

# GCP STUDENT

GCP STUDENT LIVING PLC  
Annual report and consolidated financial statements  
for the year ended 30 June 2020

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# ABOUT THE COMPANY

GCP Student Living plc, a FTSE 250 company, 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 £564.2 million at 30 June 2020.



[www.gcpstudent.com](http://www.gcpstudent.com)



FTSE 250  
constituent



Silver award  
2020



Best Report and  
Accounts 2020



Gold award  
2019



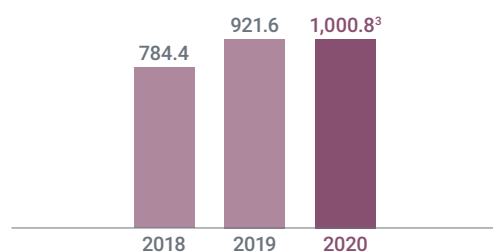
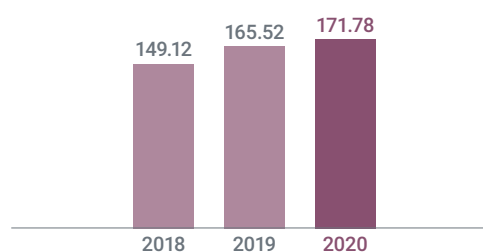
Best Printed Report  
2019

## GCP STUDENT LIVING PLC

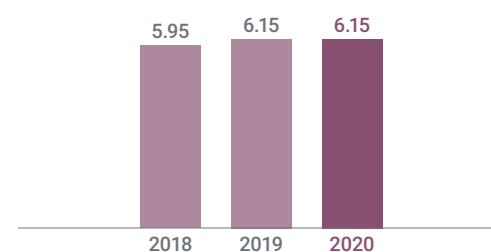
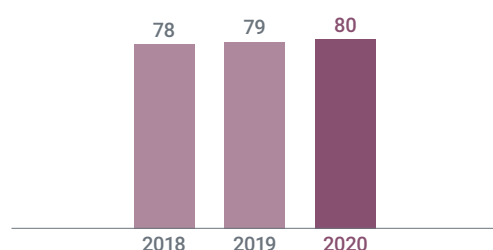
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## AT A GLANCE

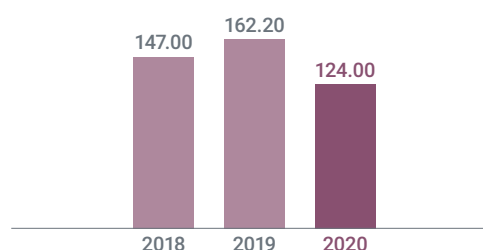
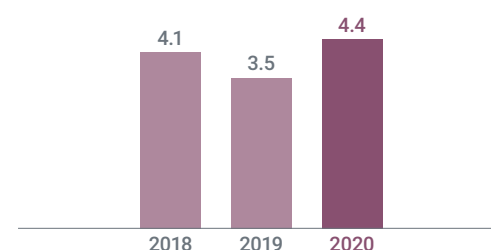
VALUE OF PROPERTY PORTFOLIO £m

EPRA NAV<sup>2</sup> PER ORDINARY SHARE p

DIVIDENDS PER ORDINARY SHARE p

NET OPERATING MARGIN<sup>2</sup> %

SHARE PRICE PER ORDINARY SHARE p

STUDENT RENTAL GROWTH<sup>2</sup> %HIGHLIGHTS<sup>1</sup>

- Total shareholder return<sup>2</sup> of -20.6% for the period. Annualised total shareholder return since IPO<sup>2</sup> of 7.4%, compared to the Company's target return of 8-10%.
- NAV total return<sup>2</sup> of 12.9% since IPO and 7.6% for the year.
- Dividends of 6.15 pence per share paid in respect of the year.
- EPRA NAV<sup>2</sup> per share (cum-income) of 171.78 pence and EPRA NAV<sup>2</sup> per share (ex-income) of 170.36 pence at 30 June 2020.
- Total rental income for the year of £47.8 million (30 June 2019: £44.4 million).
- Gross proceeds of approximately £77 million raised through a substantially oversubscribed placing of new ordinary shares.
- Inclusion in the FTSE 250 Index from 18 September 2019.
- High-quality portfolio of eleven assets with 4,116 beds located primarily in and around London, with a valuation of £1.0 billion<sup>3</sup> at 30 June 2020.
- Prior to Covid-19, the portfolio was fully occupied and achieved rental growth of 4.4% for the 2019/20 academic year.
- Blended NIY<sup>2</sup> of operational portfolio of 4.44% (30 June 2019: 4.45%).
- At the date of the report, 68% of rooms across the Group's portfolio of student accommodation have been booked for the 2020/21 academic year.

1. The Company's financial statements are prepared in accordance with IFRS. The financial highlights include performance measures based on EPRA best practice recommendations which are designed to enhance transparency and comparability across the European real estate sector. See page 123 for definitions.

2. Alternative performance measure – see page 122 for definitions and calculation methodology.

3. The valuation, as determined by the Company's independent valuer, is subject to 'material valuation uncertainty' caused by the Covid-19 pandemic and in accordance with recent guidance issued by the Royal Institution of Chartered Surveyors.

## INVESTMENT OBJECTIVES AND KPIs

The Company's purpose as a REIT is to invest 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<sup>1</sup> of 7.4%.

**6.15p**

Dividends in respect of the year

30 June 2019: 6.15p

**-20.6%**

Total shareholder return<sup>1</sup> for the year

30 June 2019: 14.8%

The Company's investment portfolio has achieved average annualised student rental growth since IPO<sup>1</sup> of 3.9%.

**FULL<sup>2</sup>**

Occupancy for 2019/20 academic year

AY 2018/19: FULL

**4.4%**

Student rental growth<sup>1</sup> for the year

30 June 2019: 3.5%

The Company's property portfolio comprises ten modern standing student accommodation buildings and one development asset.

**4,116**

Number of beds at 30 June 2020

30 June 2019: 4,116

**11**

Number of assets at 30 June 2020

30 June 2019: 11

Further information on Company performance can be found on pages 20 to 23.

1. Alternative performance measure – see page 122 for definitions and calculation methodology.

2. The Company's portfolio was fully occupied at the start of the 2019/20 academic year.



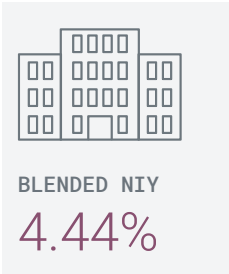
# PORTFOLIO OVERVIEW<sup>1</sup>

At 30 June 2020, 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



KEY  
● OPERATIONAL ASSETS  
● UNDER CONSTRUCTION

For detailed portfolio information refer to page 25.

1. Assets are presented in order of number of beds; refer to page 25 for further information on the portfolio.  
2. The Company’s portfolio was fully occupied at the start of the 2019/20 academic year.  
3. The student accommodation element of the development is operational. The office element remains under construction at 30 June 2020.

## CHAIRMAN'S STATEMENT

The Board has confidence in the strategy and long-term prospects of the Group, notwithstanding a year of unprecedented challenges.



**Robert Peto**  
Chairman

### Introduction

At the half year in December 2019, I was pleased to be reporting a period of full occupancy for the 2019/20 academic year and strong rental growth across the Group's portfolio, with a total shareholder return for the six-month period of 24.3%. At that time the Board noted uncertainties around the potential impact on the Company of the UK's departure from the EU, relations between the US, the UK and China (which may impact the global mobility of Chinese students) and the emergence of Covid-19.

The Covid-19 pandemic has dragged the global economy into a recession as billions of people across the world have entered a period of economic and social lockdown. In the period from 2 January 2020 to 23 March 2020 the FTSE All Share Index fell by some 35%, the fastest decline in its history.

It is against this backdrop that I report on a challenging year for the Company. The Group's portfolio continues to benefit from resilient valuations supported by the focus on assets in attractive locations for student accommodation, including the Company's core London market and reflected in the modest rise to its NAV during the year. At 30 June 2020, the Group's portfolio valuation exceeded £1 billion for the first time since IPO.

The share prices of many UK REITs, including the Company's, have been impacted by the uncertainty caused by the Covid-19 pandemic. During the year under review the Company delivered a total shareholder return of -20.6%. The annualised total shareholder return since IPO was 7.4%, more than double the returns of both the FTSE All Share and FTSE EPRA NAREIT Indices over that period albeit below the 8-10% target set at IPO.

The Company's performance has been adversely impacted by students vacating their rooms in response to the pandemic, the closure of academic institutions and forgoing rents. The wellbeing of the residents and staff in the Group's buildings is of paramount importance to the Board, the Investment Manager and the Property Managers. Further information on the safeguarding provisions that have been put in place can be found on page 37.

It is encouraging to note the Company successfully collected approximately 92% of budgeted income for the financial year. This has enabled it to maintain its annual dividend of 6.15 pence per share.

**GCP STUDENT LIVING PLC**

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**Investment activity**

The Company benefits from a conditional forward purchase agreement to acquire a high specification, purpose-built, private student accommodation residence in the same location as its Scape Guildford asset. The property is expected to be completed in the 2020/21 academic year, providing 403 beds. If acquired, this property will form part of an enlarged Scape Guildford asset, providing 544 beds in the same locality as the University of Surrey and offering the potential for the Group to benefit from operational economies of scale.

As announced by the Company on 7 April 2020, in light of the disruption and market uncertainty caused by the Covid-19 pandemic, the forward purchase agreement in respect of Scape Mile End Canalside has terminated and the vendor of this asset is no longer contractually required to sell it to the Company. It is noted that the pipeline agreement entered into at IPO between the Company and Scape has lapsed.

The Company's forward-funded development at Scape Brighton is currently expected to be fully operational during the course of September and October 2020, having been impacted by minor construction delays as a result of reduced levels of construction activity due to the Covid-19 pandemic. The impact of these delays is not expected to be material.

**Financial results**

The Company's investment portfolio delivered rental income of £47.8 million (30 June 2019: £44.4 million) over the period, representing 92% of all budgeted revenues for the financial year. It receives rental income primarily from direct lets of rooms to students, and a combination of nominations agreements with higher education institutions and long-term leases.

Rental payments for direct let agreements with students are paid in three tranches for each academic year, with c.40% received in September, c.40% in January and the remaining c.20% in April.

On 27 March 2020, the Company advised it would look favourably upon requests to forgo rents by students seeking to return home for the remainder of the 2019/20 academic year. As the Company's academic year runs for a period of 51 weeks from mid-September each year, the Directors expect the Company's income for the first quarter of the financial year ended 30 June 2021 will be materially reduced.

The Company generated profit before tax (including valuation gains) of £48.6 million (£14.7 million excluding valuation gains). Its EPRA NAV<sup>1</sup> per share (cum-income) has increased by 3.8% during the year from 165.52 pence to 171.78 pence at 30 June 2020.

1. Alternative performance measure – see page 122 for definitions and calculation methodology.

## CHAIRMAN'S STATEMENT CONTINUED

### Dividends

The Company has paid dividends in respect of the year ended 30 June 2020 of 6.15 pence per share. The dividends were paid as 5.35 pence per share as PID and 0.8 pence per share as an ordinary dividend. The total dividend for the year was 86% covered by adjusted EPS of 5.26 pence.

The adverse impact of the Covid-19 pandemic means that the Group's operational portfolio has not been fully occupied for the entire year, impacting dividend cover. The Company targets a fully covered dividend over the longer term.

### Financing

In December 2019, the Company raised gross proceeds of approximately £77 million by way of a substantially oversubscribed non-pre-emptive placing of new ordinary shares. The placing was NAV-accretive for shareholders; further details are set out on page 22.

At 30 June 2020, the Group's available debt facilities totalled £335 million, of which £281.7 million was drawn. At that date, the Group's current blended cost of borrowing on its drawn debt was 2.95% with an average weighted maturity of approximately six years. The loan-to-value of the Group at the year end was 22%. It is the Directors' current intention to target gearing of approximately 30% in the long term.

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

### Environmental, social, governance ("ESG")

The Company considers best practice application of ESG principles as paramount in its activities, the assets within its investment portfolio and the operations of its advisers. It has an 'A' MSCI ESG rating, an EPRA sBPR silver award and is in the process of obtaining a GRESB rating. The Investment Manager is a signatory to the UN Principles for Responsible Investment. Further details can be found on pages 38 to 43.

### Investment management and property management arrangements

Post year end, and as announced on 27 August 2020, the Company entered into revised investment management arrangements with the Investment Manager, further details of which are set out on page 112 of this report. The Company has separately entered into new property management arrangements with the Property Manager, Scape.

The new arrangements will reduce the investment management fees payable by the Company on the Group's existing asset base and introduce different tiers of investment management fees depending on the size of the Company, as measured by the NAV.

The Company will be responsible for the payment of property management fees under the new arrangements.

The revised management arrangements will provide the Company with a competitive investment management fee basis and more closely align property management fees to relevant operational metrics in a manner which is more often akin to the market standard seen with PBSA operations in the UK.

The amendments to these arrangements will result in an immediate reduction to the Group's cost base. By way of illustration, were these arrangements to have been entered into on 1 July 2019, the Company would have benefited from approximately £0.6 million of cost savings for the twelve-month period ended 31 June 2020. The amended fee arrangements came into effect on 1 July 2020.



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**Outlook**

The year under review has been dominated by the Covid-19 pandemic. Events leading from this have resulted in a reversal during the year of the Company's hitherto strong operational performance. The longer-term impact of the Covid-19 pandemic remains unknown and difficult to quantify. Further, there remains ongoing uncertainty as to the impact of the UK's departure from the EU on the Company.

Notwithstanding this, the Board and the Investment Manager remain confident of the Company's long-term return prospects.

The Company provides shareholders with access to a portfolio of private student accommodation assets in prime locations which have historically benefited from strong supply and demand imbalances, resulting in full occupancy, rental growth and yield compression.

The approach adopted by the Board and the Investment Manager to asset selection and the locations in which the Company operates has delivered a portfolio in markets which are well positioned to attract both domestic and international students, including its core market in and around London. 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 2020<sup>1</sup>.

The substantial majority of HEIs to which the Company is exposed are providing on-campus learning for the upcoming 2020/21 academic year, with the expectation that students will attend in person. Student applications for full-time higher education in the UK for the 2020/21 academic year have increased by 2.3% on the previous year<sup>2</sup>.

In the event the disruption caused by the Covid-19 pandemic continues into the 2020/21 academic year, the Company benefits from being defensively positioned, with strong capital resources and conservative borrowing levels. For further information, refer to the viability statement and the going concern assessment on page 53.

The Board and the Investment Manager continue to monitor global events as they relate to student numbers, including the impact of the Covid-19 pandemic on the ability of students to attend their universities (and therefore occupy rooms), Brexit and relations between the US, the UK and China, which may impact the global mobility of Chinese students as well as their choice of destination.

**The Board**

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. It has been a great joy serving shareholders and working alongside my fellow Board members and the Company's advisers during my tenure.

**Robert Peto**

Chairman

16 September 2020

FOR MORE  
INFORMATION,  
PLEASE REFER TO  
THE INVESTMENT  
MANAGER'S REPORT  
ON PAGES 14 TO 19.

1. The Times Higher Education World University rankings 2020.

2. UCAS.

## STRATEGIC REPORT

# WHAT'S IN THIS SECTION

## STRATEGIC OVERVIEW

Find out more on pages 10 and 11

## BUSINESS MODEL

Find out more on pages 12 and 13

## INVESTMENT MANAGER'S REPORT

Find out more on pages 14 to 19

## REVIEW OF THE FINANCIAL YEAR

Find out more on pages 20 to 23

## PROPERTY PORTFOLIO

Find out more on pages 24 to 31

## STAKEHOLDERS

Find out more on pages 32 to 37

## SUSTAINABILITY

Find out more on pages 38 to 43

## RISK MANAGEMENT

Find out more on pages 44 to 53





## STRATEGIC OVERVIEW

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

7.4%

Annualised total shareholder return since IPO<sup>1</sup>

6.15p

Dividends paid in respect of the year



## GCP STUDENT LIVING PLC

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### Investment strategy

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 12 and 13.

### 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 approximately 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;
  - (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

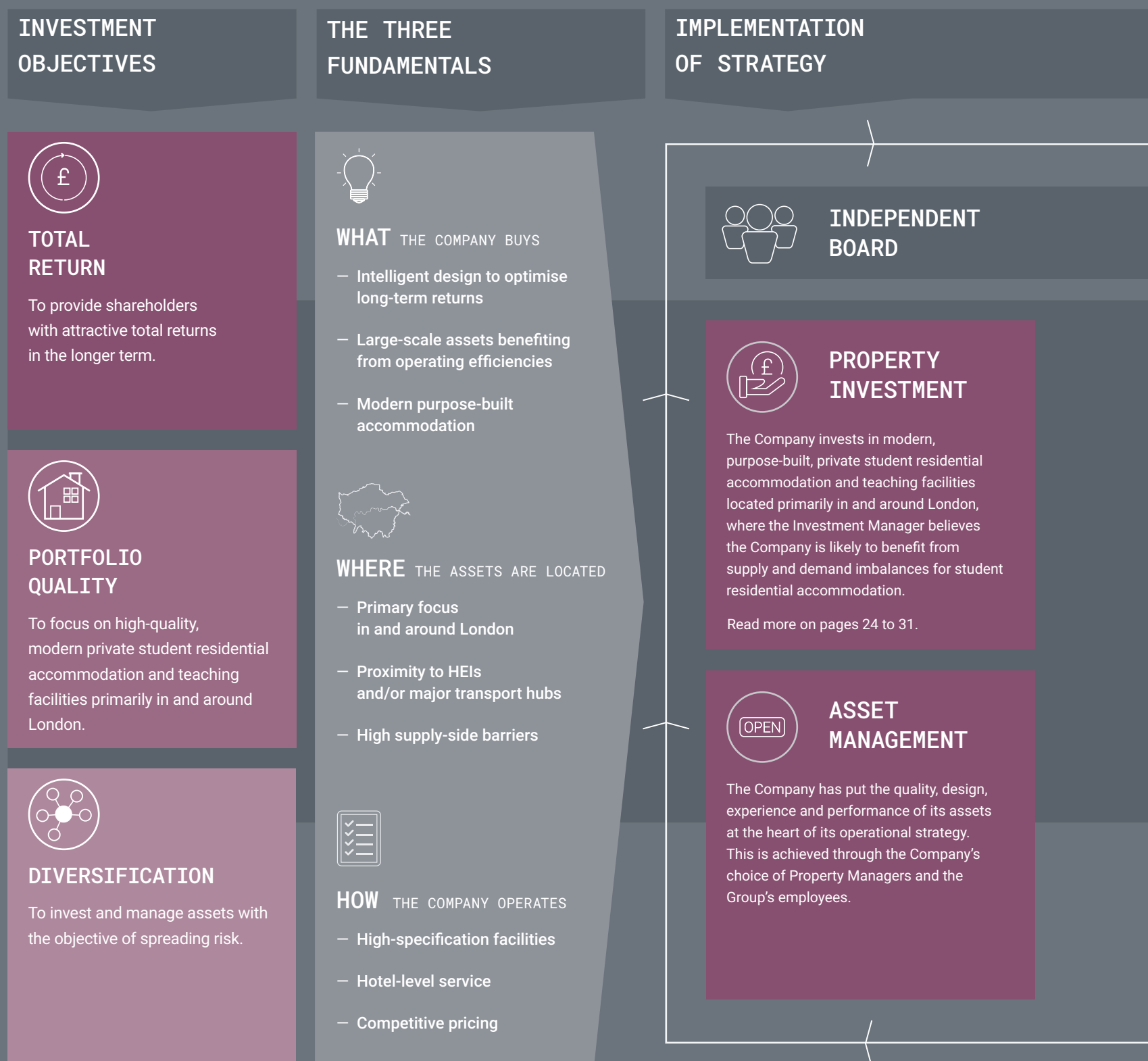
The Company is registered as a public limited company and is an investment company within the terms of section 833 of the Companies Act 2006. The Company is a REIT for the purposes of Part 12 of the CTA. The Company will be treated as a REIT so long as it continues to meet the REIT conditions in relation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

1. Alternative performance measure – see page 122 for definitions and calculation methodology.

## 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.



**STRONG GOVERNANCE**

Read more on pages 54 to 75.

**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 20 to 23.

**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.

**KPI MEASUREMENT**

The Company has generated an annualised total shareholder return since IPO<sup>1</sup> of 7.4%.

**6.15p**

Dividends paid in respect of the year



The Company's investment portfolio has achieved average annualised rental growth since IPO<sup>1</sup> of 3.9%.

**FULL<sup>2</sup>**

Occupancy for 2019/20 academic year



The Company's property portfolio comprises ten modern standing student accommodation buildings and one development asset.

**4,116**

Number of beds at 30 June 2020

**SUSTAINABILITY****ENVIRONMENTAL AND SOCIAL**

Read how the Company's activities benefit the environment and contribute to society in the sustainability section on pages 38 to 43.

**GOVERNANCE**

Read how the Company is governed and the activities of the Board during the year in the governance section on pages 54 to 75.

**FINANCIAL**

Read about the Company's financial performance and dividend cover in the financial review on pages 20 to 23 and its long-term viability on page 53.

1. Alternative performance measure – see page 122 for definitions and calculation methodology.

2. The Company's portfolio was fully occupied at the start of the 2019/20 academic year.



## INVESTMENT MANAGER'S REPORT

The UK continues to attract substantial numbers of EU and non-EU international students, with the number of applications from international students increasing by 5.1% 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 2020<sup>1</sup>, 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<sup>2</sup>.

**Student numbers supportive of occupancy and growth**

UCAS data for the 2019/20 academic year showed a record level of almost 550,000 students accepted onto full-time courses in the UK, with year-on-year growth from domestic (1.1%) and non-EU international students (6.9%) and a reduction in EU students (-0.3%). Non-EU student acceptances were at record levels, with acceptances from EU students remaining above those seen prior to the EU referendum.

On 9 July 2020, UCAS provided an update on the number of applications made by 30 June 2020 to full-time education in the UK for the 2020/21 academic year. By that date, the overall number of applicants stood at 652,790, a year-on-year increase of 2.3% and the highest number of applicants at this point in the applications cycle in four years. The increase in the number of applications has been driven by demand from UK domestic and non-EU students.

