

GCP

STUDENT

GCP STUDENT LIVING PLC

Annual report and consolidated financial statements
for the year ended 30 June 2021

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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 £732.6 million at 30 June 2021.



www.gcpstudent.com



FTSE 250
constituent



Global Real Estate
Sustainability
Benchmark 2021



Gold award
2021



Silver award
2020



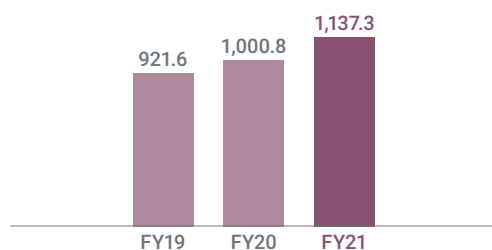
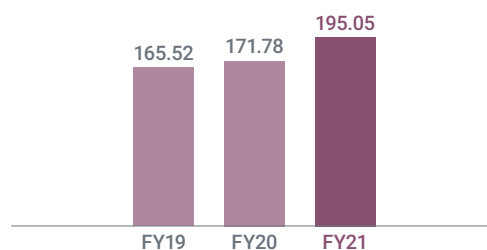
Best Report and
Accounts 2020

GCP STUDENT LIVING PLC

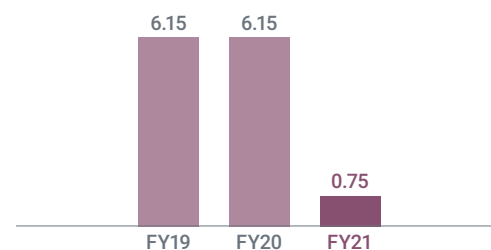
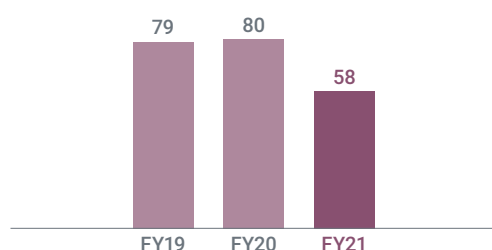
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AT A GLANCE¹

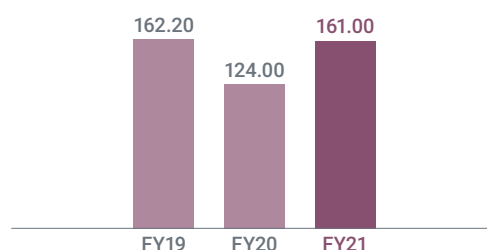
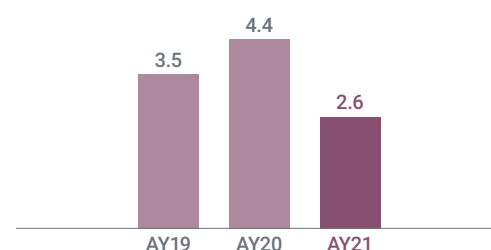
VALUE OF PROPERTY PORTFOLIO £m

EPRA NTA² PER ORDINARY SHARE p

DIVIDENDS PER ORDINARY SHARE p

NET OPERATING MARGIN² %

SHARE PRICE PER ORDINARY SHARE p

STUDENT RENTAL GROWTH² %HIGHLIGHTS^{1,3}

- Total shareholder return² of 31.9% for the year driven by a recovery in the share price at the year end. Annualised total shareholder return since IPO² of 10.2%, compared to the Company's target return of 8-10%.
- Total NAV return² of 15.0% for the year and annualised total NAV return since IPO² of 13.1%.
- Dividends of 0.75 pence per share paid in respect of the year.
- EPRA NTA² per share of 195.05 pence at 30 June 2021.
- Total rental income for the year of £36.3 million (30 June 2020: £47.8 million). The Company's rental income continues to be materially adversely impacted as a result of the disruption caused by the Covid-19 pandemic.
- High-quality portfolio of eleven assets with 4,116 beds located primarily in and around London, with a valuation of over £1.1 billion at 30 June 2021.
- Bookings across the Group's portfolio for the 2020/21 academic year were c.68% with the majority (c.64%) of rooms booked being occupied or subject to nominations arrangements.
- Blended NIY² of operational portfolio of 4.30% (30 June 2020: 4.44%).
- At 15 October 2021, 80% of rooms across the Group's portfolio of student accommodation have been booked for the 2021/22 academic year and of these rooms 83% have been occupied by residents.
- Post period end, the Company received a cash offer to acquire the Company, which was recommended to shareholders by the Board. On 6 September 2021, shareholders approved the acquisition, which if completed, is expected to occur in the coming months, subject to conditions.
- On the basis of the cash exit of 213 pence per share, the Company will have delivered a shareholder total return since IPO^{2,4} of 190.0%, representing an annualised total shareholder return since IPO^{2,4} of 13.9% and a return on equity since IPO^{2,4} of 2.6 times.

