and 2018: £784.4 million)
 	
Refer to note 10 of the consolidated financial statements, which includes the accounting policy (page 91).
 	
The Group's investment portfolio is comprised of completed properties and properties under the course of construction. The valuation of these properties is complex and based on a number of assumptions. Accordingly, there is a risk of incorrect valuation of the investment property portfolio in the financial statements.
	— We performed a walkthrough of the property valuation processes and controls.
	— We evaluated the qualifications and independence of management's expert, Knight Frank LLP.
	— We performed the following procedures in respect of the valuation performed by Knight Frank for each property:
	  — with the assistance of our own property valuation experts, considered the appropriateness of market related inputs and reasonableness of valuation methods, including the lifecycle cost adjustments, by comparing against our own market data and understanding of the property market;
	  — tested factual inputs including rental profiles, tenant details and occupancy rates to supporting documentation;
	  — commented on whether or not the valuation methodology and techniques used were complete, adequate and consistent with appraisal methodology given the circumstances of the property in its market;
	  — identified the significant assumptions used in the work assessed and commented on whether the information used was complete, adequate and relevant and supported by observable market data;
	  — where applicable, performed a recalculation or developed a comparative calculation considering a combination of some or all of Management's assumptions and some or all of our own assumptions, to test management's estimate;
	  — tested calculations for arithmetical accuracy; and
	  — tested the clerical accuracy and extraction of independent valuations to the Group's accounting records and financial statements.
	— To test for the risk of management override of controls, through the inappropriate adjustment of the valuation of investment properties, we tested a sample of investment property journals to identify unauthorised or inappropriate journals. We enquired as to the nature of each transaction sampled and obtained corroborating evidence to conclude whether the journals were reasonable and in line with our expectations. We selected journals by applying criteria and thresholds based on our professional judgment.
		We have tested the inputs, assumptions and methodology used by the external valuers. We have concluded that the methodology applied is reasonable and that the external valuations are an appropriate assessment of the fair value of investment properties at 30 June 2019. We concluded that the fair value of the properties was within a reasonable range of values.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of Group-wide controls, changes in the business environment and other factors when assessing the level of work to be performed at each entity. All audit work performed for the purpose of the audit was undertaken by the Group Audit team.

INDEPENDENT AUDITOR'S REPORT CONTINUED

To the members of GCP Student Living plc

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £6.8 million (30 June 2018: £5.7 million), which is 1% (30 June 2018: 1%) of net assets. We believe that net assets is the most relevant measure to the stakeholders of the Group.

We determined materiality for the parent company to be £6.8 million (30 June 2018: £5.6 million), which is 1% (30 June 2018: 1%) of net assets. We believe that net assets is also the most relevant measure to the stakeholders of the Company.

We calculated materiality at the planning stage of the audit and then during the course of our audit we reassessed initial materiality based on net assets at 30 June 2019 and adjusted our audit procedures accordingly.

Performance materiality

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

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgment was that performance materiality should be 50% (30 June 2018: 50%) of our planning materiality, namely £3.4 million (30 June 2018: £2.9 million). Our objective in adopting this approach is to confirm that total undetected and undetected audit differences do not exceed our planning materiality level.

Reporting threshold

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

We agreed with the audit and risk committee that we would report to them all uncorrected audit differences in excess of £342k (2018: £287k), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Other information

The other information comprises the information included in the annual report set out on pages 1 to 67 including the introduction set out on pages 1 to 5, the strategic report set out on pages 6 to 43, the governance section set out on pages 46 to 69, the additional information set out on pages 111 to 113, other than the financial statements and our Auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- fair, balanced and understandable set out on page 72 – the statement given by the Directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- audit and risk committee reporting set out on pages 60 to 62 – the section describing the work of the audit and risk committee does not appropriately address matters communicated by us to the audit and risk committee or is materially inconsistent with our knowledge obtained in the audit; or
- Directors' statement of compliance with the UK Corporate Governance Code set out on page 50 – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the Auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

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

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the statement of Directors' responsibilities set out on page 72, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are: to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- we obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and have a direct impact on the financial statements. We determined that the most significant frameworks that are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (IFRS as adopted by the European Union, the Companies Act 2006, the Listing Rules and UK Corporate Governance Code) and relevant tax compliance regulations, including section 1158 of the Corporation Tax Act 2010;
- we understood how GCP Student Living plc is complying with those frameworks by making enquiries of senior management of the Investment Manager, Gravis Capital Management Limited, and the administrator, Link Alternative Fund Administration Limited as well as the Chair of the audit and risk committee. We corroborated our understanding through our review of Board and committee meeting minutes and papers provided to the audit and risk committee;
- we assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur, by meeting with members of senior management to understand where they considered there was susceptibility to fraud. We also considered key performance indicators and their potential influence on efforts made by management to manage or influence the perceptions of analysts. We considered the controls the Group has established to address the risks identified, or that otherwise prevent, deter or detect fraud; and how senior management and the audit and risk committee monitor those controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk; and
- based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations identified in the paragraphs above. Our procedures involved review of the reporting to the Directors with respect to the application of the documented policies and procedures and review of the financial statements to identify non-compliance with the reporting requirements of the Group.

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

Other matters we are required to address

- We were appointed by the Company on 19 October 2013 to audit the financial statements for the year ending 30 June 2014 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments is six years, covering the years ending 30 June 2014 to 30 June 2019.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company and we remain independent of the Group and the parent company in conducting the audit.
- The audit opinion is consistent with the additional report to the audit and risk committee.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

James Beszant (Senior Statutory Auditor)
For and on behalf of
Ernst & Young LLP, Statutory Auditor

London

3 September 2019

1. The maintenance and integrity of the GCP Student Living plc website is the responsibility of the Directors; the work carried out by the Auditor does not involve consideration of these matters and, accordingly, the Auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2019

Continuing operations	Notes	**30 June 2019 £'000**	30 June 2018 £'000
Rental income	4	**44,410**	35,790
Property operating expenses	5	**(9,364)**	(7,946)
Gross profit		**35,046**	27,844
Administration expenses	5	**(8,808)**	(7,434)
Operating profit before gains on investment properties		**26,238**	20,410
Fair value gains on investment properties	10	**73,865**	47,565
Operating profit		**100,103**	67,975
Finance income	15	**1,088**	323
Finance expenses	16	**(8,405)**	(7,240)
Profit before tax		**92,786**	61,058
Tax charge on residual income	7	**—**	—
Profit for the year		**92,786**	61,058
Total comprehensive income for the year		**92,786**	61,058
EPS (basic and diluted) (pps)	3	**22.92**	15.89

The accompanying notes on pages 82 to 104 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	30 June 2019 £'000	30 June 2018 £'000
Assets			
Non-current assets			
Investment property	10	**919,203**	784,424
Deposit for investment property		**—**	2,648
Retention account		**308**	308
		919,511	787,380
Current assets			
Cash and cash equivalents	23	**15,509**	29,213
Deposit for investment property		**2,648**	—
Trade and other receivables	24	**14,594**	9,005
		32,751	38,218
Total assets		**952,262**	825,598
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	17	**(249,111)**	(232,771)
Retention account		**(308)**	(308)
		(249,419)	(233,079)
Current liabilities			
Trade and other payables	25	**(5,887)**	(8,183)
Deferred income	25	**(12,293)**	(10,126)
		(18,180)	(18,309)
Total liabilities		**(267,599)**	(251,388)
Net assets		**684,663**	574,210
Equity			
Share capital	18	**4,137**	3,851
Share premium	19	**450,658**	408,617
Special reserve	20	**38,759**	44,497
Retained earnings	20	**191,109**	117,245
Total equity		**684,663**	574,210
Number of shares in issue		**413,653,630**	385,064,556
IFRS and EPRA NAV per share (pps)	3	**165.52**	149.12