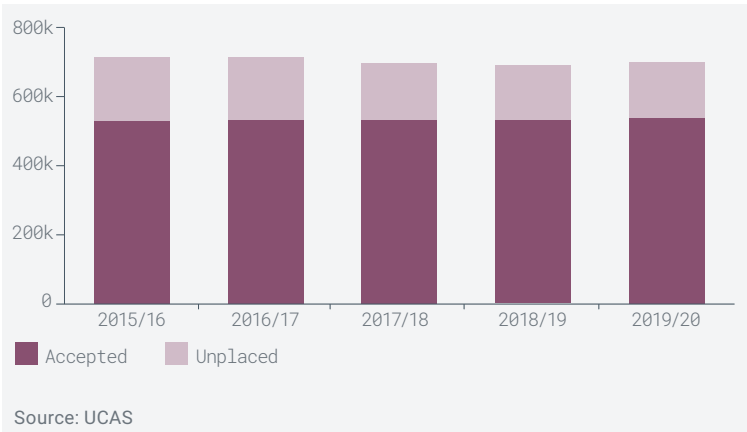
The number of applications from domestic students has increased by 1.6% on last year. This follows a period of modest decreases which were attributed to the decline in the population of 18 year-olds in the UK, which has been forecast to reverse after 2020<sup>3</sup>. Applications by domestic students should also 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. At 30 June 2020, a record 41% of all UK 18 year-olds applied to attend full-time higher education for the 2020/21 academic year, the first time more than four out of ten have applied by that point in the enrolment cycle.

The UK continues to attract substantial numbers of EU and non-EU international students, with the number of applications from international students increasing by 5.1% year-on-year. The total number of applications from international students is at the highest level ever seen.

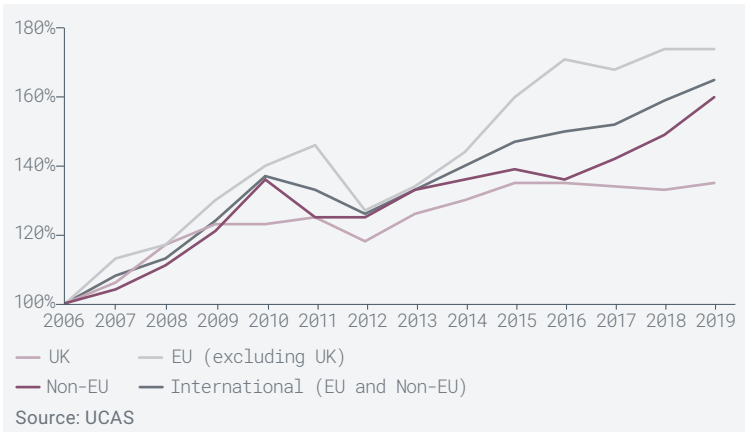
The number of applications by non-EU students at 30 June 2020 increased by almost 10% year-on-year to 89,130, also the highest level ever seen. EU student applications remain above the levels seen prior to the EU referendum in 2016, having decreased by 2% from the previous academic year.

The UCAS applications data for the 2020/21 academic year above supports the Investment Manager's view that students will continue to invest in their education and enrol in courses to further their future employment prospects, more so in times of recession where alternative employment opportunities may be scarce. Further, the continued rise in the number of applications from international students suggests that students remain willing to travel to study abroad in order to obtain qualifications delivered in the English language and are making applications on the basis that they will do so.

STUDENT ACCEPTANCE RATES



GROWTH IN STUDENT ACCEPTANCES



1. The Times Higher Education World University Rankings 2020.  
2. OECD.  
3. Office for National Statistics.

## INVESTMENT MANAGER'S REPORT CONTINUED

### Student numbers supportive of occupancy and growth continued

The number of students applying to higher education continues to substantially exceed the number of places available. For the 2019/20 academic year, nearly one in four of all applications were unable to secure a place in higher education, equating to c.165,000 applicants<sup>1</sup>.

The Covid-19 pandemic has resulted in students being unable to sit A-level examinations, the results of which form the basis of acceptances by HEIs in the UK. Prior to the UK Government's eventual decision to allow A-level grades to be determined by way of teacher assessments, 27.6% of A-levels were graded at 'A' or above, compared with 25.2% in 2019<sup>2</sup>. The Investment Manager expects that an increase in top grades being awarded as result of the intervention will occur. This, coupled with the UK Government's decision to suspend a proposed cap on the number of students HEIs can accept for the 2020/21 academic year, will benefit higher-ranked HEIs and accelerate the ongoing trend suggesting a wider flight to quality in the UK (as shown in the first chart below).

Approximately 80% of the Company's portfolio is located in and around London, a global centre of academic excellence attracting domestic and international students alike.

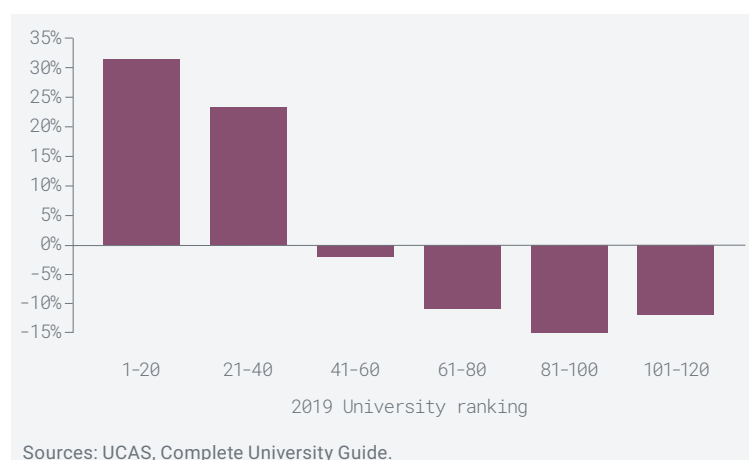
London has one of the largest student populations of any city in the world, and demand for higher education courses in London remains strong relative to much of the rest of the UK. It is home to 23 universities, with four universities ranked in the top 40 by The Times Higher Education World University Rankings, more than any other city in the world. Approximately one-third of the 2.4 million students in the UK study in London and the south-east of England<sup>3</sup>. A quarter of all international students in the UK choose to study in London<sup>3</sup>. Notwithstanding this, the number of domestic students alone substantially exceeds the supply of purpose-built student accommodation in London as illustrated by the second chart below.

The attraction of London to students underpins the Company's ability to deliver strong occupancy and long-term rental growth. 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.34,000 students, including c.8,500 international students. The city is also home to two of the largest English language foundation course providers in the UK. Approximately 15% of the Company's portfolio by capital value at 30 June 2020 is located in Brighton.

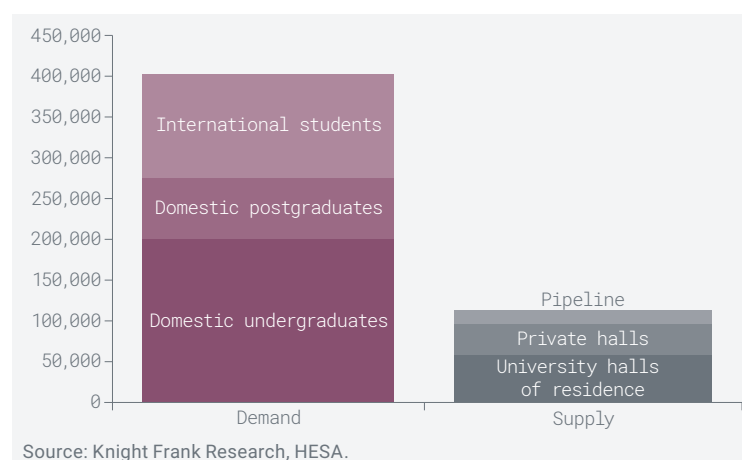
### Strong supply-side barriers

The investment returns from student accommodation vary considerably between cities in the UK with an undersupply of student housing and those with less restrictive planning regulations where the risk of oversupply is increased. The Investment Manager targets markets and micro locations which it believes demonstrate a structural undersupply of private student accommodation, typically resulting from limited land availability and/or restrictive planning regulations.

CHANGE IN STUDENT APPLICATIONS BY RANKING OF UK UNIVERSITIES (2012-2019)



STUDENT ACCOMMODATION SUPPLY AND DEMAND IN LONDON 2019



1. UCAS.  
2. Ofqual.  
3. HESA.

Severe undersupply in London, driven by high land values and a challenging planning environment, means that it is undersupplied relative to the UK average in terms of the number of students per bed, as illustrated in the first chart below. Brighton, like London, also remains severely undersupplied as a consequence of restrictive planning regulations.

Modern purpose-built student accommodation is in short supply, of which an estimated two-thirds<sup>1</sup> is almost 20 years old and ill-suited to providing the high specification facilities sought by many students of today.

The supply of development of new schemes in London remains low, with just 5,300 beds<sup>2</sup> currently under construction driven by low land availability, high alternative use value and the restrictive planning conditions.

The beneficial impact of these supply-side barriers on the Company's portfolio is reflected by the valuation increases and rental growth achieved since its IPO in 2013, and should support occupancy and growth going forward.

Transactional activity

Investment volumes of student accommodation assets exceeded £5.2 billion in 2019, the highest level of transactional activity in the UK since 2015. This included the acquisition by Unite plc of Liberty Living Group plc, which constituted a portfolio of purpose-built student accommodation comprising c.24,000 beds located across the UK for a total consideration of c.£1.4 billion.

The Investment Manager estimates that a further £5.1 billion has been traded or was put under offer in the first half of 2020, notably including the acquisition of the iQ Student portfolio of 28,000 beds (including c.6,800 beds in London) by Blackstone Group for £4.7 billion, at an estimated yield of 4.2%. This transaction was the largest-ever property transaction in the UK and was completed in May 2020, during the Covid-19 pandemic.

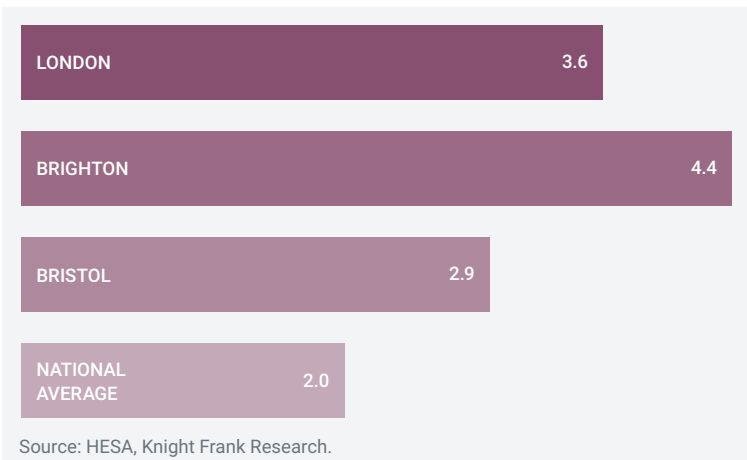
Such investment activity, combined with the expectations of above-average rental growth over the long term, continues to support valuation yields across the London market.

Portfolio performance update

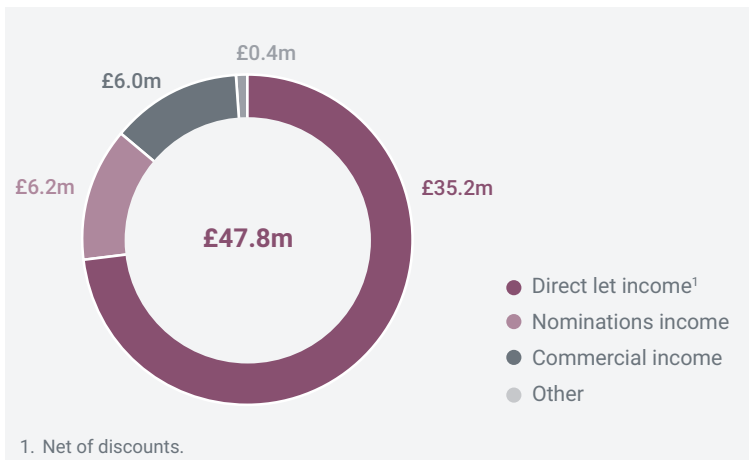
The key drivers of the Company's returns are based on the three fundamentals shown in the business model section on pages 12 and 13, which form the basis of how the Investment Manager seeks to add value over the long term.

The operational portfolio generated rental income of £47.8 million for the year to 30 June 2020, representing 92% of all budgeted revenues for the financial year, comprising income from direct lets of rooms to students, nominations agreements with HEIs and long-term commercial leases, as set out in the second chart below.

STUDENTS PER BED RATIO



REVENUE BY TYPE



1. JLL London Student Housing.  
2. Knight Frank Research.

## INVESTMENT MANAGER'S REPORT CONTINUED

### Portfolio performance update continued

On 3 September 2019, the Company announced that its operational properties were fully occupied with respect to the 2019/20 academic year. This remained the case until restrictions on global mobility and closure of academic institutions caused by the Covid-19 pandemic resulted in the majority of students vacating their rooms.

The Board, the Investment Manager and the Property Managers have all prioritised the safety and well-being of students and the Group's employees from the outset. This included offering to forego rents for those students wishing to return home for the final term of the 2019/20 academic year. For further information on the safeguarding provisions that have been put in place, refer to page 37.

The Company's academic year runs for a period of 51 weeks from mid-September. It receives direct let income in three tranches for each academic year; c.40% in each of September and January and the remaining c.20% in April. As such, the final payment tranche was adversely affected by the Covid-19 pandemic. Given the overlap between the final quarter of the Company's academic year with the following financial year, this is expected to materially reduce the direct let income received for the first quarter of the financial year ended 30 June 2021.

During the financial year the construction of the student building at Circus Street, Brighton was completed on time and in line with the Investment Manager's expectations. The student accommodation is contracted on a 21-year lease, with annual uplifts, to a subsidiary of Kaplan Inc, a global education provider. Rental income in respect of the lease agreement with Kaplan has been received in line with expectations.

The Company has received reduced payments in connection with a nominations agreement with a subsidiary of INTO University Partnerships, a provider of foundation courses, for 210 beds at Scape Mile End. At 30 June 2020, the Company had received approximately 83% of rents due to it from INTO for the financial year.

Revenue from the Company's long-term lease with a subsidiary of WeWork at Scape Shoreditch has been lower than expected. At 30 June 2020 the Company had received approximately 90% of the rents due to it from WeWork for the financial year. The Investment Manager is in discussion with both WeWork and INTO in connection with the outstanding payments.

Post year end, at the date of the report, 68% of rooms across the Group's portfolio of student accommodation, including in respect of Scape Brighton, have been booked. The average level of bookings at the same date over the past five academic years was 94%. The Investment Manager believes students have delayed booking accommodation for the 2020/21 academic year in light of the Covid-19 pandemic, and expects higher booking levels later in the enrolment cycle than would ordinarily be the case.

The Company benefits 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 modest NAV growth driven by a like-for-like portfolio valuation uplift of 3.2%. The market valuation of the portfolio was £1 billion<sup>1</sup> at 30 June 2020. The valuation uplift for the year has been driven by valuation uplifts on Scape Mile End of £9.7 million, Scape Wembley of £8.2 million and Scape Bloomsbury of £4.8 million.

The blended net initial yield of the Company's operational portfolio at 30 June 2020 was 4.44% (30 June 2019: 4.54%).

The Directors and the Investment Manager are keeping wider events and market conditions under review and continue to assess whether these investment opportunities may be pursued during this period of uncertainty.

The Covid-19 pandemic has resulted in reduced levels of activity across the property construction sector. It is therefore pleasing to note that the Company's forward-funded development at Scape Brighton has not been materially impacted by such delays, and is expected to open to students for the 2020/21 academic year in two stages across September and October 2020.

The construction costs at Scape Brighton are in part being funded through a £55 million development loan facility, of which c.£32 million was drawn at 30 June 2020.

1. The valuation, as determined by the Company's independent valuer, is subject to 'material valuation uncertainty' caused by the Covid-19 pandemic and in accordance with recent guidance issued by the Royal Institution of Chartered Surveyors.

**GCP STUDENT LIVING PLC**

Annual report and consolidated financial statements for the year ended 30 June 2020

**Outlook**

The Covid-19 pandemic has presented unprecedented challenges for the higher education sector, including the Company. Media coverage has, in places, incorrectly interpreted the suspension of mass lectures by certain HEIs, notably the University of Cambridge, as a closure of campuses to students. Cambridge University, and many others, has stated that it will welcome as many students as possible for the start of the 2020/21 academic year.

Mass lectures are only one part of the education provision of most UK HEIs. Noting the challenges posed by the Covid-19 pandemic, universities have stated that they will continue to provide small group teaching as much as possible – a method of educational delivery that is at the heart of higher education provision in the UK.

For the 2019/20 academic year, the Group's assets were occupied by students from 82 HEIs, with a majority attending five HEIs in and around London. The Investment Manager and Property Manager, Scape, have been monitoring public statements by these HEIs in relation to their plans for the 2020/21 academic year. A substantial majority of the HEIs to which the Company is exposed have opened to students for on-campus learning for the 2020/21 academic year.

Social distancing will necessitate a hybrid teaching approach until such time that an enduring solution to the Covid-19 pandemic is found by governments globally. This will combine smaller lecture and/or group sizes with online learning. In such a scenario, it is the Investment Manager's expectation that students will attend some classes in person whilst making use of online offerings from their accommodation. In doing so, students will seek to attend campuses where possible given the role university plays as a rite-of-passage in the lives of undergraduate students in particular.

The Company provides shareholders with a property portfolio which the Investment Manager believes will benefit from supply and demand imbalances for student residential accommodation in its core markets as HEIs reopen and students return to their studies. 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 since IPO.

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 or tertiary regional locations. It is the Investment Manager's belief that this trend is likely to continue.

The combination of strong 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 prospects and property valuations across the Company's portfolio going forward.

**Gravis Capital Management Limited**

16 September 2020



## REVIEW OF THE FINANCIAL YEAR

The Company generated rental income of £47.8 million, paid dividends of 6.15 pence per share and delivered a total shareholder return<sup>1</sup> of -20.6%.



**GCP STUDENT LIVING PLC**

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**Rental income**

The Company generated rental income for the year ended 30 June 2020 of £47.8 million from the Company's property portfolio. This represents 92% of budgeted income for the financial year. The portfolio was fully occupied up until restrictions on global mobility and closure of academic institutions resulting from the Covid-19 pandemic led to the majority of students vacating their rooms. The Company's commercial and nominations income has also been impacted, with the Company receiving reduced rents due for the financial year.

**Property operating costs**

Property expenditure of £9.7 million was incurred during the year, which is in line with expectations. The Company's net operating margin has remained broadly stable at c.80% with the ongoing efficient management of costs by the Company's Property Managers.

**Administration expenses**

Total administration expenses of £9.9 million comprise fund running costs, including the Investment Manager's fee, Property 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.

**Aborted transaction costs**

Costs of £3.8 million relate to the Company's decision not to proceed with the acquisition of Scape Mile End Canalside in the light of the Covid-19 uncertainty and volatility in the financial markets.

These costs relate to a deposit paid upon entering into the forward purchase agreement in 2017, legal fees, due diligence fees and lender due diligence fees.

**Net financing costs**

Net finance costs of £9.8 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 drawing on redrawable credit and development facilities, in line with expectations (refer to note 17).

**Profitability**

Profit before tax and fair value gains on investment properties of £14.7 million was generated in the period.

Total fair value gains on investment properties through revaluation of the Company's investment portfolio were £33.9 million for the year, positively impacting operating profit and generating EPS of 11.17 pence. The adjusted EPS<sup>1</sup> for the period was 5.26 pence<sup>2</sup> excluding fair value gains on investment properties and adjusting for licence fees receivable on forward-funded developments and aborted transaction costs.

**Financial performance****Condensed profit and loss**

	Notes	For the year ended 30 June 2020 £'000	For the year ended 30 June 2019 £'000
Rental income	4	47,762	44,410
Property operating expenses	5	(9,658)	(9,364)
<b>Gross profit (net operating income)</b>		<b>38,104</b>	<b>35,046</b>
Net operating margin		80%	79%
Administration expenses	5	(9,861)	(8,808)
Aborted transaction costs		(3,765)	—
Net finance costs	15, 16	(9,804)	(7,317)
<b>Profit before tax and fair value gains on investment properties (realised profits)</b>		<b>14,674</b>	<b>18,921</b>
Fair value gains on investment properties	10	33,904	73,865
<b>Profit before tax for the year</b>		<b>48,578</b>	<b>92,786</b>

1. Alternative performance measure – see page 122 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<sup>1</sup> was 1.28% for the year ended 30 June 2020, calculated in line with the AIC methodology, excluding direct property costs. This ratio is expected to decrease going forward, as a result of the Company entering into a new investment management agreement with the Investment Manager.

### 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 2020, the Company paid dividends of 6.15 pence per ordinary share, which is in line with the previous year. The dividends were paid as 5.35 pence per ordinary share as a PID in respect of the Group's tax exempt property rental business and 0.8 pence per ordinary share as an ordinary UK dividend. The Company has fulfilled all of its obligations under the UK REIT regime and was in full compliance with the REIT requirements at 30 June 2020 and at the date of this report.

### Dividend cover

The total dividend of 6.15 pence for the year was 86% covered by adjusted EPS<sup>1</sup> of 5.26 pence<sup>2</sup>. The Company's dividend cover during the period benefited from the opening of Circus Street, Brighton in September 2019. Conversely, the material reduction to its revenues during the period as a consequence of the Covid-19 pandemic has meant that the Company's operational portfolio did not support a fully covered dividend.

The Company targets a fully covered dividend over the longer term. This may not be achieved where the revenue generated by the portfolio is reduced, such as during the Covid-19 pandemic and during periods of investment where there is a continuing programme of acquisitions where assets may not be revenue generative during the period of construction.

### Capital raise

The Company completed an equity capital raise in December 2019, raising gross proceeds of c.£77 million. The issue price was 186.00 pence as shares were issued at a 6.3% discount to the closing price per ordinary share on 18 December 2019 of 198.40 pence and a 10.4% premium to the then prevailing EPRA NAV<sup>1</sup> per share (ex-income). Further details are set out in note 18.

### Cash flow generation

The Company held cash and cash equivalents of £60.4 million at the end of the financial year. A total of £17.0 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 c.£77 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 increase in cash and cash equivalents at the year end.

### Debt financing

The Company's loan facilities total £335 million, of which £281.7 million was drawn at 30 June 2020. 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 approximately six years. In addition, the Group has £100 million of floating rate borrowing facilities with Wells Fargo (of which £46.7 million was drawn as at 30 June 2020) 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 22%.

1. Alternative performance measure – see page 122 for definitions and calculation methodology.

2. Refer to note 3.

**GCP STUDENT LIVING PLC**

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**Asset performance**

The Company experienced 4.4% student rental growth<sup>1</sup> for the 2019/20 academic year and benefited from yield compression. The valuation uplift for the year has been predominantly driven by uplifts on Scape Mile End of £9.7 million, Scape Wembley of £8.2 million and Scape Bloomsbury of £4.8 million.

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

**Lifecycle reserve**

The Company's lifecycle cash reserves were £2.0 million at the year end and are 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 2020 on an IFRS basis were £781.4 million, up from £684.7 million at 30 June 2019. The increase in net assets since the prior year end was primarily driven by the capital raise of £77 million and the increase in the valuation of the property portfolio. At 30 June 2020, there were 455,019,030 shares in issue, giving an EPRA NAV<sup>1</sup> per share (cum-income) of 171.78 pence.