1. These financial statements are prepared in accordance with IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The financial highlights above include performance measures based on EPRA best practice recommendations which are designed to enhance transparency and comparability across the European real estate sector. See glossary for definitions.

2. Alternative performance measure – see pages 116 and 117 for definitions and calculation methodology.

3. This report includes statements that are, or may be deemed to be, 'forward-looking statements'. These include statements regarding the intentions, beliefs or current expectations of the Directors and the Investment Manager regarding future events and performance of the Company, at the date of the report only.

4. Based on the period from IPO to the date of the announcement of the recommended cash offer on 16 July 2021.

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 IPO¹ of 10.2%.

0.75p

Dividends in respect of the year

30 June 2020: 6.15p

31.9%

Total shareholder return¹ for the year

30 June 2020: -20.6%

The Company's investment portfolio has achieved average annualised student rental growth since IPO¹ of 3.7%.

68%

Bookings for 2020/21 academic year

AY 2019/20: FULL²

2.6%

Student rental growth¹ for the year

30 June 2020: 4.4%

The Company's property portfolio comprises eleven modern standing student accommodation buildings.

4,116

Number of beds at 30 June 2021

30 June 2020: 4,116

11

Number of assets at 30 June 2021

30 June 2020: 11

Further information on Company performance can be found on pages 14 to 21.

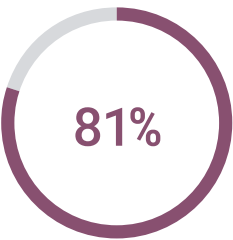
1. Alternative performance measure – see pages 116 and 117 for definitions and calculation methodology.

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

PORTFOLIO OVERVIEW¹

At 30 June 2021, the Company’s portfolio comprised eleven assets with c.4,100 beds, providing high-quality, modern student accommodation.

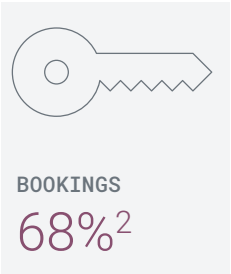
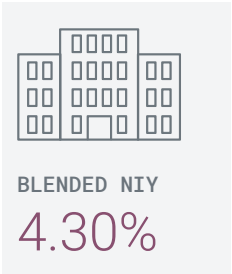
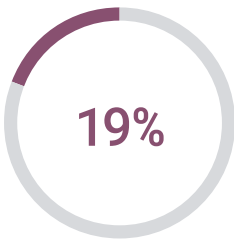
IN AND AROUND LONDON



Location of assets by total capital value



REST OF THE UK



For detailed portfolio information refer to page 23.

1. Assets are presented in order of number of beds; refer to page 23 for further information on the portfolio.
2. Bookings for 2020/21 academic year.

CHAIRMAN'S STATEMENT¹

Through its strategic focus on providing high-quality student accommodation primarily in and around London, the Company has delivered exceptional returns to shareholders since its IPO in 2013.



David Hunter
Chairman

Introduction

The year under review has been dominated by the Covid-19 pandemic, with the UK's departure from the EU adding to wider market uncertainty. Students seeking to attend universities in the UK for in-person learning for the final term of the 2019/20 academic year and all of the 2020/21 academic year have been faced with considerable challenges through a combination of travel restrictions, lockdowns and the closure of academic institutions as teaching moved online. Events leading from this have resulted in a reversal during the year of the Company's hitherto strong operational performance.

Notwithstanding the resultant operational challenges faced by the Company during the year, the focus on assets in and around London has delivered strong NAV performance, with the EPRA NTA² per share rising by 13.5% to 195.05 pence per share. This has been driven by valuation uplifts underpinned by strong institutional demand for private student residential accommodation assets in the Company's core market, as evidenced by the approach to acquire the Company which was received post year end, as detailed below.

Offer to acquire the Company

On 11 August 2021, the Company published a circular to shareholders containing the details of the Board-recommended acquisition of the Company by a special purpose vehicle formed by a consortium comprising Scape Living plc and iQSA Holdco Limited (the "Consortium"), to be funded by their respective primary shareholders, these being APG Asset Management N.V. and Blackstone Group International Partners LLP. In arriving at its recommendation, the Board has factored in the increasingly positive news flow in recent months, most notably the Covid-19 vaccine rollout, as well as the extremely strong investment appetite and transaction activity in the purpose-built student accommodation sector.