These financial statements were approved by the Board of Directors of GCP Student Living plc on 3 September 2019 and signed on its behalf by:

Robert Peto
Chairman

Company number: 08420243

The accompanying notes on pages 82 to 104 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2019

	Notes	Share capital £'000	Share premium £'000	Special reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 July 2018		**3,851**	**408,617**	**44,497**	**117,245**	**574,210**
Total comprehensive income		**—**	**—**	**—**	**92,786**	**92,786**
Ordinary shares issued		**286**	**42,854**	**—**	**—**	**43,140**
Share issue costs		**—**	**(813)**	**—**	**—**	**(813)**
Dividends paid in respect of the previous year	8	**—**	**—**	**(2,508)**	**(3,306)**	**(5,814)**
Dividends paid in respect of the current year	8	**—**	**—**	**(3,230)**	**(15,616)**	**(18,846)**
Balance at 30 June 2019		**4,137**	**450,658**	**38,759**	**191,109**	**684,663**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2018

	Notes	Share capital £'000	Share premium £'000	Special reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 July 2017		3,358	340,233	53,576	69,827	466,994
Total comprehensive income		—	—	—	61,058	61,058
Ordinary shares issued		493	69,507	—	—	70,000
Share issue costs		—	(1,123)	—	—	(1,123)
Dividends paid in respect of the previous year	8	—	—	(3,300)	(2,322)	(5,622)
Dividends paid in respect of the current year	8	—	—	(5,779)	(11,318)	(17,097)
Balance at 30 June 2018		3,851	408,617	44,497	117,245	574,210

The accompanying notes on pages 82 to 104 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2019

	Notes	30 June 2019 £'000	30 June 2018 £'000
Cash flows from operating activities			
Operating profit		**100,103**	67,975
Adjustments to reconcile profit for the year to net operating cash flows:			
Gains from change in fair value of investment properties		**(73,865)**	(47,565)
Increase in other receivables and prepayments		**(3,159)**	(2,035)
Increase in other payables and accrued expenses		**2,535**	3,023
Net cash flow generated from operating activities		**25,614**	21,398
Cash flows from investing activities			
Acquisition of investment properties		**—**	(29,536)
Land and development expenditure on properties under construction		**(58,327)**	(51,697)
Capital expenditure on investment properties		**(7,872)**	(20,206)
Net cash used in investing activities		**(66,199)**	(101,439)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**43,140**	70,000
Share issue costs		**(813)**	(1,123)
Proceeds from interest-bearing loans and borrowings		**34,620**	15,000
Repayment of interest-bearing loans and borrowings		**(17,470)**	—
Loan arrangement fees		**(1,429)**	(53)
Finance income		**1,020**	100
Finance expenses		**(7,614)**	(7,007)
Dividends paid in the year		**(24,573)**	(22,773)
Net cash flow generated from financing activities		**26,881**	54,144
Net decrease in cash and cash equivalents		**(13,704)**	(25,897)
Cash and cash equivalents at start of the year		**29,213**	55,110
Cash and cash equivalents at end of the year	23	**15,509**	29,213

The accompanying notes on pages 82 to 104 form an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

Part 1. Basis of preparation

This section includes the Company's accounting policies applied to the financial statements in accordance with IFRS. Accounting policies specific to a particular note have been included with the note to the financial statements and are identified by way of a coloured panel.

1. General information

GCP Student Living plc is a REIT incorporated in England and Wales on 26 February 2013. The registered office of the Company is located at 51 New North Road, Exeter EX4 4EP. The Company's shares are listed on the Premium Segment of the Main Market of the London Stock Exchange.

2. Basis of preparation

These financial statements are prepared in accordance with IFRS issued by the IASB as adopted by the European Union. The financial statements have been prepared under the historical cost convention, except for investment property, which has been measured at fair value and property under development which is measured at cost less any impairment, further information is given in note 10. 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 2019. Comparative figures are for the previous accounting period, the year ended 30 June 2018.

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

2.1 Changes to accounting standards and interpretations

New standards, amendments to standards and interpretations which came into effect for accounting periods starting on or after 1 January 2018 have had an impact on the financial statements as follows:

- IFRS 9 Financial Instruments (effective for annual periods beginning on or after 1 January 2018). The Group now applies an expected credit loss model when calculating impairment losses on its trade and other receivables. Rental guarantees included with trade and other receivables are classified as a financial asset and valued at fair value; and
- IFRS 15 Revenue from Contracts (effective for annual periods beginning on or after 1 January 2018). The Group's revenue is outside the scope of IFRS 15.

A review of comparative figures has taken place and it has been determined that the accounting policy change has not had a material impact on the impairment of debtors at 30 June 2018.

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 2019 or later periods. The Group has decided not to adopt them early.

- IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019). IFRS 16 has minimal impact on lessors like the Group.
- IFRS 3 Business Combinations – Definition of a Business, to be applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020. Whilst this will not affect historic transactions of the Company, as and when an acquisition takes place the accounting treatment will be reviewed in line with the new standard.

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:

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 Group's ability to continue as a going concern. Therefore, the financial statements have been prepared on the going concern basis.

Estimates

Valuation of property

The Group's investment properties are valued at fair value as determined by the external valuer in accordance with the RICS Valuation Global Standards 2017 and IFRS 13. Refer to note 10 for further details of the judgements and estimates made in determining the valuation of property.

2.3 Summary of significant accounting policies

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

a) Basis of consolidation

As a real estate entity, the Company does not meet the definition of an investment entity and therefore does not qualify for the consolidation exception under IFRS 10. The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2019. Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtained control, and will continue to be consolidated until the date that such control ceases. An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In preparing these financial statements, intra-group balances, transactions and unrealised gains or losses have been eliminated in full. The subsidiaries all have the same year end as the Company. Uniform accounting policies are adopted in the financial statements for transactions and events in similar circumstances.

b) Functional and presentation currency

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

c) Segmental reporting

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2019

Part 2. Review of the financial year

This section includes information on performance of the Company, including rental income, EPRA metrics, operating and administration expenses and information of dividends for the year. The EPRA metrics have been reconciled to the IFRS measures where appropriate and are included to enhance comparability across the real estate sector.