**NAV and share price return**

The Company's ordinary shares have traded at an average premium to EPRA NAV<sup>1</sup> per share (ex-income) of 3.6% since IPO, with an average premium over the financial year of 0.3%.

EPRA NAV<sup>1</sup> per share (cum-income) has increased from 165.52 pence at 30 June 2019 to 171.78 pence per share at 30 June 2020, a 3.8% increase year-on-year. Dividends of 6.15 pence per ordinary share were paid to shareholders. The annualised total shareholder return since IPO<sup>1</sup> was 7.4%, compared to the annualised target return of 8 to 10%. The total shareholder return<sup>1</sup> for the year was -20.6%.

**Financial performance****Condensed balance sheet**

	Notes	As at 30 June 2020 £'000	As at 30 June 2019 £'000
<b>Assets</b>			
Investment property	10	1,009,838 <sup>2</sup>	919,203
Trade and other receivables, retentions and deposits		17,979	17,550
Cash and cash equivalents	23	60,358	15,509
<b>Total assets</b>		<b>1,088,175</b>	<b>952,262</b>
<b>Liabilities</b>			
Trade and other payables, retentions and deposits		(9,374)	(6,195)
Deferred income		(6,085)	(12,293)
Lease liability		(11,608)	—
Financial derivatives		(233)	—
Interest-bearing loans and borrowings	17	(279,456)	(249,111)
<b>Total liabilities</b>		<b>(306,756)</b>	<b>(267,599)</b>
<b>Net assets</b>		<b>781,419</b>	<b>684,663</b>
<b>Number of shares</b>		<b>455,019,030</b>	<b>413,653,630</b>
<b>EPRA NAV<sup>1</sup> per share (cum-income)</b>	3	<b>171.78p</b>	165.52p
<b>EPRA NAV<sup>1</sup> per share (ex-income)</b>		<b>170.36p</b>	163.96p

1. Alternative performance measure – see page 122 for definitions and calculation methodology.

2. The valuation, as determined by the Company's independent valuer, is subject to 'material valuation uncertainty' caused by the Covid-19 pandemic and in accordance with recent guidance issued by the Royal Institution of Chartered Surveyors.



## 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 2020

4,116

Number of beds  
at 30 June 2020



## GCP STUDENT LIVING PLC

Annual report and consolidated financial statements for the year ended 30 June 2020

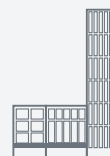
At 30 June 2020, the Company's portfolio comprised eleven high-quality, modern student accommodation buildings, of which 80% of the total capital value was located in and around London.

## Key

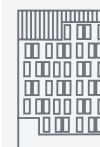
- 1 Number of beds
- 2 Date of acquisition
- 3 Book cost
- 4 Valuation at 30 June 2020
- 5 NIY
- Operational assets
- Under construction

**1 Scape Mile End**

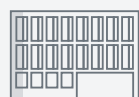
1	588	2	May 2013
3	£94.4m	4	£164.4m
5	4.42%		

**2 Scape Wembley**

1	578	2	Jun 2016
3	£78.0m	4	£105.4m
5	4.65%		

**3 Scape Brighton**

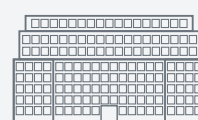
1	555	2	Jul 2018
3	£68.2m	4	£72.7m
5	N/A		

**4 Scape Shoreditch**

1	541	2	Sep 2015
3	£166.8m	4	£210.6m
5	4.29%		

**5 Circus Street<sup>1</sup>**

1	450	2	Aug 2017
3	£61.9m	4	£77.8m
5	3.56%		

**6 Scape Bloomsbury**

1	432	2	Apr 2017
3	£167.3m	4	£194.5m
5	4.00%		

**7 Scape Greenwich**

1	280	2	May 2014
3	£40.5m	4	£59.9m
5	4.62%		

**8 The Pad**

1	220	2	Dec 2013
3	£28.6m	4	£33.7m
5	5.80%		

**9 Podium**

1	178	2	Dec 2017
3	£29.6m	4	£31.2m
5	5.65%		

**10 Water Lane Apartments**

1	153	2	Feb 2016
3	£18.8m	4	£22.3m
5	5.25%		

**11 Scape Guildford**

1	141	2	Sep 2015
3	£19.1m	4	£28.3m
5	5.15%		

5

Top five HEIs attended

1. UCL
2. QMUL
3. RHUL
4. Kaplan
5. INTO

5

Top five nationalities represented

1. Chinese
2. British
3. Indian
4. Thai
5. Malaysian

4.44%

Blended net initial yield

80%

Studio rooms in the Company's buildings<sup>2</sup>

1. The student accommodation element of the development is operational. The office element remains under construction at 30 June 2020.

2. Excluding Circus Street, Brighton which is let under a 20-year FRI lease to Kaplan.



PROPERTY PORTFOLIO CONTINUED

THE LONDON ADVANTAGE

London is a global centre of academic excellence attracting domestic and international students alike.

London has one of the largest student populations of any city in the world, and demand for higher education courses in London remains strong relative to much of the rest of the UK. It is home to 23 universities, with four universities ranked in the top 40 by The Times Higher Education World University Rankings, more than any other city in the world. Approximately one-third of the 2.4 million students in the UK study in London and the south-east of England<sup>1</sup>. A quarter of all international students in the UK choose to study in London<sup>1</sup>. Notwithstanding this, the number of domestic students alone substantially exceeds the supply of purpose-built student accommodation in London.

The investment returns from student accommodation vary considerably between cities in the UK with an undersupply of student housing and those with less restrictive planning regulations where risks of supply gluts are increased. Severe undersupply in London, driven by high land values and a challenging planning environment, means that it is undersupplied relative to the UK average in terms of the number of beds per student. The beneficial impact of these supply-side barriers on the Company's portfolio is reflected by the valuation increases and rental growth achieved since its IPO in 2013, and should support occupancy and growth going forward.

KEY FACTS – PORTFOLIO



80%

Percentage of portfolio in and around London



10

All within 10 minutes of HEIs or major transport links



3.6

Benefiting from a students per bed ratio of 3.6 in London

1. HESA.





FEATURED ASSETS

SCAPE SHOREDITCH



See more on pages 28 and 29.

SCAPE BLOOMSBURY



See more on pages 30 and 31.

IN AND AROUND  
LONDON<sup>1</sup>



Location of assets by  
total capital value



1. Assets are presented in order of number of beds; refer to page 25 for further information on the portfolio.



FEATURED ASSETS

# SCAPE SHOREDITCH

541

Number of beds





## GCP STUDENT LIVING PLC

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## Scape Shoreditch is situated in a prime London location in Shoreditch, N1. 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. Studio rooms by their nature, enable better social distancing. 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.

The property generates c.£10 million of gross revenue per annum when fully occupied, through a combination of direct let tenancies and commercial income. The commercial lease at the property generates c.25% of total gross annual revenues. The property has generated a valuation uplift of £1.7 million for the year to 30 June 2020.



### 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 CASS Business School, University of the Arts and University of Law, with City, University of London and LSE, UCL and QMUL all located within a short journey of the property.





## FEATURED ASSETS

# SCAPE BLOOMSBURY

432

Number of beds





# Scape Bloomsbury is situated in a prime central London position in Bloomsbury, WC1. The property was acquired by the Company in April 2017.

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 before being converted into student accommodation in 2008.

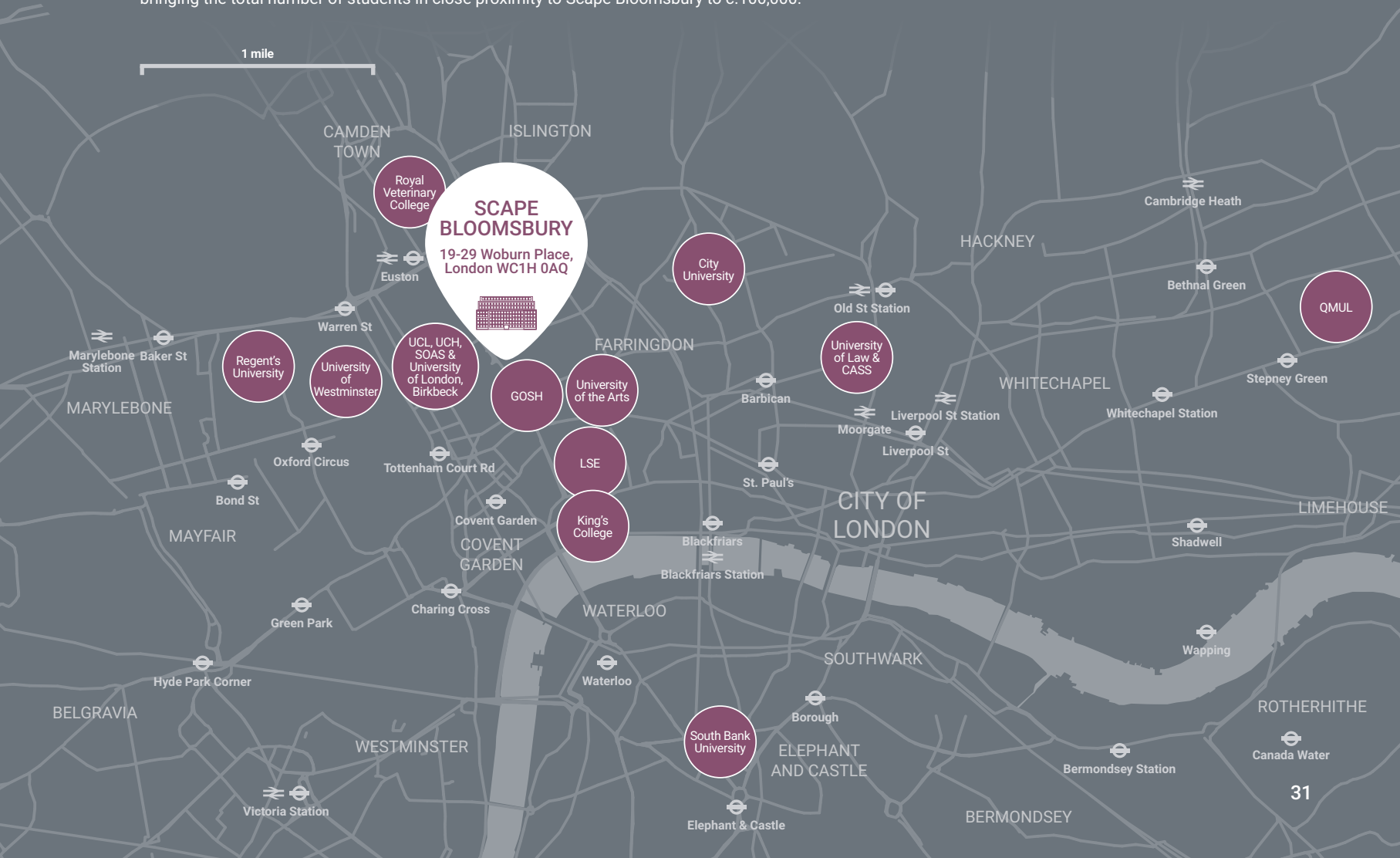
Following acquisition in April 2017, the Group reconfigured and refurbished the property to the high specification typical of the Group's existing standing assets and the Scape brand.

The property provides 432 beds and generates c.£10 million in gross revenue per annum when fully occupied, through a combination of long-term contracts and short-term lets. The property has generated a valuation uplift of £4.8 million for the year to 30 June 2020.



## 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 a short walking distance of UCL, SOAS and two teaching hospitals, UCH and GOSH. LSE, King's College, City, University of London and University of the Arts are also within walking distance, bringing the total number of students in close proximity to Scape Bloomsbury to c.100,000.



## STAKEHOLDERS

Stakeholders are integral to the long-term sustainable success of the Group. They include students, employees, shareholders, local communities and suppliers.





STAKEHOLDER ENGAGEMENT

Overview

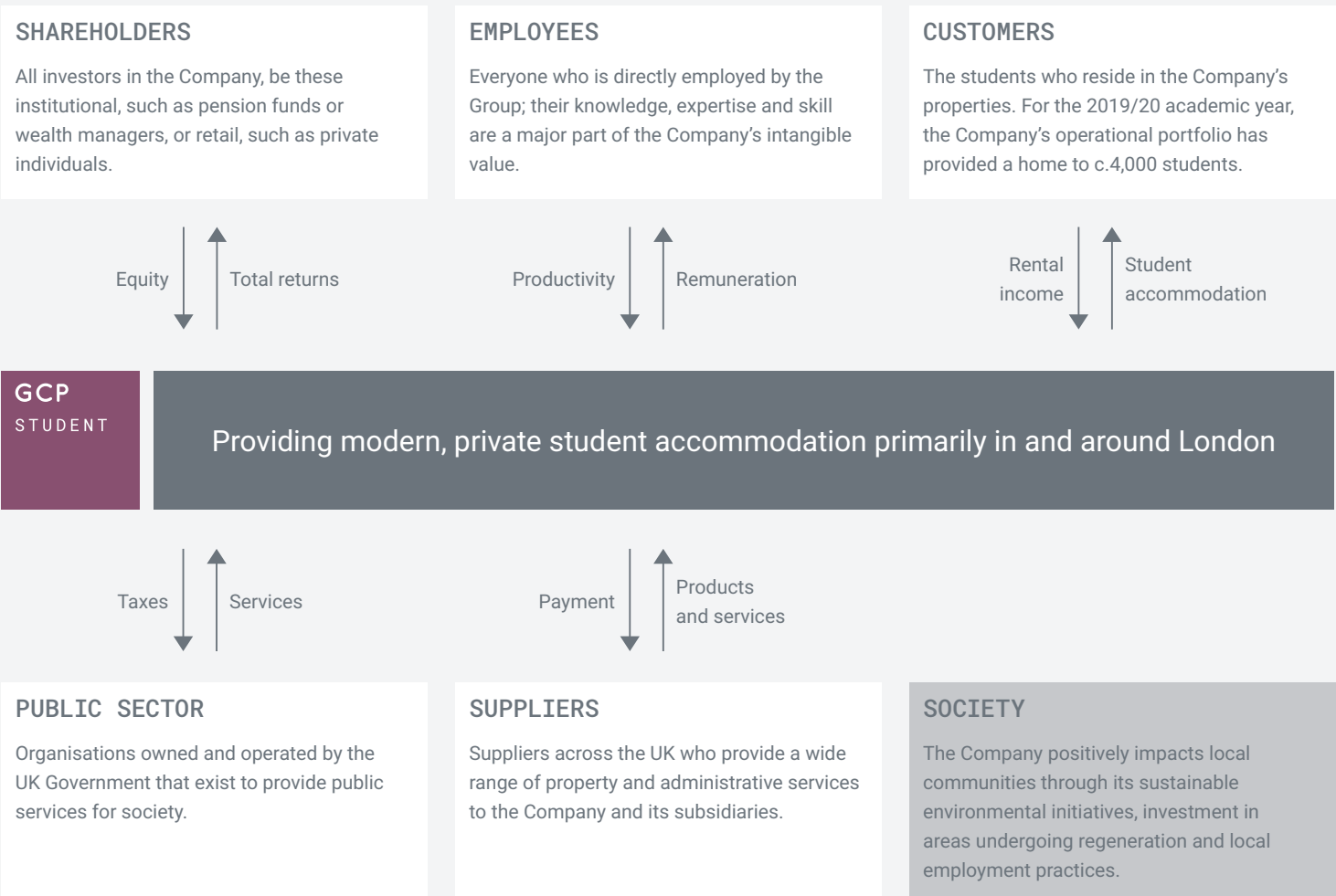
The Board of Directors recognises that, both individually and collectively, its overarching duty is to act in good faith and in a way that is most likely to promote the success of the Company and the Group. As set out in section 172 of the Companies Act 2006, the Directors act for the benefit of shareholders and in the interests of stakeholders as a whole, having regard, amongst other matters, to:

- the likely consequences of any decision in the long term;
- the interests of the Group’s employees;
- the need to foster the Group’s business relationships with suppliers, customers and others;
- the impact of the Group’s operations on the community and the environment;
- the desirability of the Group maintaining a reputation for high standards of business conduct; and
- the need to act fairly between shareholders of the Company.

The Directors seek to understand the needs and priorities of the Company’s stakeholders in accordance with section 172 of the Companies Act 2006. All Board discussions include consideration of the longer-term consequences of any key decisions and their implications for the relevant stakeholders.

STAKEHOLDER MODEL

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



STAKEHOLDERS CONTINUED  
STAKEHOLDER ENGAGEMENT CONTINUED

The Group’s key stakeholders comprise students, employees, shareholders, the local communities in which it operates and its suppliers.

The section below sets out why and how the Group engages with these stakeholders and the actions taken by it to ensure that their interests are taken into account in the Board’s decision making.

SHAREHOLDERS

Why engage

The Company invests in student residential assets in order to provide shareholders with attractive total returns in the longer term in the form of dividends and capital appreciation. The Board and the Investment Manager recognise the importance of engaging with shareholders on a regular basis in order to maintain a high level of transparency and accountability and to inform the Company’s decision making and future strategy.

How the Company engages

The Board primarily engages with investors through the Investment Manager and its Broker, who maintain an ongoing dialogue with shareholders through daily market interactions, shareholder presentations, investor seminars, analyst presentations, site visits and marketing presentations. 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.

In addition, the Board engages with the Company’s shareholders at general meetings of the Company. 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 using the contact details set out in the corporate information section of this report.

The annual general meeting of the Company will be held on 4 November 2020. A separate notice convening the annual general meeting will be posted to shareholders and will be separate to the annual report. The notice will include an explanation of the items of business to be considered at the meeting and will be uploaded to the Company’s website in due course.

EMPLOYEES

Why engage

The Group employs over 100 people who provide day-to-day property management services at the Scape-branded assets and, in doing so, ensure that high levels of customer service are consistently provided to students residing within these properties. The Group’s people are key to future success and the Directors recognise the responsibility to ensure continued engagement and wellbeing and to provide opportunities for personal and professional development.

How the Company engages

Scape has overall responsibility for the supervision and provision of property management services at the Group’s Scape-branded assets through the oversight and management of the employees of GCP Operations Limited, a subsidiary of 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. Scape operates an internal recruitment scheme to provide opportunities for employees to develop 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.

In addition to annual appraisals, regular training programmes and employee benefit schemes, the Company’s employees have access to a comprehensive employee assistance programme providing a support network that offers expert advice and guidance. The programme covers a wide range of issues, providing access to services such as counselling for emotional and mental health issues, bereavement support and legal, financial and medical advice.



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SUPPLIERS

Why engage

The Company recognises the importance of maintaining high standards of business conduct and seeks to ensure that these are applied in all of its business dealings and in its engagement with suppliers. As an externally managed REIT, the Group relies on the performance of third party service providers to perform its main functions.



How the Company engages

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 maintenance, lifecycle works, as well as other technical services. There are also real estate services such as development, construction and refurbishment. The Property 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 has engaged a number of professional services firms, including the Investment Manager, Administrator, Solicitor, Broker and Company Secretary, to provide a range of operational and advisory services to the Group.

The performance of the Group's service providers is closely monitored by the Board, through the management engagement 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. A formal scoring system has been adopted by the Directors in respect of the performance of each service provider.

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. A full statement on modern slavery is available to view on the Company's website.

SOCIETY

Why engage

The Group's eleven assets are situated in local communities in London, Brighton and Bristol and the students residing within these properties play an important part in contributing to these communities. The Company is committed to acting in a socially responsible manner and the Directors consider community involvement to be an important part of that responsibility.

How the Company engages

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.

The Group is involved with a number of social and local community initiatives through the Property Managers, including 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 a number of candidates.

The students that reside in the Company's buildings also bring inward investment to local communities by supporting local businesses.

Further information on the impact of the Company's operations on the community and the environment is set out on pages 38 to 43.





## STAKEHOLDERS CONTINUED

### STAKEHOLDER ENGAGEMENT CONTINUED

#### STUDENTS

##### Why engage

Approximately 4,000 students reside in the Group's properties. The Company aims to provide inspirational places for these students to live and work and its buildings are designed to help students get the very best out of their university experience. Students are the Company's core customers and regular engagement with them is at the heart of the Company's purpose, enabling it to meet its investment objective.

##### How the Company engages

The Board engages with students through its Property Managers and through its employees, who engage with students on a daily basis, through on-site interaction, regular social events and student surveys. All Scape buildings have employees available on a 24-hour basis to keep students safe and secure. In the year, the Scape app was successfully launched, providing a further means through which students can engage actively with employees, as well as accessing a wide range of health and wellbeing initiatives.

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 WeWork, a global provider of shared workspaces.

The Board receives regular feedback from the Property Managers and the Investment Manager on matters relating to student engagement and welfare.



## STAKEHOLDER ENGAGEMENT DURING THE COVID-19 PANDEMIC

In early March 2020, immediately prior to the introduction of the UK Government's stay at home guidance, the Directors agreed to hold regular update calls, initially on a twice-weekly basis, to consider the implications of Covid-19 for the Group and its stakeholders.

A formal agenda was adopted for these meetings, which includes consideration of the following matters:

##### Student and employee welfare

A dashboard is provided at each meeting which sets out whether there are any reported cases of Covid-19 within the Group's properties and the number of students and employees self-isolating. Regular welfare updates are provided to the Board by the Property Managers.

The Property Managers have been closely monitoring the welfare of individuals who are self-isolating and the Group's employees have been providing welfare and sustenance support. In addition to the information set out on page 37, a number of digital mental health and wellbeing initiatives have been launched by Scape, which have received positive feedback from students.

In July 2020, the Board approved the installation of bluetooth door locks across c.3,000 beds in the Company's portfolio on the basis that this technology will strengthen existing student safeguarding measures going forward by allowing Scape to monitor live occupancy in the building. The new locks will be installed in the Scape assets ahead of the commencement of the 2020/21 academic year.

##### Shareholder feedback

The Company's Broker regularly updates the Directors on investor sentiment, trading volumes in the Company's shares and provides a summary of any feedback received from the Company's major shareholders.

The Company actively consults with its shareholders and, as announced to the market on 27 August 2020, most recently did so regarding amendments to the Company's management arrangements.

Shareholder feedback has also been considered as part of the Board's decision making with respect to its dividend strategy for the third and fourth interim dividends paid in respect of the quarters ended 31 March 2020 and 30 June 2020, and will be going forward, for the year ending 30 June 2021.

## COVID-SECURE

The safety and wellbeing of students and staff is of paramount importance to the Board, the Investment Manager, and the Property Managers.

The Property Managers have implemented comprehensive safety procedures to ensure the Company's buildings are a safe place to live and work and have received assurance on the protocols from the British Safety Council.



### Flexible starts

Students have been offered flexible start dates, enabling them to move their check-in dates in line with universities reopening. Students also can check in up to four weeks early, rent-free, before term begins. This provides them with accommodation before their contract start date and enables students to self-isolate if required. Revised check-in procedures have been implemented with arrival days staggered to minimise the number of students arriving to the building at any one time.