However, the Board has tempered these factors with a recognition that, because of the continued global impact on travel caused by the Covid-19 pandemic and the effect of Brexit on student movement from the EU, as well as a volatile geopolitical environment, there remain considerable risks to student numbers. By way of reference, in the academic year 2020/21, 73% of bookings were from overseas students.

Consequently, whilst the Board remains confident in the standalone prospects for the Company, having negotiated several improved proposals from the Consortium the Board believes that the acquisition allows shareholders to capture anticipated future value today, whilst eliminating the associated uncertainties. In addition, the Board recognises that the acquisition allows shareholders the opportunity to fully exit in cash at a price which represents an all-time high share price and an attractive premium to the EPRA NTA² of 195.05 pence per share at the year end.

On 6 September 2021, shareholders voted in favour of the acquisition. If the transaction completes (subject to certain conditions being met, including clearance from the CMA) each shareholder in the Company will receive 213 pence per share in cash. If the conditions are met, the transaction is expected to occur in the coming months.

On the basis of the cash exit of 213 pence per share, the Company will have delivered a total shareholder return since IPO^{2,3} of 190.0%, representing an annualised total shareholder return since IPO^{2,3} of 13.9% and a return on equity since IPO^{2,3} of 2.6 times.

1. This report includes statements that are, or may be deemed to be, 'forward-looking statements'. These include statements regarding the intentions, beliefs or current expectations of the Directors and the Investment Manager regarding future events and performance of the Company, at the date of the report only.

2. Alternative performance measure – see pages 116 and 117 for definitions and calculation methodology.

3. Based on the period from IPO to the date of the announcement of the recommended cash offer on 16 July 2021.

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Student welfare

The Directors are mindful of the Company's social responsibilities. The wellbeing of the residents and staff in the Group's buildings throughout the Covid-19 pandemic has remained of paramount importance to the Board, the Investment Manager and the Property Managers. Further, the Company's willingness to offer rental concessions during the year demonstrates to students, the Group's current and future² customers, that it continues to support them in this difficult period.

Investment activity

The Group's forward-funded development, Scape Brighton, opened to students in two stages across the last quarter of 2020. Scape Brighton adds to the Group's presence in the Brighton market alongside Circus Street, Brighton.

In light of the disruption and market uncertainty caused by the Covid-19 pandemic, in November 2020 the Directors decided not to exercise the Company's right to acquire a second asset in the same locality as Scape Guildford.

Financial results

The Company's rental income for the financial year has been materially adversely impacted as a result of the disruption caused by the Covid-19 pandemic. The investment portfolio generated rental income of £36.3 million over the period to 30 June 2021 (30 June 2020: £47.8 million), representing c.60% of budgeted revenues of £60.1 million for the financial year.

The Company's EPRA NTA¹ increased from 171.78 pence per share at the start of the year to 195.05 pence per share at 30 June 2021, representing an increase over the period of 13.5%.

Dividends

Noting the ongoing uncertainties relating to the Covid-19 pandemic, the impact on the Company's revenues and a desire to manage the business in a prudent and conservative manner, in November 2020, the Directors decided to reduce the Company's dividend payments to shareholders. In July 2021, following the receipt of the recommended cash offer, the Directors suspended dividends until further notice.

The Company has paid dividends in respect of the year ended 30 June 2021 of 0.75 pence per share. The dividends were paid in full as PIDs. The total dividend for the year was 188% covered by adjusted EPS¹ of 1.41 pence.

In light of the offer to acquire the Company, the Directors do not currently expect that any further dividends will be declared or paid to shareholders.

Financing

At 30 June 2021, the Group's available debt facilities totalled £335 million, of which £288.2 million was drawn. At that date, the Group's blended cost of borrowing on its drawn debt was 2.94% with an average weighted maturity of approximately four years. The loan-to-value¹ of the Group at the year end was 21%.

Post year end the Company entered into an agreement with Wells Fargo & Company to extend its £45 million redrawable credit facility to January 2023. Further details of the Group's debt facilities are set out in note 17 to the financial statements.

Environmental, social, governance ("ESG")

The Board considers the integration of responsible investment principles across the Group, the assets within its investment portfolio and the operations of its advisers to be of fundamental importance. The Company has a GRESB three 'green star' rating, an EPRA sBPR gold award and a 'BB' MSCI ESG rating.