3. EPRA metrics

3.1 EPRA earnings

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 EPS computations:

	30 June 2019 £'000	30 June 2018 £'000
Group earnings for EPS and diluted EPS	**92,786**	61,058
Fair value gains on investment properties	**(73,865)**	(47,565)
Group earnings for basic and diluted EPRA EPS	**18,921**	13,493
Group-specific adjustments:		
Other non-recurring transactions	**—**	427
Licence fees on forward-funded developments	**2,263**	1,490
Group-specific adjusted earnings	**21,184**	15,410

	30 June 2019 Pence per share	30 June 2018 Pence per share
Basic Group EPS	**22.92**	15.89
Basic Group EPRA EPS	**4.67**	3.51
Diluted Group EPS	**22.92**	15.89
Diluted Group EPRA EPS	**4.67**	3.51
Group-specific adjusted EPS	**5.23**	4.01
Total dividends	**6.15**	5.95
Dividend cover ratio[1]	**85%**	67%

	30 June 2019 Number of shares	30 June 2018 Number of shares
Weighted average number of shares in issue	**404,793,233**	384,254,215

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

1. For the year ended 30 June 2019:
   i. licence fees of £2,263,000 from the developers of Scape Brighton and Circus Street, Brighton in respect of forward-funding agreements.
2. For the year ended 30 June 2018:
   i. costs relating to professional advisory fees of £354,000;
   ii. capital goods scheme adjustments of £73,000; and
   iii. licence fees of £1,490,000 from the developers of Scape Wembley and Circus Street, Brighton in respect of forward-funding agreements.

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

3.2 EPRA NAV

Basic NAV per share amounts are calculated by dividing net assets in the statement of financial position attributable to ordinary equity holders of the Company by the number of ordinary shares outstanding 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:

The EPRA NAV is calculated as:

	30 June 2019 £'000	30 June 2018 £'000
NAV per the financial statements	**684,663**	574,210
Effect of dilutive instruments	**—**	—
Fully diluted NAV	**684,663**	574,210
Fair value of derivative financial instruments	**—**	—
Deferred tax liability	**—**	—
EPRA NAV	**684,663**	574,210
Fully diluted number of shares	**413,653,630**	385,064,556
EPRA NAV per share	**165.52**	149.12

EPRA NNNAV is equivalent to EPRA NAV, as the Company has not made a provision for deferred tax and the carrying value of financial instruments approximates their fair value.

3.3 EPRA cost ratio

	30 June 2019 £'000	30 June 2018 £'000
Operating and administration costs	**18,172**	15,380
Less ground rent	**(335)**	(247)
Less recoverable service charge income and other similar costs	**(239)**	(226)
EPRA costs (including direct vacancy costs)	**17,598**	14,907
Gross rental income	**43,939**	35,337
Less recoverable service charge income and other similar items	**(239)**	(226)
Gross rental income	**43,700**	35,111
EPRA cost ratio (including direct vacancy costs)	**40%**	42%

Further EPRA metrics are disclosed in notes 11 and 12 to the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2019

Part 2. Review of the financial year continued

4. Rental income

	30 June 2019 £'000	30 June 2018 £'000
Nomination rental income	**5,990**	4,888
Direct let rental income	**35,008**	27,561
Discounts	**(261)**	(230)
Total student income	**40,737**	32,219
Teaching space income	**501**	484
Retail space income	**2,701**	2,634
Gross rental income	**43,939**	35,337
Ancillary income	**471**	433
Other income	**—**	20
Total	**44,410**	35,790

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

Accounting policy

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

5. Property operating and administration expenses

	30 June 2019 £'000	30 June 2018 £'000
Operating costs	**2,641**	2,046
Marketing	**401**	355
Utilities	**1,568**	1,163
Property maintenance	**1,496**	1,593
Staff costs	**3,258**	2,789
Property operating expenses	**9,364**	7,946
Investment management fees	**6,455**	5,463
Directors' remuneration	**186**	176
Other administration expenses	**2,167**	1,795
Administration expenses	**8,808**	7,434
Total	**18,172**	15,380

Investment management fees are further disclosed in note 28 on page 102 and Directors' remuneration is further disclosed in note 26.

Asset and facilities management agreement

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

Scape Student Living Limited

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

Collegiate Accommodation Consulting Limited

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

Administration agreements

Link Alternative Fund Administrators Limited has been appointed as the Administrator to the Company and its subsidiaries. It provides the day-to-day administration services for these entities. It is also responsible for the Company's general administrative functions, such as the calculation and publication of the NAV and maintenance of the Company's accounting and statutory records. Under the terms of its administration agreement, Link Alternative Fund Administrators Limited is entitled to an administration fee of £145,000 per annum (exclusive of VAT). The administration agreement is terminable upon six months' written notice.

Secretarial agreement

Link Company Matters Limited has been appointed by the Company to provide company secretarial functions required by the Companies Act 2006. The Secretary is entitled to a fee of £68,807 per annum in respect of the Company and £1,936 per annum in respect of each UK subsidiary. The company secretarial fees are subject to an annual RPI increase. The secretarial agreement is terminable upon six months' written notice.

Depositary agreement

Langham Hall UK Depositary LLP has been appointed as depositary to the Company. The Depositary is responsible for ensuring the Company's cash flows are properly monitored; the safekeeping of custody assets and the non-custody assets of the Company entrusted to it (held on trust for the Company as applicable); and the oversight and supervision of the Investment Manager and the Company. Under the terms of the depositary agreement, the Depositary is entitled to a fee of £49,722 per annum, subject to annual RPI increase. The depositary agreement is terminable by either the Company and/or the Investment Manager upon six months' written notice.

Accounting policy

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2019

Part 2. Review of the financial year continued

6. Auditor's remuneration

	30 June 2019 £'000	30 June 2018 £'000
Audit fee	**159**	142
Other services	**9**	9
Total	**168**	151

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 2019 £'000	30 June 2018 £'000
Annual report and financial statements	**26**	26
Subsidiary financial statements for the year ended 30 June 2019	**116**	—
Subsidiary financial statements for the year ended 30 June 2018	**17**	107
Subsidiary financial statements for the year ended 30 June 2017	**—**	9
Total	**159**	142

For the year ended 30 June 2019, the Auditor provided non-audit services, being a review of the half-yearly report and financial statements for a fee of £9,000 (2018: £9,000).

	30 June 2019 £'000	30 June 2018 £'000
Half-yearly report and financial statements	**9**	9
Total	**9**	9

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

7. Taxation

Corporation tax has arisen as follows:

	30 June 2019 £'000	30 June 2018 £'000
Corporation tax on residual income for current year	**—**	—
Corporation tax on residual income for prior periods	**—**	—
Total	**—**	—

Reconciliation of tax charge to profit before tax:

	30 June 2019 £'000	30 June 2018 £'000
Profit before tax	**92,786**	61,058
Corporation tax at 19% (2018: 19%)	**17,629**	11,601
Change in value of investment properties	**(14,034)**	(9,037)
Tax exempt property rental business	**(3,962)**	(3,017)
Amounts not deductible for tax purposes	**—**	(30)
Capital allowances	**(541)**	(417)
Excess management expenses	**908**	920
Other	**—**	(20)
Total	**—**	—

The Group has unrelieved excess tax losses of £14,161,000 (2018: £10,016,000) and a non-trade loan relationship deficit of £2,003,000 (2018: £2,003,000). As it is unlikely that the Group will generate sufficient taxable profits in the future to utilise these amounts, no deferred tax asset has been recognised in respect of these items.