### Protecting staff

The Property Managers are fully committed to making the buildings a safe place to work. Risk assessments and training have both been carried out on a regular basis in line with UK Government guidance. Signage is in place to advise employees on the social distancing rules and raise awareness on symptoms, self-isolation and correct hygiene. Temperature screening is undertaken prior to each shift and working hours have been staggered in order to minimise social contact. Face masks have been provided to all staff members.

### Keeping clean

Thermal cameras have been installed in reception areas for temperature screening. Cleaning at every location has been increased with regular deep cleaning throughout the buildings. Sanitation points have been set up with signage to encourage good hand hygiene. Clear distancing guides have been introduced in spaces so that they can be used in a safe way. Students can book study areas for use individually, allowing them to observe social distancing.

### Supporting students

Dedicated health practitioners are on hand to provide advice on symptoms and help with self-isolation. At the Scape buildings, the Scape app provides students with support from staff as well as enabling them to book socially distanced activities. The Property Managers have been offering self-isolation support packages which include everything from hygiene kits to food box subscriptions. Scape are also offering access to online fitness classes and online mental health and wellbeing resources.

### Doing the right thing

In March 2020, in agreement with the Company, Scape accepted requests to forgo rent on a case-by-case basis related to the final direct let instalment due in April 2020 for residents seeking to return home for the remainder of the current academic year. Consideration was given to the ability of students to occupy their rooms, whether as a result of closure of academic institutions or other unavoidable factors.





## SUSTAINABILITY

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



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**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](http://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.

**Environmental impact**

The Group is committed to being both socially and environmentally responsible and recognises the impact it has on the environment. The Company has an 'A' MSCI ESG rating, an EPRA sBPR silver award and is in the process of obtaining a GRESB rating. It has delegated the day-to-day asset and facilities management to the Property 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 further improvements made around sustainability, energy efficiency and links to charity.

**The Student Energy Project**

Scape this year worked with The Student Energy Project ("TSEP") on an exclusive energy saving campaign called 'React, Reduce, Reforest'. The aim of the campaign was to encourage energy saving behaviours amongst students whilst regularly logging their energy usage habits in a dedicated app. TSEP monitored usage against set targets and provided rewards such as vouchers or charity donations for hitting sustainability targets. For the building with the highest saving this year, a tree was planted for each resident; in total, c.400 trees were planted.

Due to the unprecedented effect of Covid-19 upon student behaviour and energy usage, TSEP capped the project year at the end of March 2020. The campaign is something Scape will be seeking to roll out again during the next academic year, hopefully on a larger scale and over a longer duration.



SUSTAINABILITY 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.

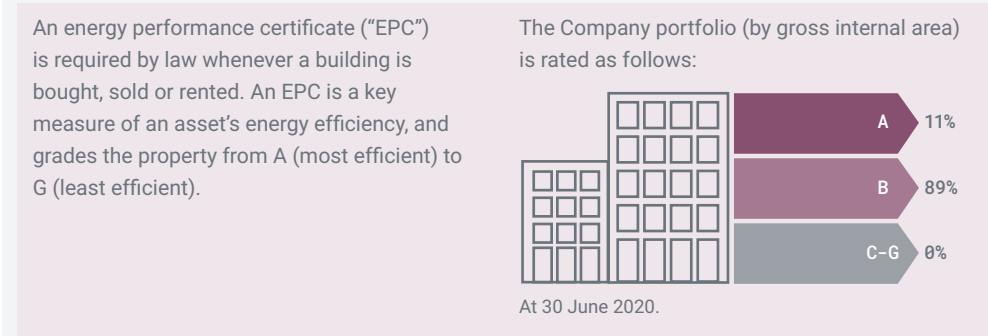
The Company’s property portfolio incorporates green roof space, solar panels, rainwater harvesting and sustainable waste management, including diverting waste from landfill to generate renewable electricity via the waste management process. In the year to 30 June 2020, a total of 820 tonnes of property 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 renewable energy, with approximately 385,000 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 with an EPC rated B or above.

At Scape Mile End an LED lighting conversion has been carried out, replacing all existing fluorescent lighting with LED equivalents 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.





## GCP STUDENT LIVING PLC

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## ENVIRONMENTAL DATA

## Greenhouse gas emissions

Carbon emissions data				Year ended 30 June 2020	Year ended 30 June 2019
Absolute energy use:					
Residential gas (kWh)				9,743,744	8,781,918
Residential electricity (kWh)				5,830,977	5,851,542
<b>Absolute CO<sub>2</sub>e emissions (tonnes CO<sub>2</sub>e)</b>				<b>3,151</b>	<b>3,110</b>
Residential gas emissions (tonnes CO <sub>2</sub> e) (Scope 1)				1,792	1,615
Residential electricity emissions (tonnes CO <sub>2</sub> e) (Scope 2)				1,359	1,496
<b>Total residential emissions (tonnes CO<sub>2</sub>e) (Scopes 1+2)</b>				<b>3,151</b>	<b>3,110</b>
<b>CO<sub>2</sub>e emissions per sq ft (tonnes CO<sub>2</sub>e/sq ft)</b>				<b>0.0036</b>	<b>0.0036</b>
Residential gas and oil emissions (tonnes CO <sub>2</sub> e/sq ft) (Scope 1)				0.0020	0.0019
Residential electricity emissions (tonnes CO <sub>2</sub> e/sq ft) (Scope 2)				0.0016	0.0017
Total residential emissions (tonnes CO <sub>2</sub> e/sq ft) (Scopes 1+2)				0.0036	0.0036
<b>CO<sub>2</sub>e emissions per bed (tonnes CO<sub>2</sub>e/number of beds)</b>				<b>0.8</b>	<b>0.8</b>
Impact area	EPRA Code	Units of measure	Indicator	Year ended 30 June 2020	Year ended 30 June 2019
Total electricity consumption	Elec-Abs/Elec-LfL	Annual kWh	All properties	5,830,977	5,851,542
Total district heating and cooling consumption	DH&C-Abs/DH&C-LfL	Annual kWh	All properties	1,083,810	1,077,590
Total fuel consumption	Fuels-Abs/Fuels-LfL	Annual kWh	All properties	15,574,720	14,633,460
Building energy intensity	Energy-Int	kWh/appropriate denominator	All properties	3,784	3,555

## Methodology/notes:

## Methodology:

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 its organisational boundary on that basis. All material emission sources within this boundary have been reported upon, in line with the requirements of the Regulations.

## Intensity ratio:

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

Total consumption on an absolute basis has remained broadly in line with the prior year.

## Like-for-like data:

The operational control approach has been used and therefore Circus Street, which became operational during the year, has been excluded. The property has been leased under a 20-year FRI lease. Therefore absolute and like-for-like data is identical.

## 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.

## Landlord obtained utility consumption:

All data has been obtained from metered buildings, no estimation has been used.

## Disclosure on own offices:

The Company does not occupy any premises and outsources all of its services on a fee basis.



## SUSTAINABILITY CONTINUED

### ENVIRONMENTAL DATA CONTINUED

#### Greenhouse gas emissions continued

Impact area	EPRA code	Units of measure	Indicator	Year ended 30 June 2020	Year ended 30 June 2019
Total direct GHG emissions	<b>GHG-Dir-Abs</b>	Annual metric tonnes CO <sub>2</sub>	All properties	<b>3,151</b>	3,110
Greenhouse gas (GHG) emissions intensity from building consumption	<b>GHG-Int</b>	Tonnes CO <sub>2</sub> /appropriate denominator	All properties	<b>0.8</b>	0.8

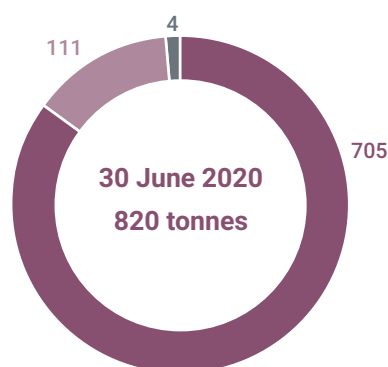
#### Water consumption

Impact area	EPRA code	Units of measure	Indicator	Year ended 30 June 2020	Year ended 30 June 2019
Total water consumption	<b>Water-Abs</b>	Annual cubic metres	All properties	<b>172,725</b>	197,016
Building water intensity	<b>Water-Int</b>	m <sup>2</sup> /appropriate denominator	All properties	<b>42.0</b>	47.9

#### Waste and recycling

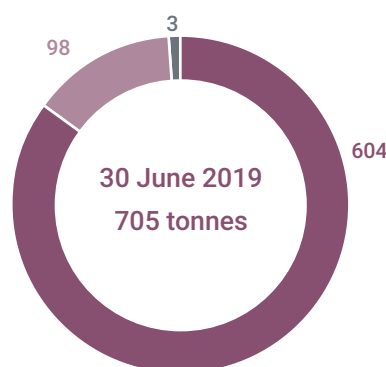
Total weight of waste by disposal route

(Annual metric tonnes and proportion by disposal route)



- Waste to energy **86%**
- Waste to recycling **14%**
- Waste to landfill **0%**

EPRA code  
Waste-Abs/Waste-LfL



- Waste to energy **86%**
- Waste to recycling **14%**
- Waste to landfill **0%**

EPRA code  
Waste-Abs/Waste-LfL

#### Methodology/notes:

##### Like-for-like data:

The operational control approach has been used and therefore Circus Street, which became operational during the year, has been excluded. The property has been leased under a 20-year FRI lease. Therefore absolute and like-for-like data is identical.

##### Water source:

All of the water consumed at the Company's buildings is purchased through water utility companies.

##### Appropriate denominator:

Consumption per bed has been chosen as the denominator.

##### Landlord obtained utility consumption:

All data has been obtained from metered buildings, estimation has been used for two months' water consumption at Water Lane Apartments (where no data was available) based on average consumption during the year.

## GCP STUDENT LIVING PLC

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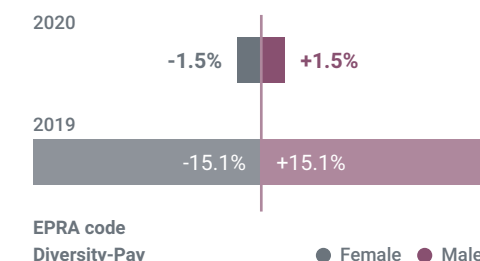
## SOCIAL DATA

## Employee data

Impact area	EPRA code	Units of measure	Indicator	Year ended 30 June 2020		Year ended 30 June 2019	
				Female	Male	Female	Male
Employee gender diversity	Diversity-Emp	Number of employees	Board of Directors	2	3	2	3
			Senior management	3	2	2	3
			Employees	66	48	64	57
			<b>Total</b>	<b>71</b>	<b>53</b>	<b>68</b>	<b>63</b>

## Gender pay ratio

(Percentage difference by gender)



Impact area	EPRA code	Units of measure	Indicator	Year ended 30 June 2020	Year ended 30 June 2019
Employee training and development	Emp-Training	Average hours per annum	All employees	10.5	8.3
Employee performance appraisals	Emp-Dev	Percentage of employees	All employees	100%	100%
Employee turnover	Emp-Turnover	Percentage of employees	All employees	69%	71%
New hires	Emp-Turnover	New hires	All employees	80	121

Impact area	EPRA code	Units of measure	Indicator	Year ended 30 June 2020	Year ended 30 June 2019
Employee health and safety	H&S-Emp	Injury rate, lost day rate, accident severity rate and absentee rate	Injury rate	13.9%	10.5%
			Lost day rate	0.0%	0.0%
			Accident severity rate	0.0%	0.0%
			Absentee rate	0.0%	0.7%
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 area	EPRA code	Units of measure	Indicator
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 Property Manager, Scape, who manages c.85% of the operational portfolio at 30 June 2020, such as initiatives to give back to the local area through sponsorship and local events. Read more on page 35.

## Methodology/notes:

## New hires and turnover:

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.

## Gender pay ratio:

The reduction in the ratio this year is due to an increase in female senior appointments (by way of internal promotions) and female appointments in head office roles. The ratio excludes the Board of Directors who are all non-executive.

## RISK MANAGEMENT

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

N°625

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N°622



The Directors 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.

### 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 on pages 47 to 51.

### Internal control review

The Board is responsible for the internal controls relating to the Group including the reliability of the financial reporting processes 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.

## RISK MANAGEMENT CONTINUED

### Internal control review continued

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;
- reputational risk; and
- emerging risks.

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 in place to mitigate them.

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

The Board, during the course of these reviews, has concluded that geopolitical risk should be included as a principal risk this year due to the ongoing uncertainty in regards to the UK's exit from the EU, relations between the UK, US and China and the Covid-19 pandemic. Additionally, emerging risks have been disclosed for the first time this year.

The majority 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.

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## 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
<p><b>Reliance on the Investment Manager and third party service providers</b></p> <p>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.</p>	<p>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 Property Managers or other third party service providers could cause significant losses to the Group.</p>	<p>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.</p>	<p> <b>Stable</b></p> <p>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. The Investment Manager and third party service providers enacted Business Continuity Plans in response to the Covid-19 outbreak and these are operating effectively.</p>
<p><b>Due diligence</b></p> <p>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.</p>	<p>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<sup>1</sup> per share and the earnings of the Company.</p>	<p>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.</p>	<p> <b>Stable</b></p> <p>Although the Company's property portfolio has been impacted by the Covid-19 pandemic, it has not impacted the process of due diligence. The portfolio generated rental income for the year of £47.8 million, which represents 92% of the budgeted income for the year.</p>

1. Alternative performance measure – see page 122 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
<b>Concentration risk</b> The Company's property portfolio comprised eleven assets at 30 June 2020. The Group's assets are primarily located in and around London.	As a result of portfolio concentration, the Group may be adversely affected by events, including Brexit and the Covid-19 pandemic, 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 Property 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.	 <b>Decrease</b> The Company has completed the construction of its first asset in Brighton under a forward-funding agreement and has continued the construction of 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.
<b>Net income and property values</b> 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 and the Covid-19 pandemic.	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 failure to collect rents, periodic renovation costs and increased operating costs may also adversely affect the Group.	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 Property 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.	 <b>Increase</b> At the start of the academic year, the Company's portfolio achieved full occupancy for the sixth consecutive year. This remained the case until the restrictions on global mobility and closure of academic institutions caused by the Covid-19 pandemic resulted in the majority of students vacating their rooms. The operational portfolio generated rental income of £47.8 million for the year to 30 June 2020, representing 92% of all budgeted revenues for the financial year.

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RISK	IMPACT	HOW THE RISK IS MANAGED	CHANGE IN RESIDUAL RISK OVER THE YEAR
<b>Property valuation</b> The valuation of the Group's property portfolio is inherently subjective, in part because 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.	 <b>Increase</b> The valuation at 30 June 2020, as determined by the Company's independent valuer, was subject to 'material valuation uncertainty' caused by the Covid-19 pandemic and in accordance with recent guidance issued by the Royal Institution of Chartered Surveyors. Post year end, the Company has been notified that, with effect from 7 July 2020, its valuations will no longer be subject to this qualification.
<b>Compliance with laws and regulations</b> 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).	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.	 <b>Stable</b> The Company's internal compliance procedures continue to operate effectively.  The Investment Manager and third party service providers enacted Business Continuity Plans in response to the Covid-19 outbreak and these are also operating effectively.

# RISK MANAGEMENT CONTINUED

## PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED


### RISK 2: MARKET RISK

RISK	IMPACT	HOW THE RISK IS MANAGED	CHANGE IN RESIDUAL RISK OVER THE YEAR
<b>UK property market conditions</b> 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, Covid-19 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.	 <b>Increase</b> The Covid-19 pandemic is causing significant uncertainty in the UK property market. The immediate impact on the property market of a widespread shutdown has been reduced levels of income and a significant reduction in transaction activity resulting in a material uncertainty clause caveating valuations across the wide range of UK property sectors. This caveat was lifted for purpose-built student accommodation on 7 July 2020.
<b>Government policy and Brexit</b> Changes in government policy which adversely impact the number of students in the UK. Further, the Group may be subject to a period of significant uncertainty when the UK leaves the EU. Covid-19 is also impacting government policy and may be subject to further changes.	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 may have a material adverse impact on the Company's ability to meet its stated objectives.	The Board, together with its relevant advisers, closely monitors changes in government policy in respect of UK, EU and international students.	 <b>Increase</b> Covid-19 has increased government involvement in the higher education sector. The U-turn regarding awarding of A-levels in the midst of the Covid-19 outbreak led to an increase in the number of top grades awarded and increased the uncertainty for lower-ranked institutions in regard to student numbers. The Company's assets are in locations that stand to benefit from students attending more highly ranked institutions. As a result of Brexit, the UK Government has confirmed that EU students will pay full international student rates from the 2021/22 academic year.




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RISK	IMPACT	HOW THE RISK IS MANAGED	CHANGE IN RESIDUAL RISK OVER THE YEAR
<b>Geopolitical</b> Negative changes to the relationship between the UK and other nations from which residents of the Company's assets originate may have an adverse impact on demand.	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 may have a material adverse impact on the Company's ability to meet its stated objectives.	The Board has significant experience and, together with its advisers, monitors global macro-economic and political developments which may impact UK, EU and international student numbers. The Company seeks to acquire assets in locations with a supply shortfall and strong demand to attract a diversified range of domestic and international students.	 <b>New</b>

## RISK 3: FINANCIAL RISK




RISK	IMPACT	HOW THE RISK IS MANAGED	CHANGE IN RESIDUAL RISK OVER THE YEAR
<b>Breach of loan covenants and gearing limits</b> 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 approximately 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.	 <b>Stable</b> 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.

## RISK MANAGEMENT CONTINUED

### EMERGING RISKS

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 include trends which are characterised by a high degree of uncertainty in terms of their occurrence, probability and their potential impact.

### EMERGING RISKS

RISK	IMPACT	HOW THE RISK IS MANAGED	CHANGE IN RESIDUAL RISK OVER THE YEAR
<b>Covid-19</b> A prolonged global pandemic limiting the movement of people and adversely impacting the number of students in the UK.	The restriction of movement of people leading to a material reduction to the number of students attending HEIs in the UK may have a material adverse impact on the Company's income and ability to meet its stated objectives.	The Board, together with its relevant advisers, is closely monitoring the crisis, which has been evolving rapidly. The Company requires that its service providers adopt best management practices to mitigate the risks of Covid-19 to users of the Company's assets. The Company has also put all acquisitions on hold and is maintaining a surplus cash balance.	 <b>New</b>
<b>Climate change</b> Short-term increase in environmental changes could have a significant detrimental effect on the Company's buildings or the universities served (e.g. through flooding).	The Company's buildings may become inaccessible or incapable of occupation. Universities may be affected, leading to a reduction in the number of students, which would have a negative impact on occupancy, earnings and property valuations.	The Company seeks to adhere to existing and emerging ESG policies. It has participated in GRESB for the 2019/20 reporting cycle. A sustainability committee was established in 2019 by the Investment Manager and the Property Manager, Scape, to monitor and implement ESG initiatives. The Investment Manager also carries out environmental impact assessments in due diligence processes.	 <b>New</b>
<b>University funding</b> The primary sources of funding for universities are tuition fees, followed by research grants. There are growing pressures on universities' funding sources, with policy reviews suggesting tuition fees may be lowered. Brexit may also lead to a reduction in EU funding and Covid-19 may impact receipt of tuition fees.	A material reduction to the number of HEIs in the UK, due to lack of funding, consolidation or otherwise, may have a material adverse impact on the number of students. This may lead to a reduction in the Company's income and ability to meet its stated objectives.	The Board has significant experience and, together with its advisers, monitors the funding positions of UK higher education institutions. The Company's focus on London means it has exposure to the market in the UK with the greatest diversity of highly ranked higher education institutions.	 <b>New</b>



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**GOING CONCERN ASSESSMENT AND VIABILITY STATEMENT****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 assessed the viability of the Company over a five-year period to 30 June 2025, taking into account the financial position of the Group and the potential impact of the Company's principal risks and uncertainties detailed above, in particular the risk that reduced occupancy due to the Covid-19 pandemic could have on future years, which could materially affect the valuation and cash flows of the Company's investments and, therefore, 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. The weighted average maturity of the Company's debt facilities is approximately six years.

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. Additionally, the Company considers the impact of structural changes in light of wider macro-economic conditions, with regard to refinancing and asset sales.

The impact of Covid-19 on market conditions within which the Company operates has been significant. As a result, additional testing has been carried out to reflect the Company's ability to operate in unfavourable conditions.

The impact of these assumptions has been measured against the Company's key metrics:

- profitability;
- loan covenants;
- the level of financial headroom; and
- compliance with the REIT rules.

Alongside the five-year forecast stress testing the Board has undertaken reverse stress testing conducted with respect to the 2020 financial year regarding the effect of income and valuation sensitivities on viability and key loan covenants.

Based on the results of the analysis and current booking levels, the Directors have a reasonable expectation that the Group 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

16 September 2020

## GOVERNANCE

# WHAT'S IN THIS SECTION

## BOARD OF DIRECTORS

See pages 56 and 57

## THE INVESTMENT MANAGER

See pages 58 and 59

## BOARD LEADERSHIP AND PURPOSE

See pages 60 and 61

## DIVISION OF RESPONSIBILITIES

See pages 62 and 63

## COMPOSITION, SUCCESSION AND EVALUATION

See pages 64 and 65

## AUDIT, RISK AND INTERNAL CONTROL

See the audit and risk committee report on pages 66 to 68,  
risk management disclosures on pages 44 to 53 and the  
financial statements on pages 86 to 120

## REMUNERATION

See the Directors' remuneration report on pages 69 to 72

## DIRECTORS' REPORT

See pages 73 to 75





## 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 was non-executive chairman of Standard Life Investments Property Income Trust Limited until 25 August 2020. 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. Until September 2019, she was deputy chair of the Scottish Funding Council for Further and Higher Education. 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 a 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.  
Appointed Chair of the audit and risk committee from 21 July 2015.

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**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 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 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:** Significant experience in finance in both the private and public sectors.

**Date of appointment:** 23 February 2018.

**David Hunter**

Chair of the nomination committee

Mr Hunter is a professional strategic adviser focused principally on UK and international real estate. He is on the boards of both listed and unlisted companies in the UK and overseas, including as chairman of Custodian REIT PLC and Capital & Regional plc, and is adviser to ICG Real Estate and 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.



**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.



**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.



**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.



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**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.

**Chloe Marlow****Head of Corporate Reporting**

Ms Marlow is responsible for corporate reporting at the Investment Manager and liaising with client boards. She 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 February 2019.

The Board considers that reporting against the principles and recommendations of the AIC Code 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 fully meet their obligations under the UK Code and the related disclosure requirements contained in the Listing Rules of the FCA.

A copy of the AIC Code can be found at [www.theaic.co.uk](http://www.theaic.co.uk). A copy of the UK Code can be obtained at [www.frc.org.uk](http://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.