The Board has an ESG committee chaired by Gillian Day which oversees the formulation and implementation of the Group's ESG strategy. The Company has a long-term target² of a 0.5% per annum like-for-like reduction in energy consumption, water consumption and general waste production from a baseline of 2018 to 2021. On a like-for-like basis the Company's emissions reduced by 11% for the year ended 30 June 2021, primarily due to reduced occupancy.

The Investment Manager is a signatory to the Principles for Responsible Investment. Its policy on Responsible Investment may be found on its website, www.graviscapital.com.

1. Alternative performance measure – see pages 116 and 117 for definitions and calculation methodology.

2. This report includes statements that are, or may be deemed to be, 'forward-looking statements'. These include statements regarding the intentions, beliefs or current expectations of the Directors and the Investment Manager regarding future events and performance of the Company, at the date of the report only.

CHAIRMAN'S STATEMENT CONTINUED

Investment management and property management arrangements

With effect from 1 July 2020, the Company entered into revised investment management arrangements with the Investment Manager and new property management arrangements with its primary Property Manager, Scape. The revised management arrangements provide the Company with a competitive investment management fee basis and more closely align property management fees to relevant operational metrics. The revised arrangements are set out on page 105 of this report.

In the first quarter of 2021, ORIX Corporation, a diversified financial services company based in Japan, acquired a 70% stake in the Investment Manager.

If the transaction to acquire the Company completes, the Consortium has indicated that following purchase it intends that the investment management arrangements with the Investment Manager will be terminated. It is expected that the Property Manager will be retained to provide property management services in respect of certain assets.

Board changes

A number of Board changes have taken place during the year. Robert Peto retired as a Director and Chairman of the Company on 4 November 2020 and I was appointed as Chairman in his place. On behalf of the Board, I would like to thank Robert for his leadership of the Company and his service to shareholders since the IPO in 2013. Further, the Board appointed Russell Chambers as a Director of the Company, with effect from 1 February 2021.

Continuation vote

If the recommended offer to acquire the Company does not complete, in accordance with the Company's articles of association, a continuation resolution is scheduled to be put to shareholders at the annual general meeting to be held later in 2021. Further information will be set out in relation to the continuation resolution when the notice of the annual general meeting is published. In the event that the takeover of the Company by the Consortium is completed ahead of that date, the Company will not hold its annual general meeting as currently constituted and no continuation vote will be put to shareholders.

Final thoughts

On behalf of the Board, I would like to thank the Investment Manager for its substantial contribution to the creation and operation of the Company and to Scape for managing the properties so effectively. I would also like to thank my Board colleagues for their valued contribution through a period of intense operations and corporate challenges for the Company. Further, I would like to thank shareholders for their continued support of the Company since IPO.

David Hunter

Chairman

18 October 2021

FOR MORE
INFORMATION,
PLEASE REFER TO
THE INVESTMENT
MANAGER'S REPORT
ON PAGES 14 TO 21.

GCP STUDENT LIVING PLC

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COMPANY PERFORMANCE SINCE IPO

Annualised total shareholder return since IPO¹

Relevance to strategy: Total shareholder return measures the delivery of the Company's strategy, to provide shareholders with attractive total returns in the longer term.

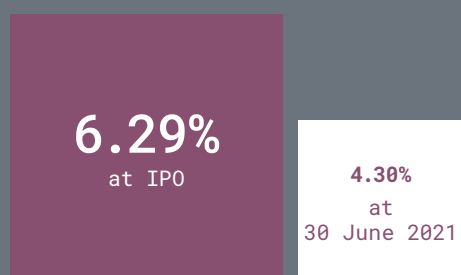
Dividends per share since IPO



Relevance to strategy: The total dividend reflects the Company's ability to deliver regular, sustainable, long-term dividends and is a key element of total return.

Annualised total NAV return since IPO¹

Relevance to strategy: Total NAV return measures the delivery of the Company's strategy, to provide shareholders with modest capital appreciation.

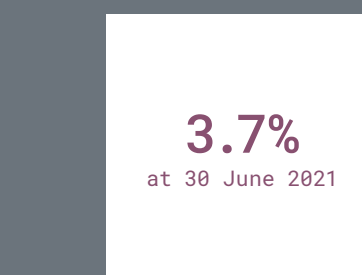
Blended NIY¹

Relevance to strategy: Blended NIY over time demonstrates the yield shift experienced in the student accommodation sector since IPO.

Number of beds



Relevance to strategy: Number of beds measures the delivery of the Company's strategy, to invest and manage assets with the objective of spreading risk.