Accounting policy

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

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

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

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

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

8. Dividends

		30 June 2019				30 June 2018			
	Dividend	**Total pence**	**PID**	**Ordinary dividend**	**£'000**	Total pence	PID	Ordinary dividend	£'000
Current year dividends									
30 June 2019[1]/2018	Fourth interim dividend	**1.56**	**1.08**	**0.48**	**—**	1.51	0.94	0.57	—
31 March 2019/2018	Third interim dividend	**1.53**	**1.11**	**0.42**	**6,282**	1.48	0.92	0.56	5,699
31 December 2018/2017	Second interim dividend	**1.53**	**1.22**	**0.31**	**6,282**	1.48	1.09	0.39	5,699
30 September 2018/2017	First interim dividend	**1.53**	**1.13**	**0.40**	**6,282**	1.48	1.07	0.41	5,699
Total		**6.15**	**4.54**	**1.61**	**18,846**	5.95	4.02	1.93	17,097
Prior year dividends									
30 June 2018/2017	Fourth interim dividend	**1.51**	**0.94**	**0.57**	**5,814**	1.46	0.95	0.51	5,622
Total		**1.51**	**0.94**	**0.57**	**5,814**	1.46	0.95	0.51	5,622
Dividends in statement of changes in equity					**24,660**				22,719
Movement in withholding tax accrual					**(87)**				54
Dividends in statement of cash flows					**24,573**				22,773

1. The fourth interim dividend was declared after the year end and therefore not accrued for as a provision in the financial statements.

On 1 August 2019, the Company declared a fourth interim dividend of 1.56 pence per ordinary share amounting to £6.5 million. The dividend will be paid on 9 September 2019 to shareholders on the register at close of business on 9 August 2019.

As a REIT, the Company is required to pay PIDs equal to at least 90% of the property rental business profits of the Group.

Accounting policy

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2019

Part 3. Asset management

This section includes information on the Company's investment portfolio, valuation methodology and its performance over the year. The Group's investment properties are valued at fair value as determined by the external valuer in accordance with the RICS Valuation Global Standards 2017 and IFRS 13.

9. Operating leases

Leases are typically direct let agreements with individual students or HEIs for an academic year or shorter period. The Group also has a small number of leases on commercial areas, teaching and retail spaces and a number of nomination agreements whereby multiple beds are let out for a set number of years. The Company additionally has granted a 21 year lease over its Circus Street asset.

Future minimum rentals receivable under non-cancellable operating leases as at 30 June 2019 are as follows:

	30 June 2019 £'000	30 June 2018 £'000
Within one year	**46,731**	33,683
Between one and five years	**46,987**	41,806
More than five years	**77,221**	79,921
Total	**170,939**	155,410

Accounting policy

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

10. UK investment property

	Properties under construction £'000	Leasehold £'000	Freehold £'000	Total £'000
As at 1 July 2018	**30,490**	**248,460**	**505,474**	**784,424**
Capital expenditure on properties	**—**	**55**	**4,895**	**4,950**
Land and development expenditure on properties under construction	**55,964**	**—**	**—**	**55,964**
Fair value gains on investment property	**11,086**	**16,136**	**46,643**	**73,865**
As at 30 June 2019	**97,540**	**264,651**	**557,012**	**919,203**[1]
As at 1 July 2017	59,100	229,460	346,080	634,640
Acquisition of investment property	—	—	29,536	29,536
Capital expenditure on properties	—	33	23,544	23,577
Land and development expenditure on properties under construction	49,106	—	—	49,106
Movement between properties under construction and freehold properties	(79,030)	—	79,030	—
Fair value gains on investment property	1,314	18,967	27,284	47,565
As at 30 June 2018	30,490	248,460	505,474	784,424

1. The carrying value of investment property is shown net of lease incentives held as receivables.

During the year, the Group commenced construction of Scape Brighton and continued construction work on Circus Street, Brighton. The properties are included above as properties under construction with a value of £42,060,000 and £55,480,000 respectively.

In October 2017, the Group entered into a conditional forward purchase agreement to acquire a private student accommodation residence currently under construction immediately adjacent to QMUL. A deposit and related costs of £2,648,000 relating to this agreement are included within current assets on the consolidated statement of financial position for the current year and non-current assets for the prior 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 in accordance with IFRS 13. 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 and 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. 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 any 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 properties and shown as a receivable until settled.

11. EPRA NIY

Calculated as the value of investment properties divided by annualised net rents:

	30 June 2019 £'000	30 June 2018 £'000
Investment properties	**921,602**	784,424
Less: investment property under construction	**(97,540)**	(196,500)
Operational property portfolio	**824,062**	587,924
Allowance for estimated purchasers' costs	**25,207**	18,578
Operational property portfolio plus purchasers' costs	**849,269**	606,502
Annualised cash passing rental income	**45,675**	36,724
Property operating costs	**(7,159)**	(6,149)
Annualised net rents	**38,516**	30,575
Topped-up net annualised rent	**38,516**	30,575
EPRA NIY	**4.54**	5.04
EPRA topped-up NIY	**4.54**	5.04

Property-related capital expenditure analysis

	30 June 2019 £'000	30 June 2018 £'000
Acquisitions	**55,964**	78,642
Subsequent capital expenditure	**4,950**	23,577
Total capital expenditure	**60,914**	102,219

Methodology/notes:

Acquisitions The cost of acquisition of investment properties and capital expenditure in respect of development properties.

Subsequent capital expenditure Capital expenditure post acquisition includes the costs of refurbishment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
For the year ended 30 June 2019

Part 3. Asset management continued

12. EPRA vacancy rate
The Company's buildings were fully occupied for the 2018/19 academic year and for the previous academic year.

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

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

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

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

The Group's investment properties are held at fair value as determined by the external valuer in accordance with the RICS Valuation Global Standards 2017 and IFRS 13.

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

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

	30 June 2019			
Assets and liabilities measured at fair value	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Investment properties	**—**	**—**	**921,602[2]**	**921,602**
Total	**—**	**—**	**921,602**	**921,602**

	30 June 2018			
Assets and liabilities measured at fair value	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment properties	—	—	784,424	784,424
Total	—	—	784,424	784,424

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.
2. Includes lease incentives held as receivables.

Valuation techniques and significant inputs within the valuation of investment properties
The following table analyses:

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

Class	Fair value	Valuation technique	Key unobservable inputs	Range
Operational student property 30 June 2019	**£824,062,000**	**Income capitalisation**	**ERV – 2018/19** **Rental growth** **Tenancy period** **Sundry income** **Facilities management cost** **Initial yield**	**£165 – £651 per bed per week** **2% – 3%** **40/51 weeks** **£50 – £100 per bed per annum** **£2,100 – £2,350 per bed per annum** **4.10% – 5.80% blended (4.10% – 7.50%)**
Development student property 30 June 2019	**£97,540,000**	**Income capitalisation/ RLV (plus cost spend to date)**	**RLV** **Build cost spend to date**	**£19,480,000 – £34,690,000** **£6,722,199 – £36,001,755**
Operational student property 30 June 2018	£753,934,000	Income capitalisation	ERV – 2017/18 Rental growth Tenancy period Sundry income Facilities management cost Initial yield	£165 – £465 per bed per week 2.5% – 3.0% 40/51 weeks £50 – £100 per bed per annum £2,050 – £2,250 per bed per annum 4.5% – 5.75% blended (4.75% – 7.50%)
Development student property 30 June 2018	£30,490,000	Income capitalisation/ RLV (plus cost spend to date)	RLV Build cost spend to date	£8,640,000 £21,850,000

Sensitivity analysis to significant changes in unobservable inputs within the valuation of investment properties
Significant increases/decreases in the ERV (per sq ft p.a.) and rental growth p.a. in isolation would result in a significantly higher/lower fair value measurement. Significant increases/decreases in the long-term vacancy rate and discount rate (and exit yield) in isolation would result in a significantly lower/higher fair value measurement.