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 February 2019, and considers that it has complied throughout the year, except that 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 Chairman and in future succession planning.

### Purpose of the Board

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.

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**Culture**

The Chairman leads the Board and is responsible for its overall effectiveness in directing the Company and the Group. Mr Peto demonstrates objective judgement, 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, Mr Peto ensures that the Directors receive accurate, timely and clear information. The Directors are required to act with integrity, lead by example and promote this culture within the Group. The Board seeks to ensure the alignment of its purpose, values and strategy with this culture of openness, debate and integrity through ongoing dialogue and engagement with its service providers. The culture of the Board is considered as part of the annual performance evaluation process which is undertaken by each Director and the culture of the Company's service providers, including their policies, practices and behaviour, is considered by the Board as part of the annual schedule of service provider review meetings. Further information on the Company's engagement with its service providers and other stakeholders is set out on pages 32 to 37.

**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 five committees to assist its operations: the audit and risk committee, the management engagement committee, the remuneration committee, the nomination 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.

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 66 to 68.

**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.

**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 69 to 72.

**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.

**Nomination committee**

Post year end, the Board established a nomination committee to be chaired by Mr Hunter and comprising all Directors. The committee will meet at least once a year to consider Board succession planning and recruitment and to conduct the annual Board evaluation exercise.



## 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  
Robert Peto

See the audit and risk committee report on pages 66 to 68.

#### 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 69 to 71.

#### 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

#### Nomination committee

**PURPOSE:**

Oversees Board succession planning, the appointment of new Directors and the annual Board evaluation process.

**COMPOSITION:**

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

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**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 Property 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 56.

Further information on the role of the Chairman in setting the culture of the Board is set out on page 61.

As set out in the Chairman's statement on page 7, Mr Peto will be retiring as a Director and Chairman of the Company following the annual general meeting to be held on 4 November 2020 and he will be replaced as Chairman by Mr Hunter.

Mr Hunter is deemed by his fellow independent Board members to be independent in character and judgement and free of any conflicts of interest. As set out in his biography on page 57, he is also chairman of Capital & Regional plc and Custodian REIT PLC. The Board is satisfied that Mr Hunter is able to commit sufficient time to the affairs of the Company and will continue to be able to do so once appointed as Chairman.

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.

The responsibilities of the Chairman and Senior Independent Director are clearly defined in formal documents which are available on the Company's website.

**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.

The performance of the Group's service providers is closely monitored by the Board, typically through the management engagement committee, by way of a programme of review meetings. Further information on this process is set out on page 35.

**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 pages 45 and 46.

The number of scheduled Board, audit and risk committee, management engagement committee and remuneration committee meetings held during the year ended 30 June 2020 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	6	6	1	1	1	1
Gillian Day	6	6	6	6	1	1	1	1
David Hunter	6	6	6	6	1	1	1	1
Malcolm Naish	6	6	6	6	1	1	1	1
Marlene Wood	6	6	6	6	1	1	1	1

Eighteen additional Board meetings were held by the Company during the year. The majority of these meetings were in respect of Covid-19, with the remainder regarding share issuance, property acquisitions and the revised investment management and property management agreements.

## 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.

### Appointment of new Directors

The Board regularly reviews its composition and effectiveness with the objective of ensuring that it has the appropriate balance of skills and experience required to meet the current and future opportunities and challenges facing the Company. As noted above, a nomination committee was established post year end to facilitate further consideration of these matters going forward.

When considering the appointment of new Directors, the nomination committee will actively consider a range of factors including the expertise and experience required in a prospective candidate and the diversity, including the gender and ethnicity, of the Board.

### Induction process

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.

### Independence of 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

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 formal performance evaluation as detailed above, and with the exception of Mr Peto who will be retiring as a Director of the Company following the annual general meeting, the Board strongly recommends the 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.

### Diversity

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 way 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. During the year under review, the Directors engaged Deloitte LLP ("Deloitte") to conduct an evaluation of the Board.



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Deloitte is independent of the Group and the Directors of the Company and, while the firm also provides tax compliance services to the Group, the board advisory practice operates independently and there is no overlap of personnel between the two teams. Deloitte met with each Director to assess the performance of the individual Directors, the Chairman and the Board as a whole, as well as the effectiveness of the Company's committees. Additional meetings were also held with the Investment Manager and Scape. A survey was also completed by all Directors and sample governance documentation was reviewed by Deloitte. A formal report was issued by Deloitte in July 2020 and a number of recommendations were put to the Board for consideration. As a result of the evaluation, the Board considers that all the current Directors contribute effectively and have the skills and experience relevant to the leadership and direction of the Company and sufficient time to discharge their responsibilities.

**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 46.

## AUDIT, RISK AND INTERNAL CONTROL

I am pleased to present the audit and risk committee report for the year ended 30 June 2020.



**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 2020, the committee reviewed the half-yearly report for the six months ended 31 December 2019 and recommended its approval to the Board. In February 2020, the external Auditor's plan for their audit of the year-end financial statements was received and discussed. In September 2020, 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 61.

### 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.

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**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 46 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 with the Auditor in respect of the review of the half-yearly report for the six months ended 31 December 2019 and the statutory audit of the annual report for the year ended 30 June 2020, including the principal areas of focus;
- reviewed and agreed the audit fees for the statutory audit of the Company and its subsidiaries and for the interim review for the 2020 and 2021 audits;
- 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 risks**

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

**Covid-19**

The committee has given close consideration to the continuing impact of Covid-19 upon the principal and emerging risks facing the Company and the Group and on its financial performance, through both its scheduled meetings and at additional update meetings which have been held regularly since March 2020. Further information on the impact of Covid-19 upon the Group is set out on pages 4 to 7 and 21 and in the going concern and viability disclosures on page 53.

**Valuation of property assets, rental income and operating costs**

The audit and risk committee considered the quarterly valuations of the Company's portfolio assets, the year-end valuation at 30 June 2020 and the market reports 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.

The audit and risk committee receives and reviews quarterly management accounts from the Administrator and quarterly financial reports 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, fraud, 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 2020, 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 53.



## 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. A material increase in audit fees was proposed to the committee in the year under review, due to the increased size and complexity of the Group since Ernst & Young LLP was retained as Auditor following the tender process in 2016, as well as the increased regulatory requirements being experienced by audit firms across the sector. The Auditor proposed that the fee for the statutory audit of the Company and its subsidiaries and for the interim review be increased to £260,000 in two stages, £200,000 for the 2020 audit and £260,000 in 2021. Following careful consideration, the audit and risk committee accepted this proposal on the basis of the factors noted above, the satisfactory performance of the audit partner, James Beszant, and his team and the fact that this level of fee increase is in line with increases applied by audit firms elsewhere in the sector.

Total audit fees for the year amounted to £180,000 (2019: £159,000). This incorporates a fee of £60,000 (2019: £26,000) for the audit of the Company's financial statements for the year ended 30 June 2020 and £120,000 (2019: £133,000) for the audit of the financial statements of the Company's subsidiaries for 2020.

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 2019 for a fee of £20,000 (2019: £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 2020 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, the committee met with the audit partner, James Beszant, who is in his second year as audit partner, and the Auditor's team during the year. This provided an opportunity to discuss the principal and emerging risks facing the Group and how these impacted the audit approach. During these discussions, 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 this non-audit service 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 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.

### **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.

### **CMA Order**

The Company has complied with the provisions of the CMA Order throughout the year ended 30 June 2020.

### **Marlene Wood**

Chair of the audit and risk committee

16 September 2020

# REMUNERATION

## DIRECTORS' REMUNERATION REPORT

I am pleased to present the Directors' remuneration report for the year ended 30 June 2020.



**Gillian Day**

Chair of the remuneration committee

### Statement from the Chair of the remuneration committee

As set out on page 61 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, the pay of the Group's employees, 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. No Director is involved in determining their own remuneration. The remuneration committee met once during the year.

During the year ended 30 June 2020, the annual fees for Directors were set at the rate of £49,900 for the Chairman, £44,600 for the Chair of the audit and risk committee and £39,200 for the other Directors. Directors' fees were last increased on 1 July 2019.

The remuneration committee reviews Directors' fees on an annual basis, in May each year. In the year under review, no changes were proposed by the committee to the Board.

The Directors' remuneration policy was last approved by shareholders in 2017. Accordingly, an ordinary resolution will be put to shareholders at the forthcoming annual general meeting to be held on 4 November 2020, to receive and approve the Directors' remuneration policy, in addition to the ordinary resolution to receive and approve the Directors' remuneration report. The proposed Directors' remuneration policy is substantially unchanged from that previously approved by shareholders.

## REMUNERATION CONTINUED

### DIRECTORS' REMUNERATION REPORT CONTINUED

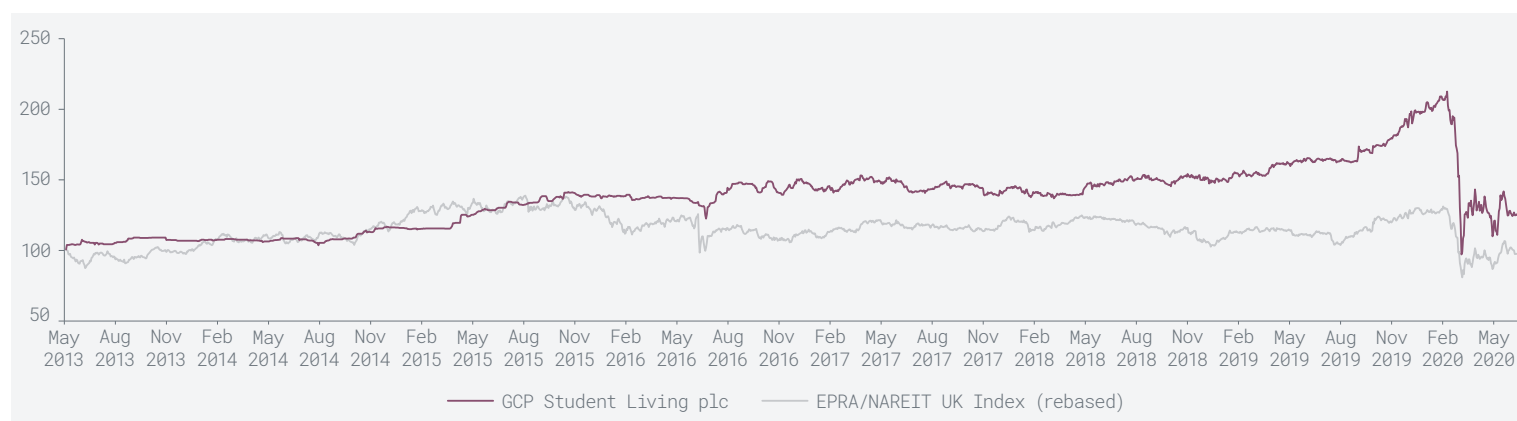
#### Voting at annual general meeting

The Directors' remuneration report for the year ended 30 June 2019 and the Directors' remuneration policy were approved by shareholders at the annual general meetings held on 6 November 2019 and 25 October 2017 respectively. The votes cast by proxy were as follows:

	Directors' remuneration report		Directors' remuneration policy	
	Number of votes	% of votes cast	Number of votes	% of votes cast
For	223,581,342	99.8780	162,605,559	99.7097
Against	273,101	0.1220	472,433	0.2897
At Chairman's discretion	—	—	971	0.0006
Total votes cast	223,854,443	100	163,078,963	100
Number of votes withheld	—	—	3,969	0.0024

#### Performance of the Company

The graph below compares the total return to ordinary 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 2020.



#### Directors' remuneration for the year ended 30 June 2020 (audited)

The remuneration paid to the Directors during the year ended 30 June 2020 is set out in the table below:

	Fees		Expenses		Total	
	Year to 30 June 2020 £	Year to 30 June 2019 £	Year to 30 June 2020 £	Year to 30 June 2019 £	Year to 30 June 2020 £	Year to 30 June 2019 £
Robert Peto (Chairman)	49,900	48,200	842	1,075	50,742	49,275
Gillian Day	39,200	37,900	50	34	39,250	37,934
Peter Dunscombe <sup>1</sup>	—	13,216	—	—	—	13,216
David Hunter <sup>2</sup>	39,200	6,317	437	—	39,637	6,317
Malcolm Naish	39,200	37,900	—	—	39,200	37,900
Marlene Wood (Chair of the audit and risk committee)	44,600	43,100	1,576	1,939	46,176	45,039
	212,100	186,633	2,905	3,048	215,005	189,681

1. Retired as a Director of the Company on 6 November 2018.

2. Appointed as a Director of the Company on 1 May 2019.



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**Relative importance of spend on pay**

The table below sets out, in respect of the year ended 30 June 2020:

- 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 2020 £'000	Year to 30 June 2019 £'000	% change
Directors' remuneration	212	187	13.9
Dividends paid to shareholders	27,334 <sup>1</sup>	25,297 <sup>2</sup>	8.1
Employees' remuneration	3,256	3,258	(0.1)

1. Includes fourth interim dividend of £6.5 million for the quarter ended 30 June 2020 which was paid on 14 September 2020.

2. Includes fourth interim dividend of £6.5 million for the quarter ended 30 June 2019 which was paid on 9 September 2019.

**Directors' interests (audited)**

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

At 30 June 2020, the interests of the Directors and any connected persons in the ordinary shares of the Company are set out below:

	Year to 30 June 2020 Number of shares	Year to 30 June 2019 Number of shares
Robert Peto (Chairman) <sup>3</sup>	41,714	41,714
Gillian Day	2,279	—
David Hunter <sup>4</sup>	21,170	—
Malcolm Naish	31,286	31,286
Marlene Wood	7,810	7,810

3. The legal and beneficial interest in 50% of Mr Peto's shares is held by his spouse.

4. The legal and beneficial interest in 50% of Mr Hunter's shares is held by his spouse.

There have been no changes to any of the above holdings between 30 June 2020 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.

## REMUNERATION CONTINUED

### DIRECTORS' REMUNERATION POLICY

#### Introduction

The Directors' remuneration policy is put to a shareholders' vote at least once every three years and in any year if there is to be a change in the Directors' remuneration policy. As the current remuneration policy was approved by shareholders in 2017, the policy will be put to shareholders at the 2020 annual general meeting. The Company's proposed remuneration policy, as set out below, is substantially the same as the existing policy.

#### 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, and 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 2020 and the expected fees payable in respect of the year ending 30 June 2021 are set out in the table below.

	Expected annual fees for the year to 30 June 2021 £	Annual fees for the year to 30 June 2020 £
Chairman	49,900	49,900
Chair of the audit and risk committee	44,600	44,600
Non-executive Director	39,200	39,200
Total remuneration paid to Directors	212,100	212,100

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

16 September 2020

## DIRECTORS' REPORT

The Directors are pleased to present their report for the year ended 30 June 2020.

### Corporate governance

The corporate governance statement on pages 60 to 65 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 56 and 57.

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

### Share capital

At the annual general meeting held on 6 November 2019, 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 41,365,400 ordinary shares.

On 27 December 2019, the Company issued 41,365,400 ordinary shares at a price of 186.00 pence per share, with an aggregate nominal value of £413,654, raising gross proceeds of approximately £77 million. The shares were issued under the existing shareholder authorities granted at the Company's annual general meeting held on 6 November 2019, as set out above.

The placing price represented a premium of 10.4% to the Company's prevailing EPRA NAV<sup>1</sup> (ex-income) of 168.55 pence per ordinary share and a discount of 6.3% to the closing market price per share on 18 December 2019 of 198.40 pence. 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 27 December 2019.

As a consequence of the above and as at the date of this report, the Company's ability to allot shares under its existing authority has been exhausted.

At the annual general meeting held on 6 November 2019, 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 annual general meeting was published, amounting to 62,006,679 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 4 November 2020.

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 bought back or held in treasury during the year or at the year end.

At the year end, and at the date of this report, the issued share capital of the Company comprised 455,019,030 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 2020, the total voting rights of the Company were 455,019,030, and at the date of this report are 455,019,030.

1. Alternative performance measure – see page 122 for definitions and calculation methodology.



# DIRECTORS' REPORT CONTINUED

## Dividends

Dividends totalling 6.15 pence per ordinary share have been paid in respect of the year ended 30 June 2020 as follows:

	Year ended 30 June 2020 pence	Year ended 30 June 2019 pence
First interim dividend	1.57	1.53
Second interim dividend	1.58	1.53
Third interim dividend	1.58	1.53
Fourth interim dividend	1.42	1.56
<b>Total</b>	<b>6.15</b>	<b>6.15</b>

## Substantial shareholdings

As at 30 June 2020, 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 2020
APG Asset Management N.V.	39,531,721	8.69
BlackRock, Inc.	24,468,649	5.38
CCLA Investment Management Limited	21,430,788	4.71

The Company has not been informed of any other changes to the notifiable interests between 30 June 2020 and the date of this report.

**GCP STUDENT LIVING PLC**

Annual report and consolidated financial statements for the year ended 30 June 2020

**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 73 and 74;
- 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 will be 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.

The notice of the annual general meeting will be circulated to shareholders and will be separate to the annual report. The notice will also be uploaded to the Company's website [www.gcpstudent.com](http://www.gcpstudent.com) in due course.

**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 76 to 114.

**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 73. 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 pages 41 and 42.

**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 19.

This Directors' report has been approved by the Board.

By order of the Board

**Link Company Matters Limited**

Company Secretary

16 September 2020

## FINANCIAL STATEMENTS

# WHAT'S IN THIS SECTION

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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](http://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

16 September 2020

## GCP STUDENT LIVING PLC

Annual report and consolidated financial statements for the year ended 30 June 2020

## INDEPENDENT AUDITOR'S REPORT

To the members of GCP Student Living plc

**Opinion**

In our opinion:

- GCP Student Living plc's Group financial statements and Parent Company financial statements ("the financial statements") give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements 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 2020	Company Statement of Financial Position as at 30 June 2020
Consolidated Statement of Financial Position as at 30 June 2020	
Consolidated Statement of Changes in Equity for the year ended 30 June	Company Statement of Changes in Equity for the year ended 30 June 2020
Consolidated Statement of Cash Flows for the year ended 30 June 2020	Company Statement of Cash Flows for the year ended 30 June 2020
Related notes 1 to 30 to the Group financial statements, including a summary of significant accounting policies	Related notes 1 to 8 to the Parent Company 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 within:

- the disclosures in the annual report set out on pages 47 to 51 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation set out on page 53 in the annual report that they have carried out a robust assessment of the emerging and 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 53 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 53 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	<ul style="list-style-type: none"> <li>– Inaccurate or incomplete rental revenue recognition</li> <li>– Incorrect valuation of the investment property portfolio</li> <li>– The use of the going concern basis in the preparation of the Group and Parent Company financial statements</li> </ul>
Audit scope	<ul style="list-style-type: none"> <li>– We performed an audit of the complete financial information of the Group and Parent Company.</li> <li>– The Group is comprised of 26 legal entities. All audit work performed for the purpose of the Group and Parent Company audit was undertaken by the Group Audit team.</li> </ul>
Materiality	<ul style="list-style-type: none"> <li>– Overall Group materiality of £7.8 million (2019: £6.8 million) which represents 1% of net assets.</li> </ul>

## 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.

## Prior year comparison

In the current year, our Auditor's report includes a key audit matter in relation to 'The use of the going concern basis in the preparation of the Group and Parent Company financial statements'. This matter resulted in increased audit effort in the current year due to the potential for Covid-19 to impact upon revenues and cash inflows in the future. Forecasting and stress testing requires management to make judgments, for example forecasting occupancy for at least the twelve-month period from the date of signature of the annual report.

RISK	OUR RESPONSE TO THE RISK	KEY OBSERVATIONS COMMUNICATED TO THE AUDIT AND RISK COMMITTEE
<p><b>Inaccurate or incomplete rental revenue recognition (Group risk) (2020: £47.7 million; 2019: £44.4 million)</b></p> <p>Refer to note 4 of the consolidated financial statements, which includes the accounting policy (page 94).</p> <p>The Group has a number of revenue streams including direct let rental revenue and revenue from nomination and commercial 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.</p>	<ul style="list-style-type: none"> <li>– We performed a walkthrough of the revenue recognition processes and assessed the design effectiveness of controls for each revenue stream;</li> <li>– We performed substantive analytical review procedures over direct let rental revenue and nomination income 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;</li> <li>– We agreed the total income for each revenue stream per the income schedules through to the trial balance;</li> <li>– We recalculated a sample of nomination and commercial income in line with the signed agreements;</li> <li>– We agreed a sample of rental rates to tenancy agreements and agreed payment through to bank statements. We recalculated rental revenue earned by property for the period;</li> <li>– We recalculated lease incentives based on the terms within the lease agreement to assess the appropriateness of the amount recorded; and</li> <li>– To test 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.</li> </ul>	<p>Our audit procedures did not identify any matters regarding the recognition of revenue in accordance with IFRS as adopted by the EU. Based on our procedures performed we had no material matters to report to the audit and risk committee.</p>

## GCP STUDENT LIVING PLC

Annual report and consolidated financial statements for the year ended 30 June 2020

RISK	OUR RESPONSE TO THE RISK	KEY OBSERVATIONS COMMUNICATED TO THE AUDIT AND RISK COMMITTEE
<p><b>Incorrect valuation of the investment property portfolio (Group risk) (2020: £1,009.8 million; 2019: £919.2 million)</b></p> <p>Refer to note 10 of the consolidated financial statements, which includes the accounting policy (page 99) and to pages 66 to 68 for the report of the audit and risk committee.</p> <p>The Group's investment portfolio comprises 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.</p> <p>The uncertainties over the current economic environment caused by Covid-19 had an impact on the valuation of the Group's properties. The Group's valuation experts, Knight Frank LLP, have highlighted in their assessment of the fair value of the property portfolio that there is limited transactional evidence and less certainty with regard to valuations and that market values can change rapidly in the context of current market conditions. Accordingly, Knight Frank have stated that it has been necessary to make more judgments than usually required and has reported the valuation of the property portfolio at 30 June 2020 on the basis of a 'material valuation uncertainty'.</p>	<ul style="list-style-type: none"> <li>— We performed a walkthrough of the property valuation processes and controls;</li> <li>— We evaluated the qualifications and independence of Knight Frank LLP;</li> <li>— We performed the following procedures in respect of the valuation performed by Knight Frank for each property: <ul style="list-style-type: none"> <li>— with the assistance of our own property valuation experts, we considered the appropriateness of market related inputs and the reasonableness of the valuation methods used, including the lifecycle cost adjustments, by comparing against our own market data and understanding of the property market;</li> <li>— tested factual inputs including rental rates, tenant details and occupancy rates to supporting documentation;</li> <li>— tested calculations for arithmetical accuracy; and</li> <li>— tested the accuracy of extraction of Knight Frank's valuations to the Group's accounting records and financial statements.</li> </ul> </li> <li>— To test 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.</li> </ul>	<p>The valuation of each property in the investment property portfolio is determined to be within a reasonable range of fair values, in accordance with IFRS as adopted by the EU. Based on our procedures performed we had no material matters to report to the audit and risk committee.</p>

# INDEPENDENT AUDITOR'S REPORT CONTINUED

To the members of GCP Student Living plc

RISK	OUR RESPONSE TO THE RISK	KEY OBSERVATIONS COMMUNICATED TO THE AUDIT AND RISK COMMITTEE
<p><b>The use of the going concern basis in the preparation of the (Group and Company risk)</b></p> <p>Refer to page 53 for the going concern assessment and to pages 90 and 91 for the basis of preparation note.</p> <p>The duration and result of the Covid-19 pandemic remains highly uncertain. There is a risk that the Director's going concern analysis has not appropriately considered the full effect of Covid-19 on the Group and Company.</p> <p>There is a risk that the disclosures in the financial statements related to going concern are not in compliance with reporting requirements.</p> <p>Management has performed a Covid-19 impact analysis to support the Directors' going concern assessment using information available to the date of issue of these financial statements. In addition to management's existing modelling for the viability statement, management has modelled adverse stress testing scenarios to assess the potential impact that Covid-19 may have on the Group's operations and liquidity through reduced occupancy and rental income.</p>	<ul style="list-style-type: none"> <li>– We obtained an understanding of the process followed by management to make its going concern and viability assessment, incorporating the impact of Covid-19;</li> <li>– We have agreed the inputs in management's cash flow forecasts and stress tests to external evidence. We have: (i) agreed the opening revenue position through to our audit work on revenue; (ii) agreed the cash held at 30 June 2020 to bank confirmations; (iii) recalculated the rental income due under each occupancy scenario; (iv) agreed the terms of repayment of the Group's credit facilities to the relevant agreements; and (v) recalculated the covenant compliance under each scenario, assessing the impact of any potential breach on the cash flow analysis;</li> <li>– We have tested the clerical and accuracy of the cash flow modelling. We have challenged management on the appropriateness of the key assumptions applied within the cash flow forecasts and stress tests, including: (i) direct lets occupancy, (ii) collectability of nominations and commercial income; and (iii) determined that management has several actions available to mitigate the impact of the worst case stress scenario, which we assessed to be reasonable in the context of other supporting evidence gained through our audit work. We reviewed minutes of board meetings with a view to identifying any matters which may impact the going concern assessment;</li> <li>– In challenging management's assumptions, we have considered post balance sheet events, such as tenant occupancy levels at term commencement in September to management's forecasts, providing additional comfort over their accuracy. We reviewed minutes of board meetings with a view to identifying any matters which may impact the going concern assessment; and</li> <li>– We reviewed the adequacy of the going concern disclosures by evaluating whether they were consistent with management's assessment and the viability statement. We reviewed the disclosures for compliance with the reporting requirements.</li> </ul>	<p>We have concluded that the impact of the Covid-19 pandemic on the Group and Company has been duly considered in the Group's and Company's assessment of going concern and ongoing viability.</p>



**GCP STUDENT LIVING PLC**

Annual report and consolidated financial statements for the year ended 30 June 2020

**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. All audit work performed for the purpose of the audit was undertaken by the Group Audit team.