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

- a discretionary 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 £73,865,000 (2018: £47,565,000) and are presented in the income statement in line item 'fair value gains on investment properties'.

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

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

14. Events after the reporting period

There were no events after the reporting period which require disclosure.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2019

Part 4. Borrowings and equity

This section includes information on the Company's interest-bearing loans and borrowings, leverage, capital position and exposure to financial risk. The Group manages its capital requirements through a combination of debt and equity.

15. Finance income

	30 June 2019 £'000	30 June 2018 £'000
Income from cash and short-term deposits	**33**	100
Income from interest-bearing loans and borrowings	**1,055**	223
Total	**1,088**	323

Income from interest-bearing loans and borrowings is interest accrued in respect of a loan made to the developer of Scape Brighton; further information is given in note 28.

Accounting policy

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

16. Finance expenses

	30 June 2019 £'000	30 June 2018 £'000
Bank charges	**8**	7
Loan interest	**7,101**	6,863
Loan arrangement fees amortised	**619**	355
Loan commitment and other fees	**676**	—
Other	**1**	15
Total	**8,405**	7,240

Accounting policy

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

17. Interest-bearing loans and borrowings

	30 June 2019 £'000	30 June 2018 £'000
Borrowings at the start of the year	**235,000**	220,000
Borrowings drawn down during the year	**34,620**	15,000
Borrowings repaid during the year	**(17,470)**	—
Borrowings at the end of the year	**252,150**	235,000
Unamortised loan arrangement fees at the start of the year	**(2,229)**	(2,531)
Amortised during the year	**619**	355
Loan arrangement fees incurred during the year	**(1,429)**	(53)
Unamortised loan arrangement fees at the end of the year	**(3,039)**	(2,229)
Borrowings less unamortised loan arrangement fees	**249,111**	232,771

The Group has debt facilities of £335 million, comprising the following:

Fixed-rate secured facilities totalling £235 million with PGIM:

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

Secured credit facilities totalling £100 million with Wells Fargo:

Amount	Facility	Interest rate %	Maturity
£45,000,000	Redrawable credit facility	LIBOR + 1.85	July 2021
£55,000,000	Development loan	LIBOR + 3.10	December 2021 + 1 year

As at 30 June 2019, £17,150,000 had been drawn down on the redrawable credit facility.

The Group uses gearing to seek to enhance returns over the long term and for the purpose of funding acquisitions in line with the Company's investment policy. The level of gearing is governed by careful consideration of the cost of borrowing.

The debt facilities include gearing and interest cover covenants that are measured in accordance with the respective facility agreement. The Group has maintained significant headroom against all measures throughout the financial year and is in full compliance with all loan covenants at 30 June 2019.

Reconciliation of financing liabilities	**30 June 2019 £'000**	30 June 2018 £'000
Balance at the start of the year	**232,771**	217,469
Changes from cash flows		
Borrowings drawn down	**34,620**	15,000
Borrowings repaid	**(17,470)**	—
Loan arrangement fees	**(1,429)**	(53)
Non-cash changes		
Amortisation of loan issue costs	**619**	355
Balance at the end of the year	**249,111**	232,771

Leverage

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

The Company is required to state its maximum and actual leverage levels, calculated as prescribed by AIFMD, and as at 30 June 2019, the figures are as follows:

Leverage exposure	Maximum limit	Actual exposure
Gross method	155%	135%
Commitment method	155%	137%

Accounting policy

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2019

Part 4. Borrowings and equity continued

18. Share capital

	Number of shares	Issued share price	30 June 2019 £'000	30 June 2018 £'000
Issued and fully paid:				
At the start of the year			**3,851**	3,358
Shares issued on 7 July 2017	49,295,774	142.00p	**—**	493
Shares issued on 25 September 2018	25,512,151	149.50p	**255**	—
Shares issued on 4 June 2019	3,076,923	162.50p	**31**	—
Balance at the end of the year			**4,137**	3,851

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.

19. Share premium

	30 June 2019 £'000	30 June 2018 £'000
At the start of the year	**408,617**	340,233
Shares issued on 7 July 2017	**—**	69,507
Shares issued on 25 September 2018	**37,885**	—
Shares issued on 4 June 2019	**4,969**	—
Share issue costs	**(813)**	(1,123)
Balance at the end of the year	**450,658**	408,617

20. Capital and reserves

Share capital

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

Share premium

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

Share premium comprises the following cumulative amounts:

	30 June 2019 £'000	30 June 2018 £'000
Issue of share capital	**527,437**	484,583
Share issue costs	**(9,421)**	(8,608)
Cancelled share premium[1]	**(67,358)**	(67,358)
Share premium	**450,658**	408,617

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

Special reserve

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

The special reserve comprises the following cumulative amounts:

	30 June 2019 £'000	30 June 2018 £'000
Cancelled share premium	**67,358**	67,358
Dividends paid from reserves	**(28,599)**	(22,861)
Special reserve	**38,759**	44,497

Retained earnings

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

Retained earnings comprise the following cumulative amounts:

	30 June 2019 £'000	30 June 2018 £'000
Total unrealised gains on investment properties	**191,109**	117,245
Total revenue profits	**53,527**	34,605
Dividends paid from revenue profits	**(53,527)**	(34,605)
Retained earnings	**191,109**	117,245

21. Capital management

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

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

The Group may use gearing to enhance returns over the long term. The level of gearing will be governed by careful consideration of the cost of borrowing and the Group may use hedging or otherwise seek to mitigate the risk of interest rate increases. As at the year end, the Group was operating with a loan-to-value of 26% (30 June 2018: 26%).

The debt facilities include gearing and interest cover covenants that are measured in accordance with the respective facility agreement. The Group has maintained significant headroom against all measures throughout the financial year and is in full compliance with all loan covenants at 30 June 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2019

Part 4. Borrowings and equity continued

22. Financial risk management objectives and policies

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

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

Market risk

Market risk is the risk that future values of investments in property and related investments will fluctuate due to changes in market prices. The total exposure at the statement of financial position date is £921,602,000 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. See the principal risks on pages 40 to 43 where market risk is discussed in more detail.

Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates is minimal as it has taken out the majority of the debt as fixed rate bank loans of £170,000,000 with a maturity of September 2024 and £65,000,000 with a maturity of April 2029.

The Company also has a variable rate facility of up to £100,000,000, of which £17,200,000 has been drawn down.

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 2019	**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	**1,868**	**5,563**	**24,561**	**20,868**	**244,622**	**297,482**
Trade and other payables	**4,829**	**1,058**	**—**	**—**	**—**	**5,887**
Retention account	**—**	**—**	**308**	**—**	**—**	**308**
Total	**6,697**	**6,621**	**24,869**	**20,868**	**244,622**	**303,677**

Year ended 30 June 2018	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	—	5,222	6,956	20,868	257,556	290,602
Trade and other payables	6,371	1,812	—	—	—	8,183
Retention account	—	—	308	—	—	308
Total	6,371	7,034	7,264	20,868	257,556	299,093

Part 5. Working capital

This section includes information on the Company's cash reserves and working capital management, including trade receivables and payables.

23. Cash and cash equivalents

	30 June 2019 £'000	30 June 2018 £'000
Cash and cash equivalents	**4,987**	19,255
Subsidiary cash and cash equivalents	**10,522**	9,958
Total	**15,509**	29,213

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.