**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 £7.8 million (2019: £6.8 million), which is 1% (2019: 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 £7.8 million (2019: £6.8 million), which is 1% (2019: 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 based on the net assets of the Group and Parent Company at 30 June 2019. During the course of our year-end audit procedures we reassessed materiality based on net assets at 30 June 2020 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 was 75% (2019: 50%) of our planning materiality, namely £5.9 million (2019: £3.4 million). Our objective in adopting this approach is to confirm that total undetected and undetected audit differences do not exceed our planning materiality level. During the year to 30 June 2019 audit a new accounting system, Yardi, was being implemented for the first time and processes and controls adapted as a result. In the current year Yardi has been fully implemented throughout the period and we have experience of the updated accounting processes and controls. We therefore set performance materiality for the Group at 75% of planning materiality.

**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 £391k (2019: £342k), which is set at 5% of planning materiality as reassessed based on year-end financial results, 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 78 including the introduction set out on pages 1 to 7, the strategic report set out on pages 8 to 53, the governance section set out on pages 54 to 75, the additional information set out on pages 121 to 124, 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.

# INDEPENDENT AUDITOR'S REPORT CONTINUED

To the members of GCP Student Living plc

## Other information continued

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 78** – 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 66 to 68** – 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 60** – 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 Directors' responsibilities statement set out on page 78, 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.

**GCP STUDENT LIVING PLC**

Annual report and consolidated financial statements for the year ended 30 June 2020

**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 and Parent Company'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.
- 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 Parent 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 seven years, covering the years ending 30 June 2014 to 30 June 2020.
- 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 Parent 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 Parent 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 Parent Company and the Parent 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  
16 September 2020

**Notes:**

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 2020

	Notes	30 June 2020 £'000	30 June 2019 £'000
Continuing operations			
Rental income	4	47,762	44,410
Property operating expenses	5	(9,658)	(9,364)
<b>Gross profit</b>		<b>38,104</b>	<b>35,046</b>
Administration expenses	5	(9,861)	(8,808)
Aborted transaction costs	5	(3,765)	—
<b>Operating profit before gains on investment properties</b>		<b>24,478</b>	<b>26,238</b>
Fair value gains on investment properties	10	33,904	73,865
<b>Operating profit</b>		<b>58,382</b>	<b>100,103</b>
Finance income	15	93	1,088
Finance expenses	16	(9,897)	(8,405)
<b>Profit before tax</b>		<b>48,578</b>	<b>92,786</b>
Tax charge on residual income	7	—	—
<b>Total comprehensive income for the year</b>		<b>48,578</b>	<b>92,786</b>
EPS (basic and diluted) (pence per share)	3	11.17	22.92

The accompanying notes on pages 90 to 114 form an integral part of these financial statements.

## GCP STUDENT LIVING PLC

Annual report and consolidated financial statements for the year ended 30 June 2020

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	30 June 2020 £'000	30 June 2019 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Investment property	10	1,009,838	919,203
Retention account		—	308
<b>Total non-current assets</b>		<b>1,009,838</b>	<b>919,511</b>
<b>Current assets</b>			
Cash and cash equivalents	23	60,358	15,509
Deposit for investment property		—	2,648
Retention account		308	—
Trade and other receivables	24	17,671	14,594
<b>Total current assets</b>		<b>78,337</b>	<b>32,751</b>
<b>Total assets</b>		<b>1,088,175</b>	<b>952,262</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	17	(279,456)	(249,111)
Retention account		—	(308)
Lease liability		(11,266)	—
Financial derivatives		(233)	—
<b>Total non-current liabilities</b>		<b>(290,955)</b>	<b>(249,419)</b>
<b>Current liabilities</b>			
Trade and other payables	25	(9,066)	(5,887)
Deferred income		(6,085)	(12,293)
Lease liability		(342)	—
Retention account		(308)	—
<b>Total current liabilities</b>		<b>(15,801)</b>	<b>(18,180)</b>
<b>Total liabilities</b>		<b>(306,756)</b>	<b>(267,599)</b>
<b>Net assets</b>		<b>781,419</b>	<b>684,663</b>
<b>Equity</b>			
Share capital	18	4,550	4,137
Share premium	19	525,748	450,658
Special reserve	20	26,340	38,759
Retained earnings	20	224,781	191,109
<b>Total equity</b>		<b>781,419</b>	<b>684,663</b>
Number of shares in issue		455,019,030	413,653,630
EPRA NAV <sup>1</sup> per share (pence per share)	3	171.78	165.52
IFRS NAV per share (pence per share)		171.73	165.52

These financial statements were approved by the Board of Directors of GCP Student Living plc on 16 September 2020 and signed on its behalf by:

**Robert Peto**

Chairman

Company number: 08420243

The accompanying notes on pages 90 to 114 form an integral part of these financial statements.

1. Alternative performance measure – see page 122 for definitions and calculation methodology.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2020

	Notes	Share capital £'000	Share premium £'000	Special reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 July 2019		4,137	450,658	38,759	191,109	684,663
<b>Total comprehensive income</b>		—	—	—	<b>48,578</b>	<b>48,578</b>
Ordinary shares issued		<b>413</b>	<b>76,526</b>	—	—	<b>76,939</b>
Share issue costs		—	<b>(1,436)</b>	—	—	<b>(1,436)</b>
Dividends paid in respect of the previous year	8	—	—	<b>(2,344)</b>	<b>(4,109)</b>	<b>(6,453)</b>
Dividends paid in respect of the current year	8	—	—	<b>(10,075)</b>	<b>(10,797)</b>	<b>(20,872)</b>
<b>Balance at 30 June 2020</b>		<b>4,550</b>	<b>525,748</b>	<b>26,340</b>	<b>224,781</b>	<b>781,419</b>

## 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
<b>Total comprehensive income</b>		—	—	—	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)
<b>Balance at 30 June 2019</b>		<b>4,137</b>	<b>450,658</b>	<b>38,759</b>	<b>191,109</b>	<b>684,663</b>

The accompanying notes on pages 90 to 114 form an integral part of these financial statements.



## GCP STUDENT LIVING PLC

Annual report and consolidated financial statements for the year ended 30 June 2020

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

	Notes	30 June 2020 £'000	30 June 2019 £'000
<b>Cash flows from operating activities</b>			
Operating profit		58,382	100,103
Adjustments to reconcile profit for the year to net operating cash flows:			
Gains from change in fair value of investment properties	10	(33,904)	(73,865)
Increase in other receivables and prepayments		(1,583)	(3,159)
(Decrease)/increase in other payables and accrued expenses		(5,941)	2,535
<b>Net cash flow generated from operating activities</b>		<b>16,954</b>	<b>25,614</b>
<b>Cash flows from investing activities</b>			
Land and development expenditure on properties under construction		(41,075)	(58,327)
Capital expenditure on investment properties		(295)	(7,872)
<b>Net cash used in investing activities</b>		<b>(41,370)</b>	<b>(66,199)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of ordinary shares		76,939	43,140
Share issue costs		(1,436)	(813)
Proceeds from interest-bearing loans and borrowings		57,016	34,620
Repayment of interest-bearing loans and borrowings		(28,220)	(17,470)
Repayment of leasing liability		(174)	—
Loan arrangement fees		(49)	(1,429)
Finance income		85	1,020
Finance expenses		(7,828)	(7,614)
Dividends paid in the year	8	(27,068)	(24,573)
<b>Net cash flow generated from financing activities</b>		<b>69,265</b>	<b>26,881</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>44,849</b>	<b>(13,704)</b>
Cash and cash equivalents at start of the year		15,509	29,213
<b>Cash and cash equivalents at end of the year</b>	23	<b>60,358</b>	<b>15,509</b>

The accompanying notes on pages 90 to 114 form an integral part of these financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020



## 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 grey 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 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 £564.2 million at 30 June 2020.

### 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 and financial instruments, which 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 2020. Comparative figures are for the previous accounting period, the year ended 30 June 2019.

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

### 2.1 Changes to accounting standards and interpretations

New standards, amendments to standards and interpretations which came into effect for accounting periods starting on or after 1 January 2019 have had an impact on the financial statements as follows:

- IFRS 16 Leases was introduced for accounting periods beginning on or after 1 January 2019. The Group incurs ground rent in relation to one of its investment properties that has previously been treated as an operating lease and now falls within the scope of IFRS 16. As a result, the Group has recognised a right-of-use asset of £11,610,000 and a lease liability of £11,610,000 as at 1 July 2019. The Company has taken a modified retrospective approach. There were no adjustments to opening reserves at 1 July 2019 as a right-of-use asset and a lease liability were recognised at the same amount. The lease liability is calculated at the net present value of the future lease payments, discounted using the Group's incremental borrowing rate of 3.01%. The right-of-use asset is included within investment property in the consolidated statement of financial position at fair value.

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 2020 or later periods. The Group has decided not to adopt them early.

- 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:

## GCP STUDENT LIVING PLC

Annual report and consolidated financial statements for the year ended 30 June 2020

## 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.

In making the assessment, the Directors have considered the likely impacts of the current Covid-19 pandemic on the Group, operations and the investment portfolio. The Directors noted the cash balance exceeds any short-term liabilities, and have performed stress testing and reverse stress testing. The Group is a REIT traded on the London Stock Exchange, where assets are not required to be liquidated to meet day-to-day redemptions. Whilst the economic future is uncertain, the Directors believe it is possible the Group could experience further reductions in income and/or property valuations, however this should not be to a level which would threaten the Group's ability to continue as a going concern. The Directors, the Investment Manager and other service providers have put in place contingency plans to minimise disruption. 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 and the Group's financial position in respect of its cash flows, borrowing facilities and investment commitments. Therefore, the financial statements have been prepared on the going concern basis.

## Estimates

## Valuation of property

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. Refer to note 13 for further details of the judgements and estimates made in determining the valuation of property.

For the valuation of the properties as at 30 June 2020, the valuer has included the following valuation considerations in its report:

*"The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. In the UK, market activity is being impacted in all sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. Our valuation(s) is/are therefore reported on the basis of 'material valuation uncertainty' per VPGA 10 of the RICS Valuation – Global Standards. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of this property under frequent review.*

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

Post year end, the Company has been notified that with effect from 7 July 2020, its valuations will no longer be subject to this qualification.

## 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 exemption under IFRS 10. The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2020. 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 2020



## 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 EPS and EPRA EPS

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 share computations and EPRA EPS<sup>1</sup> and Group-specific adjusted EPS<sup>1</sup> computations.

	30 June 2020 £'000	30 June 2019 £'000
<b>Group earnings for EPS and diluted EPS</b>	<b>48,578</b>	92,786
Fair value gains on investment properties	(33,904)	(73,865)
Fair value losses on financial assets	233	—
<b>Group earnings for basic and diluted EPRA EPS<sup>1</sup> (EPRA Earnings)</b>	<b>14,907</b>	18,921
Group-specific adjustments:		
Licence fees on forward-funded developments	4,206	2,263
Aborted transaction costs	3,765	—
<b>Group-specific adjusted earnings</b>	<b>22,878</b>	21,184
	<b>30 June 2020 Pence per share</b>	30 June 2019 Pence per share
Basic Group EPS	11.17	22.92
Basic Group EPRA EPS <sup>1</sup>	3.42	4.67
Diluted Group EPS	11.17	22.92
Diluted Group EPRA EPS <sup>1</sup>	3.42	4.67
Group-specific adjusted EPS <sup>1</sup>	5.26	5.23
Total dividends	6.15	6.15
Dividend cover ratio <sup>1</sup>	86%	85%
	<b>30 June 2020 Number of shares</b>	30 June 2019 Number of shares
Weighted average number of shares in issue	434,788,411	404,793,233

A Group-specific adjusted EPS<sup>1</sup> has been calculated to show EPRA earnings<sup>1</sup> excluding non-recurring transactions and adding licence fees on forward-funding agreements which are treated as capital items in the financial statements. The capital items have arisen from the following:

1. For the year ended 30 June 2020:
  - i. licence fees of £4,206,000 from the developers of Scape Brighton and Circus Street, Brighton in respect of forward-funding agreements; and
  - ii. aborted transaction costs of £3,765,000 in relation to the Scape Mile End Canalside acquisition, including a write-off of the deposit under the forward purchase agreement.
2. 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.

1. Alternative performance measure – see page 122 for definitions and calculation methodology.



**GCP STUDENT LIVING PLC**

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**3.2 EPRA NAV<sup>1</sup>**

Basic NAV per share is 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, diluted and EPRA NAV<sup>1</sup> per share computations:

	30 June 2020 £'000	30 June 2019 £'000
<b>NAV per the financial statements</b>	<b>781,419</b>	<b>684,663</b>
Effect of dilutive instruments	—	—
Diluted NAV	<b>781,419</b>	<b>684,663</b>
Fair value of other financial liabilities	<b>233</b>	—
Deferred tax liability	—	—
<b>EPRA NAV<sup>1</sup></b>	<b>781,652</b>	<b>684,663</b>
<b>Fully diluted number of shares</b>	<b>455,019,030</b>	<b>413,653,630</b>
<b>EPRA NNNNAV<sup>1</sup> pence per share</b>	<b>171.73</b>	<b>165.52</b>
<b>EPRA NAV<sup>1</sup> pence per share</b>	<b>171.78</b>	<b>165.52</b>
<b>IFRS NAV pence per share</b>	<b>171.73</b>	<b>165.52</b>

**3.3. EPRA cost ratio<sup>1</sup>**

	30 June 2020 £'000	30 June 2019 £'000
Administration expenses	<b>9,861</b>	8,808
Property operating expenses	<b>9,658</b>	9,364
Less ground rent	<b>(347)</b>	(335)
Less recoverable service charge income and other similar costs	<b>(226)</b>	(239)
<b>EPRA costs (including direct vacancy costs)</b>	<b>18,946</b>	<b>17,598</b>
Gross rental income	<b>47,762</b>	43,939
Less recoverable service charge income and other similar items	<b>(226)</b>	(239)
<b>Gross rental income</b>	<b>47,536</b>	<b>43,700</b>
<b>EPRA cost ratio<sup>1</sup> (including direct vacancy costs)</b>	<b>40%</b>	<b>40%</b>

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

1. Alternative performance measure – see page 122 for definitions and calculation methodology.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2020

## Part 2. Review of the financial year continued

### 4. Rental income

	30 June 2020 £'000	30 June 2019 £'000
Nomination rental income	6,243	5,990
Direct let rental income	35,482	35,008
Discounts	(332)	(261)
<b>Total student income</b>	<b>41,393</b>	<b>40,737</b>
Teaching space income	525	501
Commercial rental income	5,451	2,701
<b>Gross rental income</b>	<b>47,369</b>	<b>43,939</b>
Ancillary income	386	471
Other income	7	—
<b>Total</b>	<b>47,762</b>	<b>44,410</b>

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 2020 £'000	30 June 2019 £'000
Operating costs	2,650	2,641
Marketing	312	401
Utilities	1,697	1,568
Property maintenance	1,743	1,496
Staff costs	3,256	3,258
<b>Property operating expenses</b>	<b>9,658</b>	<b>9,364</b>
Investment management fees	7,467	6,455
Directors' remuneration	212	186
Other administration expenses	2,182	2,167
<b>Administration expenses</b>	<b>9,861</b>	<b>8,808</b>
Aborted transaction costs	3,765	—
<b>Total</b>	<b>23,284</b>	<b>18,172</b>

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

### Property management agreements

During the year under review, the Group had two Property Managers. The Group is responsible for all fees payable in relation to property management costs incurred by it.

### 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.

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**Scape**

For the financial year ended 30 June 2020, the Company received property management services from Scape Student Living Limited. Post year end, the asset and facilities management agreements between the Group and Scape Student Living Limited were terminated and new property management agreements were entered into with Scape Student Limited, as set out below.

Under the terms of its asset and facilities management agreements, Scape was entitled to a fee which was calculated and paid quarterly in arrears and was one quarter of the Investment Manager's fee attributable to those assets in the Group's portfolio for which it provided asset and facilities management services. The fee paid to Scape was paid from the Investment Manager's fee.

In the period since the Company's IPO in 2013, Scape and its affiliates have grown into a global developer, manager and operator of PBSA in the UK, Australia and Europe with c.30,000 student beds in operation or under construction globally. In order to align the Group's property management arrangements with those entered into by Scape and its affiliates globally, and as announced by the Company on 27 August 2020, new property management agreements have been entered into between the Group and Scape, including in respect of Circus Street and Scape Brighton.

Under the terms of the new property management arrangements, with effect from 1 July 2020, Scape will be entitled to an annual property management fee (payable quarterly in arrears) in respect of the management of PBSA of 4% of the total income and 1.25% of net operating income attributable to the Group's PBSA managed by Scape. An annual property management fee (payable quarterly in arrears) of 2% of income shall be payable in respect of the management of the Group's non-PBSA commercial space.

The property management fees payable by the Group to Scape shall be subject to a minimum fee where the provision of academic services by UK higher education institutions is affected such that the Group's occupancy is materially and adversely affected by a pandemic and/or epidemic, including in the current Covid-19 pandemic. Such fee shall be calculated as 80% of the Group's relevant budgeted annual property management fees, payable quarterly in arrears.

The revised arrangements between the Group and Scape provide for the assumption by Scape of certain employment cost overheads which were previously incurred by the Group. By way of illustration, the assumption by Scape of such costs would have reduced costs incurred by the Group by approximately £0.8 million for the twelve-month period ended 30 June 2020.

The Group shall be responsible for all fees payable to Scape under the property management agreements. The revised property management arrangements may be terminated by the Company or Scape at any time with 24 months' notice, provided that such notice may expire no earlier than 30 September 2023.

As part of a wider separation of the businesses of the Investment Manager and Scape, and in light of their time commitments to the Scape business, post year end, Nigel Taeae (Chairman of Scape) and Tom Ward (Global CEO of Scape) resigned as directors of the Investment Manager. Tom Ward served as the Company's lead portfolio manager in its early years following IPO. The Directors thank Mr Ward for his substantial contribution to the Company during that time. For the avoidance of doubt, neither Mr Taeae nor Mr Ward were involved in the provision of investment management services to the Company immediately prior to their resignations.

At 30 June 2020, the directors of the Investment Manager indirectly owned a c.75% interest in Scape Student Living Limited. As part of the separation of the businesses of the Investment Manager and Scape, post year end a single director of the Investment Manager holds an interest of approximately 6% in Scape Student Limited.

**Administration agreement**

Link Alternative Fund Administrators Limited has been appointed as the Administrator to the Company and its subsidiaries. It provides 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 £150,000 per annum (exclusive of VAT). The administration agreement is terminable upon six months' written notice.

**Company 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 £70,000 per annum in respect of the Company and £2,000 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.

**Depository agreement**

Langham Hall UK Depository LLP has been appointed as depository to the Company. The Depository is responsible for ensuring the safekeeping of custody assets and the non-custody assets of the Company entrusted to it (held on trust for the Company as applicable); the oversight and supervision of the Investment Manager and the Company; and for ensuring the Company's cash flows are properly monitored. Under the terms of the depository agreement, the Depository is entitled to a fee of £51,000 per annum, subject to an annual RPI increase. The depository 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 2020

## Part 2. Review of the financial year continued

### 6. Auditor's remuneration

	30 June 2020 £'000	30 June 2019 £'000
Audit fee	180	159
Other services	20	9
<b>Total</b>	<b>200</b>	<b>168</b>

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 recognised within administration expenses in the statement of comprehensive income and comprise the following:

	30 June 2020 £'000	30 June 2019 £'000
Annual report and financial statements	60	26
Subsidiary financial statements for the year ended 30 June 2020	120	—
Subsidiary financial statements for the year ended 30 June 2019	—	116
Subsidiary financial statements for the year ended 30 June 2018	—	17
<b>Total</b>	<b>180</b>	<b>159</b>

For the year ended 30 June 2020, the Auditor provided non-audit services, being the review of the half-yearly report and condensed consolidated financial statements for a fee of £20,000 (2019: £9,000).

	30 June 2020 £'000	30 June 2019 £'000
Half-yearly report and condensed consolidated financial statements	20	9
<b>Total</b>	<b>20</b>	<b>9</b>

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 (refer to page 68 for more information).

### 7. Taxation

Corporation tax has arisen as follows:

	30 June 2020 £'000	30 June 2019 £'000
Corporation tax on residual income for current year	—	—
Corporation tax on residual income for prior periods	—	—
<b>Total</b>	<b>—</b>	<b>—</b>

Reconciliation of tax charge to profit before tax:

	30 June 2020 £'000	30 June 2019 £'000
Profit before tax	48,578	92,786
Corporation tax at 19% (2019: 19%)	9,230	17,629
Change in value of investment properties	(6,458)	(14,034)
Change in value of financial assets	60	—
Tax exempt property rental business	(4,381)	(3,962)
Capital allowances	(394)	(541)
Excess management expenses	1,943	908
<b>Total</b>	<b>—</b>	<b>—</b>



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The Group has unrelieved excess management expenses of £23,355,000 (2019: £14,161,000) and a non-trade loan relationship deficit of £2,218,000 (2019: £2,003,000). As it is unlikely that the Group will generate sufficient taxable profits in the future to utilise these amounts, therefore 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 2020				30 June 2019			
	Dividend	Total pence	PID	Ordinary dividend	£'000	Total pence	PID	Ordinary dividend	£'000
<b>Current year dividends</b>									
30 June 2020/2019	Fourth interim dividend <sup>1</sup>	1.42	1.26	0.16	—	1.56	1.08	0.48	—
31 March 2020/2019	Third interim dividend	1.58	1.30	0.28	7,189	1.53	1.11	0.42	6,282
31 December 2019/2018	Second interim dividend	1.58	1.30	0.28	7,189	1.53	1.22	0.31	6,282
30 September 2019/2018	First interim dividend	1.57	1.49	0.08	6,494	1.53	1.13	0.40	6,282
<b>Total</b>		<b>6.15</b>	<b>5.35</b>	<b>0.80</b>	<b>20,872</b>	<b>6.15</b>	<b>4.54</b>	<b>1.61</b>	<b>18,846</b>
<b>Prior year dividends</b>									
30 June 2019/2018	Fourth interim dividend	1.56	1.08	0.48	6,453	1.51	0.94	0.57	5,814
<b>Total</b>		<b>1.56</b>	<b>1.08</b>	<b>0.48</b>	<b>6,453</b>	<b>1.51</b>	<b>0.94</b>	<b>0.57</b>	<b>5,814</b>
<b>Dividends in statement of changes in equity</b>					<b>27,325</b>				
Movement in withholding tax accrual					(257)				
<b>Dividends in statement of cash flows</b>					<b>27,068</b>				

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

On 31 July 2020, the Company declared a fourth interim dividend of 1.42 pence per ordinary share amounting to £6.5 million. The dividend was paid on 14 September 2020 to shareholders on the register at close of business on 14 August 2020.

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 2020



## 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.

In March 2020, in response to the Covid-19 pandemic and in agreement with the Company, Scape accepted requests to forgo rent on a case-by-case basis related to the final direct let instalment due in April 2020, for residents seeking to return home for the remainder of the current academic year.

Future minimum rentals receivable under non-cancellable operating leases as at 30 June 2020 are as follows:

	30 June 2020 £'000	30 June 2019 £'000
Less than one year	35,697	46,731
One to two years	15,682	17,575
Two to three years	9,936	9,811
Three to four years	9,813	9,811
Four to five years	9,813	9,789
More than five years	66,598	77,222
<b>Total</b>	<b>147,539</b>	<b>170,939</b>

### 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.

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**10. UK investment property**

	Properties under construction £'000	Leasehold £'000	Freehold £'000	Total £'000
Carrying value at 1 July 2019	97,540	264,651	557,012	919,203
Capital expenditure on properties	—	27	136	163
Land and development expenditure on properties under construction	44,958	—	—	44,958
Movement between properties under construction and leasehold properties	(67,350)	67,350	—	—
Fair value gains on investment properties <sup>1</sup>	6,334	4,899	22,671	33,904
Adjustment in respect of right-of-use asset recognised on first application of IFRS 16 <sup>2</sup>	—	11,610	—	11,610
<b>Carrying value at 30 June 2020</b>	<b>81,482</b>	<b>348,537</b>	<b>579,819</b>	<b>1,009,838</b>
Right-of-use asset	—	(11,522)	—	(11,522)
Lease incentives	—	2,514	—	2,514
<b>Fair value at 30 June 2020</b>	<b>81,482</b>	<b>339,529</b>	<b>579,819</b>	<b>1,000,830</b>
Carrying value 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
<b>Carrying value at 30 June 2019</b>	<b>97,540</b>	<b>264,651</b>	<b>557,012</b>	<b>919,203</b>
Lease incentives	—	2,399	—	2,399
<b>Fair value at 30 June 2019</b>	<b>97,540</b>	<b>267,050</b>	<b>557,012</b>	<b>921,602</b>

1. Included in fair value gains on investment properties is a loss of £88,000 which relates to the adjustment in the year in respect of the right-of-use asset.

2. IFRS 16 has been adopted for the first time this year; for further information refer to note 2.1.

The Group continued construction of Scape Brighton and completed construction of the student accommodation element of Circus Street during the year. Refer to note 28 for details of construction costs to complete on Scape Brighton.

**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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2020

## Part 3. Asset management continued

### 11. EPRA NIY<sup>1</sup>

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

	30 June 2020 £'000	30 June 2019 £'000
Investment properties	1,000,830	921,602
Less: investment property under construction	(81,482)	(97,540)
Operational property portfolio	919,348	824,062
Allowance for estimated purchasers' costs	54,769	25,207
Operational property portfolio plus purchasers' costs	974,117	849,269
Annualised cash passing rental income	50,713	45,675
Property operating costs	(7,499)	(7,159)
Annualised net rents	43,214	38,516
Topped-up net annualised rent	43,214	38,516
EPRA NIY <sup>1</sup>	4.44%	4.54%
EPRA topped-up NIY	4.44%	4.54%

### Property-related capital expenditure analysis

	30 June 2020 £'000	30 June 2019 £'000
Acquisitions	44,958	55,964
Subsequent capital expenditure	163	4,950
<b>Total capital expenditure</b>	<b>45,121</b>	<b>60,914</b>

### Methodology/notes:

#### Acquisitions:

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

#### Subsequent capital expenditure:

Capital expenditure post acquisition includes the costs of refurbishment.

### 12. EPRA vacancy rate

The Company's buildings were fully occupied at the start of the 2019/20 academic year and remained the case until the restrictions on global mobility and closure of academic institutions resulting from the Covid-19 pandemic resulted in the majority of students vacating their rooms. The Company's buildings were fully occupied for the prior 2018/19 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.

1. Alternative performance measure – see page 122 for definitions and calculation methodology.



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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 and liabilities recognised in the statement of financial position by level of the fair value hierarchy<sup>1</sup>:

	30 June 2020			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Assets and liabilities measured at fair value</b>				
Investment properties	—	—	1,000,830	1,000,830
Financial derivatives	—	(233)	—	(233)
<b>Total</b>	—	(233)	1,000,830	1,000,597

	30 June 2019			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Assets and liabilities measured at fair value</b>				
Investment properties	—	—	921,602	921,602
<b>Total</b>	—	—	921,602	921,602

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.

There have been no transfers between levels during the period.

**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
<b>Operational student property 30 June 2020</b>	<b>£919,348,000</b>	<b>Income capitalisation</b>	<b>ERV – 2019/20 Rental growth Tenancy period Sundry income Facilities management cost Initial yield</b>	<b>£165 – £670 per bed per week 2% – 3% 40/51 weeks £50 – £100 per bed per annum £2,150 – £2,550 per bed per annum 4.00% – 5.80% blended (4.00% – 7.50%)</b>
<b>Development student property 30 June 2020</b>	<b>£81,482,000</b>	<b>RLV (less cost left to spend)</b>	<b>RLV Build cost left to spend</b>	<b>£9,910,000 – £72,670,000 £4,244,000 – £12,281,000</b>
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	RLV (plus cost spend to date)	RLV Build cost spend to date	£19,480,000 – £34,690,000 £6,722,000 – £36,002,000

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2020

## Part 3. Asset management continued

### 13. Fair value continued

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.

For the valuation of the properties as at 30 June 2020, the valuer has included the following valuation considerations in their report:

*"The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. In the UK, market activity is being impacted in all sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. Our valuation(s) is/are therefore reported on the basis of 'material valuation uncertainty' per VPGA 10 of the RICS Valuation – Global Standards. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of this property under frequent review.*

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

Post year end, the Company has been notified that with effect from 7 July 2020, its valuations will no longer be subject to this qualification.

### 14. Events after the reporting period

On 27 August 2020, the Company entered into a revised investment management agreement with the Investment Manager. Details of the revised fee and termination arrangements with the Investment Manager are included in note 28. At the same date, the Group entered into new property management agreements with the Property Manager, Scape. Details of the new agreements with Scape are included in note 5. The revised investment management agreement and the new property management agreements are effective from 1 July 2020.

On 7 July 2020, the Company was informed by the Valuer that it will be following the recommendation made by the RICS Material Valuation Uncertainty Leaders Forum (UK) in relation to the valuation managed student housing of institutional grade that a material valuation uncertainty may no longer be appropriate for the Group's properties and that its valuations will no longer be subject to this qualification.

In the period since the year end, the Directors and Investment Manager have continued to monitor the level of bookings at the Group's properties in light of the Covid-19 pandemic. At the date of the report, 68% of rooms across the Group's portfolio of student accommodation, including in respect of Scape Brighton, have been booked.

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**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 2020 £'000	30 June 2019 £'000
Income from cash and short-term deposits	79	33
Income from interest-bearing loans and borrowings	14	1,055
<b>Total</b>	<b>93</b>	<b>1,088</b>

**Accounting policy**

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

**16. Finance expenses**

	30 June 2020 £'000	30 June 2019 £'000
Bank charges	13	8
Change in fair value of interest rate derivatives <sup>1</sup>	233	—
Commitment and other fees	863	676
Finance interest	172	—
Loan arrangement fees amortised	824	619
Loan interest	7,792	7,101
Other	—	1
<b>Total</b>	<b>9,897</b>	<b>8,405</b>

1. The Group has entered into an interest rate swap and cap in order to seek to mitigate the risk of interest rate increases as part of the Group's efficient portfolio management. Refer to note 17 for further details.

**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. Fair value movements on derivatives are recorded in finance expenses.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2020

## Part 4. Borrowings and equity continued

### 17. Interest-bearing loans and borrowings

	30 June 2020 £'000	30 June 2019 £'000
Borrowings at the start of the year	252,150	235,000
Borrowings drawn down in the year	57,790	34,620
Borrowings repaid in the year	(28,220)	(17,470)
<b>Borrowings at the end of the year</b>	<b>281,720</b>	<b>252,150</b>
Unamortised loan arrangement fees at the start of the year	(3,039)	(2,229)
Amortised during the year	824	619
Loan arrangement fees incurred during the year	(49)	(1,429)
<b>Unamortised loan arrangement fees at the end of the year</b>	<b>(2,264)</b>	<b>(3,039)</b>
<b>Borrowings less unamortised loan arrangement fees</b>	<b>279,456</b>	<b>249,111</b>

At 30 June 2020, the Group had debt facilities of £335 million, comprising the following:

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

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

Secured credit facilities totalling £100 million with Wells Fargo:

Amount	Facility	Interest rate %	Maturity	Drawn
£45,000,000	Redrawable credit facility	LIBOR + 1.85%	July 2021	£15,000,000
£55,000,000	Development loan	LIBOR + 3.10%	December 2021 + 1 year	£31,720,000

The Group has entered into interest rate hedging arrangements in relation to the Wells Fargo development loan. The arrangements expire on the maturity of the loan in December 2021. Under the arrangements, the Group has entered into an interest rate cap of 1.75% and an interest rate swap of 0.676%, both with respect to LIBOR. The notional amounts of the cap and swap each follow a profile equal to 50% of the anticipated drawdown profile of the loan.

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 2020.

	30 June 2020 £'000	30 June 2019 £'000
Reconciliation of financing liabilities		
<b>Balance at the start of the year</b>	<b>249,111</b>	<b>232,771</b>
<b>Changes from cash flows</b>		
Borrowings drawn down	57,016	34,620
Borrowings repaid	(28,220)	(17,470)
Loan arrangement fees	(49)	(1,429)
<b>Non-cash changes</b>		
Commitment and other fees capitalised	774	—
Amortisation of loan arrangement fees	824	619
<b>Balance at the end of the year</b>	<b>279,456</b>	<b>249,111</b>



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	30 June 2020 £'000
Reconciliation of lease liability	
<b>Non-cash changes</b>	
Adjustment in respect of recognition of lease liability on first application of IFRS 16	11,610
Finance interest	172
<b>Change from cash flows</b>	
Repayment of leasing liability	(174)
<b>Balance at the end of the year</b>	<b>11,608</b>

**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. At 30 June 2020, the figures are as follows:

Leverage exposure	Maximum limit	Actual exposure
Gross method	155%	128%
Commitment method	155%	136%

**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.

**18. Share capital**

	Number of shares	Share issue price	£'000
Issued and fully paid:			
<b>Balance at 1 July 2018</b>	385,064,556		3,851
Shares issued on 25 September 2018	25,512,151	149.50p	255
Shares issued on 4 June 2019	3,076,923	162.50p	31
<b>Balance at 30 June 2019</b>	413,653,630		4,137
Shares issued on 27 December 2019	41,365,400	186.00p	413
<b>Balance at 30 June 2020</b>	<b>455,019,030</b>		<b>4,550</b>

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 2020 £'000	30 June 2019 £'000
At the start of the year	450,658	408,617
Shares issued on 25 September 2018	—	37,885
Shares issued on 4 June 2019	—	4,969
Shares issued on 27 December 2019	76,526	—
Share issue costs	(1,436)	(813)
<b>Balance at the end of the year</b>	<b>525,748</b>	450,658

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2020

## Part 4. Borrowings and equity continued

### 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 2020 £'000	30 June 2019 £'000
Issued share capital	603,963	527,437
Share issue costs	(10,857)	(9,421)
Cancelled share premium <sup>1</sup>	(67,358)	(67,358)
<b>Total</b>	<b>525,748</b>	<b>450,658</b>

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 2020 £'000	30 June 2019 £'000
Cancelled share premium	67,358	67,358
Dividends paid from reserves	(41,018)	(28,599)
<b>Total</b>	<b>26,340</b>	<b>38,759</b>

#### 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 upon sale of the investment property.

Retained earnings comprise the following cumulative amounts:

	30 June 2020 £'000	30 June 2019 £'000
Total unrealised gains on investment properties	224,781	191,109
Total revenue profits	68,434	53,527
Dividends paid from revenue profits	(68,434)	(53,527)
<b>Total</b>	<b>224,781</b>	<b>191,109</b>

### 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 22% (30 June 2019: 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 2020.

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**22. Financial risk management objectives and policies**

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

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

**Market risk**

Market risk is the risk that the 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 £1,000,830,000 and, to manage this risk, the Group diversifies its portfolio across a number of assets.

The outbreak of the Covid-19 pandemic has impacted global financial markets. Travel restrictions have been implemented by many countries. In the UK, market activity is being impacted in all sectors. Given the unknown future impact that Covid-19 might have on the property market, the Directors intend to keep the valuation of the property under frequent review.

The following sensitivity analysis has been prepared by the valuer:

	-3% change in rental income £'000	+3% change in rental income £'000	-0.25% change in yield £'000	+0.25% change in yield £'000
<b>As at 30 June 2020</b>				
(Decrease)/increase in the fair value of the investment properties	<b>(824,308)</b>	<b>877,061</b>	<b>(905,150)</b>	<b>803,380</b>
	-3% change in rental income £'000	+3% change in rental income £'000	-0.25% change in yield £'000	+0.25% change in yield £'000
<b>As at 30 June 2019</b>				
(Decrease)/increase in the fair value of the investment properties	<b>(800,318)</b>	<b>848,630</b>	<b>(874,004)</b>	<b>781,024</b>

The key assumptions for the commercial properties are net initial yields, current rent and rental growth. A movement of 3% in passing rent and 0.25% in the net initial yield will not have a material impact on the financial statements.

**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 £33,904,000 (2019: £73,865,000) and are presented in the income statement in line item 'fair value gains on investment properties'.

Market risk is also the risk that the fair values of financial instruments will fluctuate because of changes in market prices. Refer to the principal risks on pages 47 to 51 where market risk is discussed in more detail.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2020

## Part 4. Borrowings and equity continued

### 22. Financial risk management objectives and policies continued

#### 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 £46,720,000 has been drawn down. The Group has entered into interest rate hedging arrangements in relation to this variable rate facility. The arrangements expire on the maturity of the loan in December 2021.

#### Liquidity risk

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

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

	Less than three months £'000	Three to twelve months £'000	One to two years £'000	Two to five years £'000	More than five years £'000	Total £'000
<b>Year ended 30 June 2020</b>						
Interest-bearing loans and borrowings	2,102	6,237	54,211	186,634	71,900	321,084
Trade and other payables	8,003	1,063	—	—	—	9,066
Lease liability	86	256	332	937	9,997	11,608
Retention account	—	308	—	—	—	308
<b>Total</b>	<b>10,191</b>	<b>7,864</b>	<b>54,543</b>	<b>187,571</b>	<b>81,897</b>	<b>342,066</b>
	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
<b>Year ended 30 June 2019</b>						
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
<b>Total</b>	<b>6,697</b>	<b>6,621</b>	<b>24,869</b>	<b>20,868</b>	<b>244,622</b>	<b>303,677</b>

#### 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 2020 £'000	30 June 2019 £'000
Retention account	308	308
Cash and cash equivalents	60,358	15,509
Trade and other receivables	14,216	14,023
<b>Total</b>	<b>74,882</b>	<b>29,840</b>

The retention account and cash and cash equivalents are held with Barclays Bank PLC, which holds an A-1 credit rating, with the exception of £22.5 million held with Landesbank-Thüringen Girozentrale (Helaba) which holds an A-1 credit rating, £10 million held with Standard Chartered Bank which holds an A-1 credit rating and £10 million Sumitomo Mitsu Banking Corp Europe which also holds an A-1 credit rating. Ratings taken from S&P Global.



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**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 2020 £'000	30 June 2019 £'000
Cash and cash equivalents	56,011	4,987
Subsidiary cash and cash equivalents	4,347	10,522
<b>Total</b>	<b>60,358</b>	<b>15,509</b>

**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 2020 £'000	30 June 2019 £'000
Prepayments	941	820
Rent receivable	1,777	1,543
Cash held by rental agents	3,479	2,530
Licence fees	3,614	2,924
Lease incentives	2,514	2,399
Receivables from developers	4,427	3,631
Other receivables	919	747
<b>Total</b>	<b>17,671</b>	<b>14,594</b>

**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 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. The expected credit losses on rent receivables as well as other receivables for the year ended 30 June 2020 were not material.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2020

## Part 5. Working capital continued

### 25. Payables and accrued expenses

	30 June 2020 £'000	30 June 2019 £'000
Property operating expenses	744	1,032
Finance expenses	1,002	936
Other expenses	7,320	3,919
Trade and other payables	9,066	5,887
Deferred income	6,085	12,293
<b>Total</b>	<b>15,151</b>	<b>18,180</b>

#### Accounting policy

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

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

## GCP STUDENT LIVING PLC

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**Part 6. Staff and key management**

The following pages detail wages and salaries of the employees of the Group.

**26. Directors' remuneration**

	30 June 2020 £'000	30 June 2019 £'000
Robert Peto	50	48
Gillian Day	39	38
Peter Dunscombe <sup>1</sup>	—	13
David Hunter <sup>2</sup>	39	6
Malcolm Naish	39	38
Marlene Wood	45	43
<b>Total</b>	<b>212</b>	<b>186</b>

1. Retired as a Director of the Company on 6 November 2018.

2. Appointed as a Director of the Company on 1 May 2019.

A summary of the Directors' emoluments, including the disclosures required by the Companies Act 2006, is set out in the Directors' remuneration report on pages 69 to 72.

**27. Staff costs**

	30 June 2020 £'000	30 June 2019 £'000
Salaries	3,187	3,163
Other benefits	68	95
<b>Total</b>	<b>3,255</b>	<b>3,258</b>

With the exception of the Directors, whose remuneration is shown in the Directors' remuneration report and policy on pages 69 to 72. The Group employed 112 (2019: 124) members of staff, with an average of 123 (2019: 117) employees during the year.

The Group operates a defined contributions pension scheme for 79 (2019: 83) of its employees. The costs for the year ended 30 June 2020 totalled £49,000 (30 June 2019: £40,000).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2020

## 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 £212,000 (2019: £186,000) and at 30 June 2020, a balance of £nil (2019: £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 the Property Manager Scape who are not considered key management personnel of the Group.

#### Investment management arrangements

##### Investment Manager

The Company is party to an investment management agreement with the Investment Manager, pursuant to which the Company has appointed the Investment Manager to provide investment management services relating to the respective assets on a day-to-day basis in accordance with the Company's investment objective and policy, subject to the overall supervision and direction of the Board of Directors.

For the financial year ended 30 June 2020, the Investment Manager was entitled to receive a management fee at an annual rate of 1% of the prevailing NAV of the Group, payable quarterly in arrears. From its investment management fee, the Investment Manager was responsible for the payment of annual property management fees of up to 0.25% of the Group's NAV that is attributable to its operational assets. For the twelve-month period ended 30 June 2020, the investment management fee earned by the Investment Manager, net of payments made by it in respect of property management fees, was 0.82% of the Group's average NAV over that period.

As announced on 27 August 2020, the Company entered into revised investment management arrangements with the Investment Manager. The amended fee arrangements, which are payable quarterly in arrears based on the prevailing NAV of the Group, came into effect on 1 July 2020, as set out below.

NAV	Revised investment management fee from 1 July 2020 (annualised)	Previous investment management fee to 30 June 2019 (annualised)
Up to £950 million	0.7500%	1.00%
Above £950 million and up to £1.5 billion	0.6375%	1.00%
Above £1.5 billion	0.5625%	1.00%

Pursuant to the revised investment management agreement, the Group is responsible for the payment of all property management fees incurred by it. Further details of the Company's property management agreements are set out in note 5.

The revised investment management agreement between the Company and the Investment Manager can be terminated by the Company or the Investment Manager at any time with not less than 24 months' written notice to the other party. If the investment management agreement is terminated by the Company or the Investment Manager on 24 months' notice in the event of certain change of control events relating to the Company, the investment management fees payable in such circumstances will be based on the prevailing published NAV at the time immediately preceding the change of control.