24. Trade and other receivables

	30 June 2019 £'000	30 June 2018 £'000
Prepayments	**820**	548
Rent receivable	**1,543**	538
Cash held by rental agents	**2,530**	3,989
Licence fees	**2,924**	661
Lease incentives	**2,399**	2,614
Receivable from developer	**3,631**	—
Other receivables	**747**	655
Total	**14,594**	9,005

Credit risk

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

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

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

	30 June 2019 £'000	30 June 2018 £'000
Retention account	**308**	308
Cash and cash equivalents	**15,509**	29,213
Trade and other receivables	**17,242**	11,653
Total	**33,059**	41,174

The retention account and cash and cash equivalents are held with Barclays Bank PLC, which holds an A-1 credit rating.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2019

Part 5. Working capital continued

24. Trade and other receivables continued

Accounting policy

Trade and other receivables are recognised initially at fair value and subsequently carried at amortised cost less provision for impairment. Where the time value of money is material, receivables are carried at amortised cost using the effective interest method. Impairment provisions are recognised based on the expected credit loss model detailed within IFRS 9.

The Group recognises a loss allowance for expected credit losses ("ECL") on trade and other receivables where necessary. The loss allowance is based on lifetime expected credit losses. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition. The expected credit losses on these financial assets are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date. Impaired balances are reported net, however impairment provisions are recorded within a separate provision account with the loss being recognised within administration costs within the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

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

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

25. Payables and accrued expenses

	30 June 2019 £'000	30 June 2018 £'000
Property operating expenses	**1,032**	968
Finance expenses	**936**	762
Other expenses	**3,919**	6,453
Trade and other payables	**5,887**	8,183
Deferred income	**12,293**	10,126
Total	**18,180**	18,309

Accounting policy

Payables and accrued expenses are initially recognised at fair value and subsequently held at amortised cost.

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

Part 6. Staff and key management

This section includes information on the Group's employees and related parties transactions, including information pertaining to the Directors and Investment Manager.

26. Directors' remuneration

	30 June 2019 £'000	30 June 2018 £'000
Robert Peto	**48**	47
Gillian Day	**38**	13
Peter Dunscombe	**13**	37
David Hunter	**6**	—
Malcolm Naish	**38**	37
Marlene Wood	**43**	42
Total	**186**	176

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

27. Staff costs

	30 June 2019 £'000	30 June 2018 £'000
Salaries	**3,163**	2,749
Other benefits	**95**	40
Total	**3,258**	2,789

With the exception of the Directors, whose remuneration is shown in the Directors' remuneration report, as at 30 June 2019, the Group employed 124 (2018: 128) members of staff, with an average of 117 (2018: 112) employees during the year.

The Group operates a defined contributions pension scheme for 83 (2018: 76) of its employees. The costs for the year ended 30 June 2019 totalled £40,000 (30 June 2018: £29,000).

Part 6. Staff and key management continued

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 £186,000 (2018: £176,000) and at 30 June 2019, a balance of £nil (2018: £nil) was outstanding. Further information is given in note 26. The Directors of the Company are also the directors of all subsidiaries apart from GCP Operations Limited, where the directors are representatives from the Investment Manager and Scape.

Investment Manager

From its investment management fee the Investment Manager is responsible for the payment of annual asset and facilities management fees of up to 0.25% of the Group's NAV, including fees payable to Scape.

The investment management agreement also appoints the Investment Manager as the Company's AIFM and it receives an annual fee of £25,000, subject to an annual RPI increase.

The Investment Manager also receives a fee of 0.30% 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.

During the year, the Group incurred £6,582,000 (2018: £5,698,000) in respect of investment management fees, the AIFM fee and marketing and investor introduction services. A total of £6,455,000 (2018: £5,488,000) is included within administration expenses in the consolidated income statement and £127,000 (2018: £210,000) is included within the share issue costs relating to shares issued during the year; at 30 June 2019, £1,707,000 (2018: £1,437,000) was outstanding.

Transactions with persons connected to the Investment Manager

The following transactions are disclosed for the purpose of transparency and are not required to be disclosed as related party transactions under IAS 24.

On 25 July 2018, the Group entered into a conditional contract with Scaperfield Limited to acquire and forward-fund the construction of Scape Brighton. The Company completed the acquisition of Scape Brighton on 22 May 2019. The directors of the Investment Manager and their family members, directly or indirectly, own in aggregate approximately 80% of Scaperfield Limited. Included within investment properties on the consolidated statement of financial position is an amount of £39.0 million consisting of the purchase price and further development costs paid to Scaperfield Limited. Interest of £1.1 million has been accrued on a part of the purchase price which was advanced as a loan prior to acquisition and is included within finance income in the consolidated statement of comprehensive income.

On 2 May 2019, the Company entered into a conditional forward purchase agreement with Kernal Court Limited to acquire a high specification, purpose-built, private student accommodation residence in the same locality as its Scape Surrey asset in Guildford. The directors of the Investment Manager and their family members, directly or indirectly, own in aggregate approximately 40% of Kernel Court Limited.

The Company benefits from a future contractual arrangement to acquire Scape Canalside . The directors of the Investment Manager and their family members, directly or indirectly, owned in aggregate approximately 45% of Leopard Guernsey Westway Limited, the vendor of Scape Canalside.

Each of the above assets has been or will be acquired, as appropriate, on the basis of an independent valuation and approval by the independent Board of Directors.

Part 7. Company subsidiaries

This section includes information on the subsidiaries of the Company and inter-company transactions. All subsidiaries are consolidated from the date on which the Company obtained control of the entity.

29. Subsidiaries

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

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

Company	Place of registration, incorporation and operation	Number and class of shares held by the Group	Group holding	**Capital and reserves at 30 June 2019 £'000**	**Profit after tax for the year ended 30 June 2019 £'000**
GCP Bloomsbury Limited[1,2]	UK	8 ordinary shares	100%	**91,820**	**20,945**
GCP Brighton Limited[2]	UK	4 ordinary shares	100%	**43,467**	**10,851**
GCP Brunswick Limited[1,2]	UK	1,046,728,191 ordinary shares	100%	**15,342**	**430**
GCP Holdco Limited[1,2]	UK	5 ordinary shares	100%	**382,050**	**48,680**
GCP Holdco 2 Limited[1,2]	UK	14 ordinary shares	100%	**134,717**	**26,889**
GCP Holdco 3 Limited[2]	UK	6 ordinary shares	100%	**126,919**	**11,112**
GCP Makerfield Limited[1,2]	UK	4 ordinary shares	100%	**22,453**	**453**
GCP Operations Limited[2]	UK	2 ordinary shares	100%	**150**	**150**
GCP QMUL Limited[2]	UK	4 ordinary shares	100%	**2,548**	**(16)**
GCP RHUL Limited[1,2]	UK	4 ordinary shares	100%	**19,864**	**(321)**
GCP RHUL 2 Limited[1,2]	UK	4 ordinary shares	100%	**19,170**	**2,594**
GCP Scape East Limited[1,2]	UK	51,508,283 ordinary shares	100%	**117,644**	**20,694**
GCP SG Limited[1,2]	UK	4 ordinary shares	100%	**29,535**	**4,364**
GCP Surrey 2 Limited[2]	UK	2 ordinary shares	100%	**—**	**—**
GCP Topco Limited[2]	UK	3 ordinary shares	100%	**382,001**	**48,665**
GCP Topco 2 Limited[2]	UK	14 ordinary shares	100%	**134,689**	**26,877**
GCP WL Limited[1,2]	UK	3 ordinary shares	100%	**23,922**	**3,374**
GCP Wembley Limited[1,2]	UK	12 ordinary shares	100%	**104,082**	**10,674**
GCP Wembley 2 Limited[1,2]	UK	2 ordinary shares	100%	**402**	**224**
GCP Greenwich Limited[1,3]	Guernsey	102 ordinary shares	100%	**39,171**	**4,774**
GCP Greenwich 2 Limited[1,3]	Guernsey	102 ordinary shares	100%	**1,383**	**115**
GCP Greenwich JV Limited[1,3]	Guernsey	103 ordinary shares	100%	**65,506**	**4,862**
GCP Old Street Limited[1,3]	Guernsey	100 ordinary shares	100%	**139,623**	**18,914**
GCP Old Street 2 Limited[1,3]	Guernsey	100 ordinary shares	100%	**1,498**	**410**
GCP Old Street Acquisitions Limited[1,3]	Guernsey	450 A ordinary shares 550 B ordinary shares	100%	**138,927**	**19,232**

1. Indirect subsidiaries.
2. Registered office: Beaufort House, 51 New North Road, Exeter EX4 4EP.
3. Registered office: Hirzel House, Smith Street, St Peter Port, Guernsey GY1 2NG.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2019

Part 7. Company subsidiaries continued

29. Subsidiaries continued

Accounting policy

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

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

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

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

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

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

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 2019

	Notes	30 June 2019 £'000	30 June 2018 £'000
Assets			
Non-current assets			
Investment in subsidiary companies	3	**689,760**	578,439
		689,760	578,439
Current assets			
Cash and cash equivalents	4	**4,987**	19,255
Trade and other receivables	5	**68,233**	42,470
		73,220	61,725
Total assets		**762,980**	640,164
Liabilities			
Current liabilities			
Trade and other payables	6	**(78,317)**	(65,954)
Total liabilities		**(78,317)**	(65,954)
Net assets		**684,663**	574,210
Equity			
Share capital		**4,137**	3,851
Share premium		**450,658**	408,617
Special reserve		**38,759**	44,497
Retained earnings		**191,109**	117,245
Total equity		**684,663**	574,210
Number of shares in issue		**413,653,630**	385,064,556
NAV per share (pps)		**165.52**	149.12

The comprehensive income of the Company was £92,786,000 (2018: £61,058,000).

The financial statements were approved by the Board of Directors of GCP Student Living plc on 3 September 2019 and signed on its behalf by:

Robert Peto
Chairman

Company number: 08420243

The accompanying notes on pages 108 to 110 form an integral part of these Company financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2019

	Share capital £'000	Share premium £'000	Special reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 July 2018	**3,851**	**408,617**	**44,497**	**117,245**	**574,210**
Total comprehensive income	**—**	**—**	**—**	**92,786**	**92,786**
Ordinary shares issued	**286**	**42,854**	**—**	**—**	**43,140**
Share issue costs	**—**	**(813)**	**—**	**—**	**(813)**
Dividends paid in respect of the previous year	**—**	**—**	**(2,508)**	**(3,306)**	**(5,814)**
Dividends paid in respect of the current year	**—**	**—**	**(3,230)**	**(15,616)**	**(18,846)**
Balance at 30 June 2019	**4,137**	**450,658**	**38,759**	**191,109**	**684,663**

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2018

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

The accompanying notes on pages 108 to 110 form an integral part of these Company financial statements.

COMPANY STATEMENT OF CASH FLOWS

For the year ended 30 June 2019

	Notes	30 June 2019 £'000	30 June 2018 £'000
Cash flows from operating activities			
Operating profit		**92,776**	60,965
Adjustments to reconcile profit for the year to net cash flows:			
Gains from change in fair value of subsidiary companies		**(88,922)**	(59,447)
Dividends received from subsidiary companies		**(8,701)**	(6,067)
Net recharges from subsidiary companies		**(3,412)**	(2,556)
Increase in other receivables and prepayments		**(64)**	(46)
Increase in other payables and accrued expenses		**224**	221
Net cash flow used in operating activities		**(8,099)**	(6,930)
Cash flows from investing activities			
Acquisition of subsidiaries	3	**(22,399)**	(72,305)
Net cash (paid)/received from subsidiary companies		**(1,549)**	26,484
Net cash used in investing activities		**(23,948)**	(45,821)
Cash flows from financing activities			
Proceeds from issue of ordinary share capital		**43,140**	70,000
Share issue costs		**(813)**	(1,123)
Finance income		**29**	99
Finance expenses		**(4)**	(5)
Dividends paid in the year		**(24,573)**	(22,773)
Net cash flow generated from financing activities		**17,779**	46,198
Net decrease in cash and cash equivalents		**(14,268)**	(6,553)
Cash and cash equivalents at start of the year		**19,255**	25,808
Cash and cash equivalents at end of the year	4	**4,987**	19,255
Non-cash items			
Investment in GCP Brighton Limited		**—**	(14,567)
Transfer of GCP Wembley Limited to Holdco 3 Limited		**(93,408)**	—
Investment in GCP Holdco 3 Limited		**93,408**	—

The accompanying notes on pages 108 to 110 form an integral part of these Company financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

For the year ended 30 June 2019

1. General information

GCP Student Living plc is a REIT incorporated in England and Wales on 26 February 2013. The registered office of the Company is located at 51 New North Road, Exeter EX4 4EP. The Company's shares are listed on the Premium Segment of the Main Market of the London Stock Exchange.

2. Basis of preparation

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

These financial statements are for the year ended 30 June 2019. Comparative figures are for the previous accounting period, the year ended 30 June 2018.

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 on pages 82 to 104.

3. Investment in subsidiary companies

	30 June 2019 £'000	30 June 2018 £'000
At the beginning of the year	**578,439**	432,120
Investment in subsidiary companies	**22,399**	86,872
Total	**600,838**	518,992
Fair value gains on the revaluation of subsidiary companies	**88,922**	59,447
Total	**689,760**	578,439

	30 June 2019 £'000	30 June 2018 £'000
Investments in subsidiary companies		
GCP Wembley Limited	**—**	18,000
GCP Topco 2 Limited	**—**	35,000
GCP Brighton Limited	**—**	31,302
GCP QMUL Limited	**—**	2,570
GCP Holdco 3 Limited	**115,807**	—
Total	**115,807**	86,872
Cash items included in the statement of cash flows		
GCP Wembley Limited	**—**	18,000
GCP Topco 2 Limited	**—**	35,000
GCP Brighton Limited	**—**	16,735
GCP QMUL Limited	**—**	2,570
GCP Holdco 3 Limited	**22,399**	—
Total	**22,399**	72,305

Cash items included in the statement of cash flows comprise share purchases in the above entities.

During the year the investment in GCP Wembley Limited was transferred from GCP Student Living plc to GCP Holdco 3 Limited in a share-for-share exchange valued at £93.4 million.