The Investment Manager is also appointed as the Company's AIFM and receives an annual fee of £25,000, subject to an annual RPI increase.

During the year, the Group incurred £7,548,000 (30 June 2019: £6,582,000) in respect of investment management fees, the AIFM fee, and marketing and investor introduction services. A total of £7,467,000 (30 June 2019: £6,455,000) is included within administration expenses in the consolidated statement of comprehensive income and £81,000 (30 June 2019: £127,000) is included within the share issue costs relating to shares issued during the year; at 30 June 2020, £1,949,000 (30 June 2019: £1,707,000) was outstanding.

#### Transactions with persons connected to the Investment Manager

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

The Group is party to a contract with Scaperfield Limited to acquire and forward-fund the construction of Scape Brighton, which has been ongoing during the year. At 30 June 2020 estimated construction costs to complete were £12,281,000. The directors of the Investment Manager and their family members, directly or indirectly, owned in aggregate approximately 80% of Scaperfield Limited during the year, post year end this reduced to 30%.

The Company benefits from a conditional forward purchase agreement with Kernel 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, owned in aggregate approximately 40% of Kernel Court Limited during the year, post year end this reduced to 16%.

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.



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## 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 2020 £'000	Profit after tax for the year ended 30 June 2020 £'000
GCP Bloomsbury Limited <sup>1,2</sup>	UK	16 ordinary shares	100%	104,584	8,445
GCP Brighton Limited <sup>2</sup>	UK	4 ordinary shares	100%	48,575	5,108
GCP Brunswick Limited <sup>1,2</sup>	UK	1,046,728,191 ordinary shares	100%	15,356	14
GCP Holdco Limited <sup>1,2</sup>	UK	5 ordinary shares	100%	403,215	18,764
GCP Holdco 2 Limited <sup>1,2</sup>	UK	22 ordinary shares	100%	149,103	10,068
GCP Holdco 3 Limited <sup>1,2</sup>	UK	22 ordinary shares	100%	144,017	36,449
GCP Makerfield Limited <sup>1,2</sup>	UK	22 ordinary shares	100%	45,438	2,549
GCP Operations Limited <sup>2</sup>	UK	2 ordinary shares	100%	143	(7)
GCP QMUL Limited <sup>2</sup>	UK	4 ordinary shares	100%	(542)	(3,089)
GCP RHUL Limited <sup>1,2</sup>	UK	4 ordinary shares	100%	19,608	(255)
GCP RHUL 2 Limited <sup>1,2</sup>	UK	4 ordinary shares	100%	17,722	(1,453)
GCP Scape East Limited <sup>1,2</sup>	UK	51,508,283 ordinary shares	100%	127,188	9,543
GCP SG Limited <sup>1,2</sup>	UK	4 ordinary shares	100%	29,367	(167)
GCP Surrey 2 Limited <sup>1,2</sup>	UK	2 ordinary shares	100%	(19)	(19)
GCP Topco Limited <sup>2</sup>	UK	3 ordinary shares	100%	403,204	18,801
GCP Topco 2 Limited <sup>2</sup>	UK	22 ordinary shares	100%	149,062	10,055
GCP WL Limited <sup>1,2</sup>	UK	3 ordinary shares	100%	24,125	203
GCP Wembley Limited <sup>2</sup>	UK	12 ordinary shares	100%	94,865	7,785
GCP Wembley 2 Limited <sup>1,2</sup>	UK	2 ordinary shares	100%	413	11
GCP Greenwich Limited <sup>1,3</sup>	Guernsey	102 ordinary shares	100%	43,075	3,902
GCP Greenwich 2 Limited <sup>1,3</sup>	Guernsey	102 ordinary shares	100%	900	(483)
GCP Greenwich JV Limited <sup>1,3</sup>	Guernsey	103 ordinary shares	100%	69,455	3,937
GCP Old Street Limited <sup>1,3</sup>	Guernsey	100 ordinary shares	100%	146,621	7,015
GCP Old Street 2 Limited <sup>1,3</sup>	Guernsey	100 ordinary shares	100%	232	(1,284)
GCP Old Street Acquisitions Limited <sup>1,3</sup>	Guernsey	450 A ordinary shares 550 B ordinary shares	100%	146,420	295

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. On 1 July 2019 the Group's Guernsey registered companies became UK tax resident by virtue of their central management and control being located in the UK.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2020

## 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.

Business combinations are accounted for using the acquisition method.

### 30. Ultimate controlling party

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

## GCP STUDENT LIVING PLC

Annual report and consolidated financial statements for the year ended 30 June 2020

## COMPANY STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	30 June 2020 £'000	30 June 2019 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Investment in subsidiary companies	3	744,440	689,760
		<b>744,440</b>	689,760
<b>Current assets</b>			
Cash and cash equivalents	4	56,011	4,987
Trade and other receivables	5	71,884	68,233
		<b>127,895</b>	73,220
<b>Total assets</b>		<b>872,335</b>	762,980
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	6	(90,916)	(78,317)
<b>Total liabilities</b>		<b>(90,916)</b>	(78,317)
<b>Net assets</b>		<b>781,419</b>	684,663
<b>Equity</b>			
Share capital		4,550	4,137
Share premium		525,748	450,658
Special reserve		26,340	38,759
Retained earnings		224,781	191,109
<b>Total equity</b>		<b>781,419</b>	684,663
Number of shares in issue		455,019,030	413,653,630
<b>NAV per share (pence per share)</b>		<b>171.73</b>	165.52

The total comprehensive income of the Company for the year was £48,578,000 (30 June 2019: £92,786,000).

The financial statements were approved by the Board of Directors of GCP Student Living plc on 16 September 2020 and signed on its behalf by:

**Robert Peto**

Chairman

Company number: 08420243

The accompanying notes on pages 118 to 120 form an integral part of these Company financial statements.

## COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2020

	Share capital £'000	Share premium £'000	Special reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 July 2019	4,137	450,658	38,759	191,109	684,663
<b>Total comprehensive income</b>				<b>48,578</b>	<b>48,578</b>
Ordinary shares issued	<b>413</b>	<b>76,526</b>	—	—	<b>76,939</b>
Share issue costs	—	<b>(1,436)</b>	—	—	<b>(1,436)</b>
Dividends paid in respect of the previous year	—	—	<b>(2,344)</b>	<b>(4,109)</b>	<b>(6,453)</b>
Dividends paid in respect of the current year	—	—	<b>(10,075)</b>	<b>(10,797)</b>	<b>(20,872)</b>
<b>Balance at 30 June 2020</b>	<b>4,550</b>	<b>525,748</b>	<b>26,340</b>	<b>224,781</b>	<b>781,419</b>

## 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
<b>Total comprehensive income</b>	—	—	—	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)
<b>Balance at 30 June 2019</b>	<b>4,137</b>	<b>450,658</b>	<b>38,759</b>	<b>191,109</b>	<b>684,663</b>

The accompanying notes on pages 118 to 120 form an integral part of these Company financial statements.



## GCP STUDENT LIVING PLC

Annual report and consolidated financial statements for the year ended 30 June 2020

## COMPANY STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

	Notes	30 June 2020 £'000	30 June 2019 £'000
<b>Cash flows from operating activities</b>			
Operating profit		48,509	92,776
Adjustments to reconcile profit for the year to net cash flows:			
Gains from change in fair value of subsidiary companies		(47,226)	(88,922)
Dividends received from subsidiary companies		(6,823)	(8,701)
Net recharges from subsidiary companies		(4,002)	(3,412)
Increase in other receivables and prepayments		(121)	(64)
Increase in other payables and accrued expenses		378	224
<b>Net cash flow used in operating activities</b>		<b>(9,285)</b>	<b>(8,099)</b>
<b>Cash flows from investing activities</b>			
Acquisition of subsidiaries	3	—	(22,399)
Net cash received from/(paid to) subsidiary companies		11,805	(1,549)
<b>Net cash generated from/(used in) investing activities</b>		<b>11,805</b>	<b>(23,948)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of ordinary share capital		76,939	43,140
Share issue costs		(1,436)	(813)
Finance income		76	29
Finance expenses		(7)	(4)
Dividends paid in the year		(27,068)	(24,573)
<b>Net cash flow generated from financing activities</b>		<b>48,504</b>	<b>17,779</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>51,024</b>	<b>(14,268)</b>
Cash and cash equivalents at start of the year		4,987	19,255
<b>Cash and cash equivalents at end of the year</b>	4	<b>56,011</b>	<b>4,987</b>
<b>Non-cash items</b>			
Transfer of GCP Wembley Limited to GCP Holdco 3 Limited		—	(93,408)
Investment in GCP Holdco 3 Limited		—	93,408

The accompanying notes on pages 118 to 120 form an integral part of these Company financial statements.

# NOTES TO THE COMPANY FINANCIAL STATEMENTS

For the year ended 30 June 2020

## 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 EU. 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 2020. Comparative figures are for the previous accounting period, the year ended 30 June 2019.

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

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

## 3. Investment in subsidiary companies

	30 June 2020 £'000	30 June 2019 £'000
At the beginning of the year	689,760	578,439
Investment in subsidiary companies	7,853	22,399
<b>Total</b>	<b>697,613</b>	<b>600,838</b>
Fair value gains on the revaluation of subsidiary companies	46,827	88,922
<b>Total</b>	<b>744,440</b>	<b>689,760</b>
	30 June 2020 £'000	30 June 2019 £'000
Investment in and transfers of subsidiary companies		
<b>Investments in subsidiary companies</b>		
GCP Topco 2 Limited	4,322	—
GCP Holdco 3 Limited	3,531	115,807
<b>Total</b>	<b>7,853</b>	<b>115,807</b>
<b>Cash items included in cash flow</b>		
GCP Holdco 3 Limited	—	22,399
<b>Total</b>	<b>—</b>	<b>22,399</b>

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

### 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.

**GCP STUDENT LIVING PLC**

Annual report and consolidated financial statements for the year ended 30 June 2020

**4. Cash and cash equivalents**

	30 June 2020 £'000	30 June 2019 £'000
Cash and cash equivalents	56,011	4,987
<b>Total</b>	<b>56,011</b>	<b>4,987</b>

**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. Other receivables**

	30 June 2020 £'000	30 June 2019 £'000
Amounts due from subsidiary companies	71,658	68,128
Prepayments and other receivables	226	105
<b>Total</b>	<b>71,884</b>	<b>68,233</b>

**6. Other payables and accrued expenses**

	30 June 2020 £'000	30 June 2019 £'000
Amounts due to subsidiary companies	87,916	75,953
Other expenses payable	3,000	2,364
<b>Total</b>	<b>90,916</b>	<b>78,317</b>

**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 NAVs 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<sup>1</sup>:

	30 June 2020			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Assets measured at fair value</b>				
Investment in subsidiaries	—	—	744,440	744,440
<b>Total</b>	<b>—</b>	<b>—</b>	<b>744,440</b>	<b>744,440</b>
	30 June 2019			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Assets measured at fair value</b>				
Investment in subsidiaries	—	—	689,760	689,760
<b>Total</b>	<b>—</b>	<b>—</b>	<b>689,760</b>	<b>689,760</b>

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 2020

## 8. Related party transactions

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

Transactions	30 June 2020 £'000	30 June 2019 £'000
<b>Recharges of fund level expenses to:</b>		
GCP Bloomsbury Limited	744	703
GCP Brighton Limited	297	190
GCP Brunswick Limited	4	4
GCP Greenwich 2 Limited	243	230
GCP Holdco Limited	5	5
GCP Holdco 2 Limited	5	5
GCP Holdco 3 Limited	5	9
GCP Makerfield Limited	249	53
GCP Old Street 2 Limited	818	780
GCP Operations Limited	8	10
GCP QMUL Limited	8	8
GCP RHUL Limited	140	138
GCP RHUL 2 Limited	127	125
GCP Scape East Limited	630	570
GCP SG Limited	115	111
GCP Surrey 2 Limited	9	—
GCP Topco Limited	5	5
GCP Topco 2 Limited	5	5
GCP Wembley 2 Limited	407	375
GCP WL Limited	93	88
<b>Total</b>	<b>3,917</b>	<b>3,414</b>
Balances	30 June 2020 £'000	30 June 2019 £'000
<b>Other intercompany balances due (to)/from:</b>		
GCP Brighton Limited	30,921	18,794
GCP Holdco 3 Limited	(8,050)	(5,533)
GCP Makerfield Limited	—	4,808
GCP Operations Limited	(156)	(142)
GCP QMUL Limited	534	98
GCP RHUL 2 Limited	—	21
GCP Surrey 2 Limited	120	68
GCP Topco Limited	(72,741)	(65,861)
GCP Topco 2 Limited	33,031	44,339
GCP Wembley Limited	—	(2,047)
GCP Wembley 2 Limited	83	(1,443)
GCP WL Limited	—	(927)
<b>Total</b>	<b>(16,258)</b>	<b>(7,825)</b>



## 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](http://www.gcpstudent.com).

### Warning to users 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.

Past performance is not a reliable indicator of future performance, and investors may not get back the original amount invested. Unless otherwise stated, the sources for all information contained in this report are the Investment Manager and the Administrator. Information contained in this report is believed to be accurate at the date of publication, but none of the Company, the Investment Manager and the Administrator gives any representation or warranty as to the report's accuracy or completeness. This report does not contain and is not to be taken as containing any financial product advice or financial product recommendation. None of the Company, the Investment Manager and the Administrator accepts any liability whatsoever for any loss (whether direct or indirect) arising from any use of this report or its contents.

### 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](http://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](mailto:enquiries@linkgroup.co.uk)

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

### Annual general meeting

The Company's annual general meeting will be held on Wednesday, 4 November 2020. The notice of this meeting will be circulated to shareholders in due course and will be separate to the annual report. The notice will also be uploaded to the Company's website [www.gcpstudent.com](http://www.gcpstudent.com) in due course.

### National Storage Mechanism

A copy of the annual report and financial statements will be submitted shortly to the National Storage Mechanism ("NSM") and will be available for inspection at the NSM, which is situated at <https://www.fca.org.uk/markets/primary-markets/regulatory-disclosures/national-storage-mechanism>.

## ALTERNATIVE PERFORMANCE MEASURES

The Board and the Investment Manager assess the Company's performance using a variety of measures that are not defined under IFRS and are therefore classed as alternative performance measures ("APMs"). Where possible, reconciliations to IFRS are presented from the APMs to the most appropriate measure prepared in accordance with IFRS. All items listed below are IFRS financial statement line items unless otherwise stated. APMs should be read in conjunction with the consolidated statement of comprehensive income, consolidated statement of financial position and consolidated statement of cash flows, which are presented in the financial statements section of this report. The APMs below may not be directly comparable with measures used by other companies.

### Adjusted EPS

EPS adjusted for non-recurring transactions and licence fees receivable on forward-funded developments (refer to note 3).

### Annualised total shareholder return since IPO

Total shareholder return<sup>1</sup> expressed as a weighted annual percentage. Calculated with reference to the IPO issue price of 100 pence per ordinary share.

Source: Bloomberg

### Blended NIY

Net initial yield of the operational portfolio as determined by the Company's valuer.

### Dividend cover ratio

Total dividends per share divided by adjusted EPS, expressed as a percentage (refer to note 3).

### EPRA cost ratio

Ratio of overheads and operating expenses against gross rental income. Net overheads and operating expenses relate to all administrative and operating expenses net of any service fees, recharges or other income specifically intended to cover overhead and property expenses (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 16).

### 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 (refer to note 11).

### EPRA triple net asset value (EPRA NNNAV)

EPRA NAV<sup>1</sup> including adjustments for the fair value of financial instruments, the fair value of debt and deferred taxes (refer to note 3).

### 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.

	As at 30 June 2020 £'000	As at 30 June 2019 £'000
Loan-to-value		
Interest-bearing loans and borrowing	281,720	252,150
Cash and cash equivalents	(60,358)	(15,509)
	221,362	236,641
Investment property	1,009,838	919,203
<b>Loan-to-value</b>	<b>22%</b>	<b>26%</b>

### NAV total return

A measure showing how the NAV per share has performed over a period of time, taking into account both capital returns and dividends paid to shareholders, expressed as a percentage. It assumes that dividends paid to shareholders are reinvested at NAV at the time the shares are quoted ex-dividend. This is a standard performance metric across the investment industry and allows comparability across the sector.

Source: Bloomberg

### Net operating margin

Gross profit expressed as a percentage of rental income (refer to page 21).

### Ongoing charges

Ongoing charges (previously total expense ratios or TERs) is a measure of the annual percentage reduction in shareholder returns as a result of recurring operational expenses assuming markets remain static and the portfolio is not traded.

	30 June 2020 £'000	30 June 2019 £'000
Ongoing charges		
Investment management fees	7,467	6,455
Directors' fees	212	186
Administration expenses	2,182	2,167
<b>Total expenses</b>	<b>9,861</b>	<b>8,808</b>
Non-recurring expenses	(50)	(204)
<b>Total expenses</b>	<b>9,811</b>	<b>8,604</b>
Average NAV	765,132	656,171
<b>Ongoing charges ratio</b>	<b>1.28%</b>	<b>1.31%</b>

### Student rental growth

Annual increase in direct let rental rates, expressed as a percentage.

### Total shareholder return

A measure of the performance of a Company's shares over time. It combines share price movements and dividends to show the total return to the shareholder expressed as a percentage. It assumes that dividends are reinvested in the shares at the time the shares are quoted ex dividend. This is a standard performance metric across the investment industry and allows comparability across the sector.

Source: Bloomberg

1. Refer to relevant APM.

## GCP STUDENT LIVING PLC

Annual report and consolidated financial statements for the year ended 30 June 2020

## GLOSSARY

Adjusted EPS Refer to APMs on page 122	CTA Corporation Tax Act 2010	FRC Financial Reporting Council
AIC Association of Investment Companies	Dividend cover ratio Refer to APMs on page 122	FRI leases Full repairing and insuring leases
AIC Code AIC Code of Corporate Governance, as published in February 2019	EPRA European Public Real Estate Association	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
AIFM Alternative Investment Fund Manager	EPRA cost ratio Refer to APMs on page 122	GHG Greenhouse gas
AIFMD Alternative Investment Fund Managers Directive	EPRA EPS Refer to APMs on page 122	GOSH Great Ormond Street Hospital
Annualised total shareholder return since IPO Refer to APMs on page 122	EPRA NAV Refer to APMs on page 122	GRESB Global Real Estate Sustainability Benchmark
APM Alternative performance measure	EPRA NAV per share (cum-income) Net asset value before deduction of proposed dividend (refer to page 1)	Group GCP Student Living plc and its subsidiaries
BAFE British Approvals for Fire Equipment (UK)	EPRA NAV per share (ex-income) Net asset value after deduction of proposed dividend (refer to page 23)	H&S Health and safety
Blended NIY Refer to APMs on page 122	EPRA NIY Refer to APMs on page 122	HEI Higher education institution
CIL Community Infrastructure Levy	EPRA triple net asset value (EPRA NNNAV) Refer to APMs on page 122	IASB International Accounting Standards Board
City City, University of London	EPS Earnings per share (refer to note 3)	IFRS International Financial Reporting Standards
CMA Order Competition and Markets Authority Order	ERV Estimated rental value (refer to page 102)	INTO INTO University Partnerships
Collegiate Collegiate AC Limited – Property Manager for Water Lane Apartments, Bristol	ESG Environmental, social, governance	IPO Initial public offering
Company or GCP Student GCP Student Living plc	EU European Union	KCL King's College London
Cost of borrowing Cost of borrowing expressed as a percentage weighted according to period drawn down (refer to notes 16 and 17)	FCA Financial Conduct Authority	LIBOR London interbank offered rate
	FPPP Financial Position and Prospects Procedures	Loan-to-value or LTV Refer to APMs on page 122

## GLOSSARY CONTINUED

LSE	REIT
London School of Economics	Real estate investment trust
MAR	RHUL
Market Abuse Regulation	Royal Holloway, University of London
MSCI ESG Rating	RICS
ESG ratings provided by MSCI Inc.	Royal Institution of Chartered Surveyors
NAV	RLV
Net asset value (refer to note 3)	Residual land value
NAV total return	RPI
Refer to APMs on page 122	Retail price index
Net operating margin	RNS
Gross profit expressed as a percentage of rental income	Regulatory news service
NIY	Scape
Net initial yield	Scape Student Living Limited or Scape Student Limited – Property Manager for Scape Shoreditch, Scape Mile End, Scape Greenwich, Scape Guildford, Scape Wembley, Scape Bloomsbury, Podium, Scape Brighton, Circus Street, Brighton and The Pad
Non-PID	SOAS
Non-property income distribution	School of Oriental and African Studies
OECD	Student rental growth
Organisation for Economic Co-operation and Development	Refer to APMs on page 122
Ongoing charges ratio	Total shareholder return
Refer to APMs on page 122	Refer to APMs on page 122
PBSA	UAL
Purpose-built student accommodation	University of the Arts London
PGIM	UCAS
PGIM Real Estate Finance	Universities and Colleges Admissions Service
PID	UCH
Property income distribution	University College Hospital
PPS	UCL
Pence per share	University College, London
QMUL	UK Code
Queen Mary University of London	UK Code of Corporate Governance, as published in 2018
RCF	
Redrawable credit facility	



# CORPORATE INFORMATION

## Directors

Robert Peto (Chairman)  
Gillian Day  
David Hunter  
Malcolm Naish  
Marlene Wood

## Administrator

Link Alternative Fund Administrators Limited  
(trading as Link Group)  
Beaufort House  
51 New North Road  
Exeter EX4 4EP

## Auditor

Ernst & Young LLP  
25 Churchill Place  
Canary Wharf  
London E14 5EY

## Contact

gcpstudentliving@linkgroup.co.uk

## Corporate website

www.gcpstudent.com

## Depository

Langham Hall UK Depositary LLP  
8th Floor, 1 Fleet Place  
London EC4M 7RA

## Investment Manager and AIFM

Gravis Capital Management Limited  
24 Savile Row  
London W1S 2ES  
Tel: 020 3405 8500

## Principal banker

Barclays Bank plc  
1 Churchill Place  
London E14 5HP

## Property Managers

Scape Student Limited  
45 Brunswick Place  
London W1 6DX

## Collegiate AC Limited

Home Farm  
Ardington OX12 8PD

## Registrar

Link Group  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU  
Tel: 0871 664 0300  
email: enquiries@linkgroup.co.uk

## Secretary and registered office

Link Company Matters Limited  
Beaufort House  
51 New North Road  
Exeter EX4 4EP  
Tel: 01392 477500

## Solicitor

Gowling WLG (UK) LLP  
4 More London, Riverside  
London SE1 2AU

## Stockbroker

Stifel Nicolaus Europe Limited  
4th Floor, 150 Cheapside  
London EC2V 6ET  
Tel: 020 7710 7600

## Valuer

Knight Frank LLP  
55 Baker Street  
London W1U 8AN

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Exeter EX4 4EP  
Company number: 08420243