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 2019 £'000	30 June 2018 £'000
Cash and cash equivalents	**4,987**	19,255
Total	**4,987**	19,255

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 2019 £'000	30 June 2018 £'000
Amounts due from subsidiary companies	**68,128**	42,430
Prepayments and other receivables	**105**	40
Total	**68,233**	42,470

6. Other payables and accrued expenses

	30 June 2019 £'000	30 June 2018 £'000
Amounts due to subsidiary companies	**75,953**	63,903
Other expenses payable	**2,364**	2,051
Total	**78,317**	65,954

7. Fair value

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

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

The valuation of subsidiaries is based on NAV. The NAV of the subsidiaries are based on fair values of the assets held by the subsidiary; see note 13 to the consolidated financial statements for details of underlying asset fair values. The valuations are the ultimate responsibility of the Directors, who appraise these quarterly.

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

	30 June 2019			
Assets and liabilities measured at fair value	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Investment in subsidiaries	**—**	**—**	**689,760**	**689,760**
Total	**—**	**—**	**689,760**	**689,760**

	30 June 2018			
Assets and liabilities measured at fair value	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment in subsidiaries	—	—	578,439	578,439
Total	—	—	578,439	578,439

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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2019

8. Related party transactions

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

Transactions	30 June 2019 £'000	30 June 2018 £'000
Recharges of Company level expenses to:		
GCP Bloomsbury Limited	**703**	526
GCP Brighton Limited	**190**	81
GCP Brunswick Limited	**4**	4
GCP Greenwich 2 Limited	**230**	176
GCP Holdco Limited	**5**	5
GCP Holdco 2 Limited	**5**	5
GCP Holdco 3 Limited	**9**	—
GCP Makerfield Limited	**53**	—
GCP Old Street 2 Limited	**780**	616
GCP Operations Limited	**10**	10
GCP QMUL Limited	**8**	—
GCP RHUL Limited	**138**	124
GCP RHUL 2 Limited	**125**	80
GCP Scape East Limited	**570**	454
GCP SG Limited	**111**	88
GCP Topco Limited	**5**	5
GCP Topco 2 Limited	**5**	5
GCP Wembley 2 Limited	**375**	305
GCP WL Limited	**88**	70

Balances	30 June 2019 £'000	30 June 2018 £'000
Other intercompany balances due (to)/from:		
GCP Brighton Limited	**18,794**	(1,304)
GCP Holdco 3 Limited	**(5,533)**	—
GCP Makerfield Limited	**4,808**	—
GCP Operations Limited	**(142)**	(137)
GCP QMUL Limited	**98**	80
GCP RHUL 2 Limited	**21**	20
GCP Surrey 2 Limited	**68**	—
GCP Topco Limited	**(65,861)**	(57,960)
GCP Topco 2 Limited	**44,339**	42,255
GCP Wembley Limited	**(2,047)**	(3,834)
GCP Wembley 2 Limited	**(1,443)**	335
GCP WL Limited	**(927)**	(928)

SHAREHOLDER INFORMATION

Key dates

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

Frequency of NAV publication

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

Sources of further information

Copies of the Company's annual and half-yearly reports, stock exchange announcements and further information on the Company can be obtained from the Company's website: www.gcpstudent.com.

Warning to the user of this report

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

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Electronic communications from the Company

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

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

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

By email: enquiries@linkgroup.co.uk

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

GLOSSARY

Adjusted EPS
EPS adjusted for exceptional items and licence fees receivable on forward-funded developments (refer to note 3)

AIC
Association of Investment Companies

AIC Code
AIC Code of Corporate Governance, as published in July 2016

AIC Guide
AIC Corporate Governance Guide for Investment Companies

AIFM
Alternative Investment Fund Manager

AIFMD
Alternative Investment Fund Managers Directive

Annualised total shareholder return since IPO
Total shareholder return expressed as a weighted annual percentage. Calculated with reference to the IPO issue price of 100 pence per ordinary share

APM
Alternative performance measure

CIL
Community Infrastructure Levy

City
City, University of London

Collegiate
Collegiate Accommodation Consulting Limited – Asset and Facilities Manager for Water Lane Apartments, Bristol

Company or GCP Student
GCP Student Living plc

Cost of borrowing
Cost of borrowing expressed as a percentage weighted according to period drawn down (refer to notes 16 and 17)

CTA
Corporation Tax Act 2010

Dividend cover ratio
Total dividends per share divided by Group specific EPS, expressed as a percentage (refer to note 3)

EPRA
European Public Real Estate Association

EPRA cost ratio
Ratio of overheads and operating expenses against gross rental income (refer to note 3)

EPRA EPS
Recurring earnings from core operational activities excluding movements relating to revaluation of investment properties and interest rate swaps and the related tax effects, divided by the number of shares in issue (refer to note 3)

EPRA NAV
Net assets divided by number of shares. Includes all property at market value but excludes the mark to market of interest rate swaps (refer to note 3)

EPRA NAV (cum-income)
Net asset value before deduction of proposed dividend (refer to page 21)

EPRA NAV (ex-income)
Net asset value after deduction of proposed dividend (refer to page 21)

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

EPRA triple net asset value (NNNAV)
EPRA NAV including adjustments for the fair value of financial instruments, the fair value of debt and deferred taxes

EPS
Earnings per share (refer to note 3)

ERV
Estimated rental value (refer to page 93)

EU
European Union

FCA
Financial Conduct Authority

FPPP
Financial Position and Prospects Procedures

FRI leases
Full repairing and insuring leases

Full occupancy
Full occupancy is determined as occupancy across the Company's operational portfolio of properties being no less than 97%. This is consistent with terminology used across the private purpose-built student accommodation market and the methodology applied by the Company since its IPO in 2013

GHG
Greenhouse gas

GOSH
Great Ormond Street Hospital

Group
GCP Student Living plc and its subsidiaries

H&S
Health and safety

HEI
Higher education institution

IASB
International Accounting Standards Board

IFRS
International Financial Reporting Standards

IPO
Initial public offering

KCL
King's College London

LIBOR
London interbank offered rate

Loan-to-value or LTV
A measure of borrowings used by property investment companies calculated as borrowings, net of cash, as a proportion of property value (refer to notes 10 and 17)

LSE
London School of Economics

MAR
Market Abuse Regulation

MV
Market value

NAV
Net asset value (refer to note 3)

Net operating margin
Gross profit expressed as a percentage of rental income (refer to page 19)

NIY
Net initial yield

Non-PID
Non-property income distribution

Ongoing charges ratio
Annual percentage reduction in shareholder returns as a result of recurring operational expenses

PID
Property income distribution

pps
Pence per share

QMUL
Queen Mary University of London

RCF
Redrawable credit facility

REIT
Real estate investment trust

RHUL
Royal Holloway, University of London

RICS
Royal Institution of Chartered Surveyors

RLV
Residual land value

RNS
Regulatory news service

RPI
Retail price index

Scape
Scape Student Living Limited – Asset and Facilities Manager for Scape Shoreditch, Scape Mile End, Scape Greenwich, Scape Guildford, Scape Wembley, Scape Bloomsbury, Podium and The Pad

SOAS
School of Oriental and African Studies

Student rental growth
Annual increase in direct let rental rates

Total shareholder return
Share price growth with dividends deemed to be reinvested on the dividend payment date

UAL
University of the Arts London

UCAS
Universities and Colleges Admissions Service

UCH
University College Hospital

UCL
University College, London

UK Code
UK Code of Corporate Governance, as published in April 2016

CORPORATE INFORMATION

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