Average annualised student rental growth since IPO¹

Relevance to strategy: Student rental growth is a key measure of the quality of the portfolio.

Gross asset value



Relevance to strategy: Gross asset value demonstrates delivery of the Company's strategy, through the acquisition of eleven properties.

Share price



Relevance to strategy: Share price is a measure of delivery of the Company's strategy, to provide shareholders with attractive total returns in the longer term.

Market capitalisation



Relevance to strategy: Market capital demonstrates the successful growth of the Company over the period since IPO.

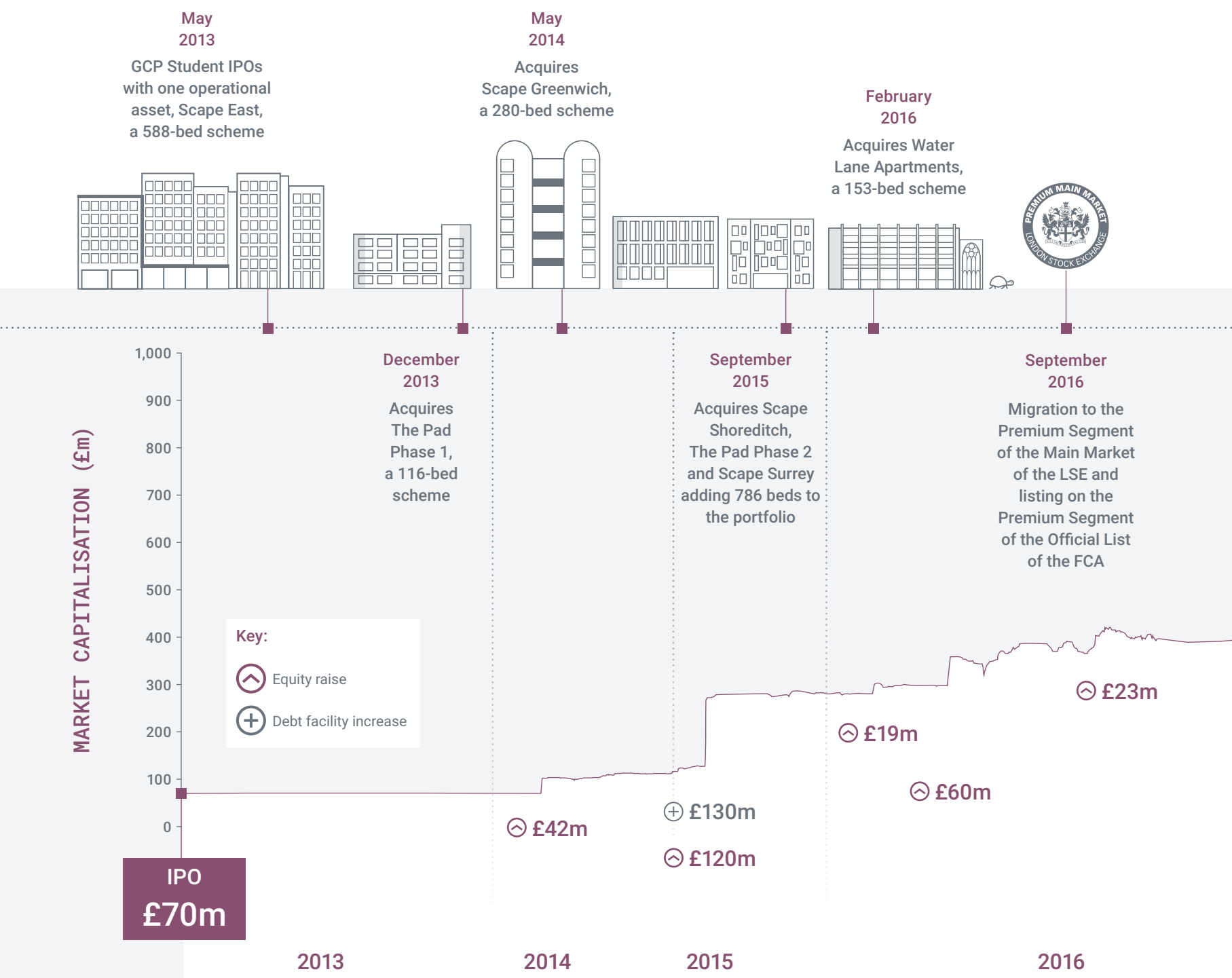
1. Alternative performance measure – see pages 116 and 117 for definitions and calculation methodology.

2. Shareholders will receive a cash exit of 213 pence per share on completion of the recommended acquisition of the Company, if it occurs.

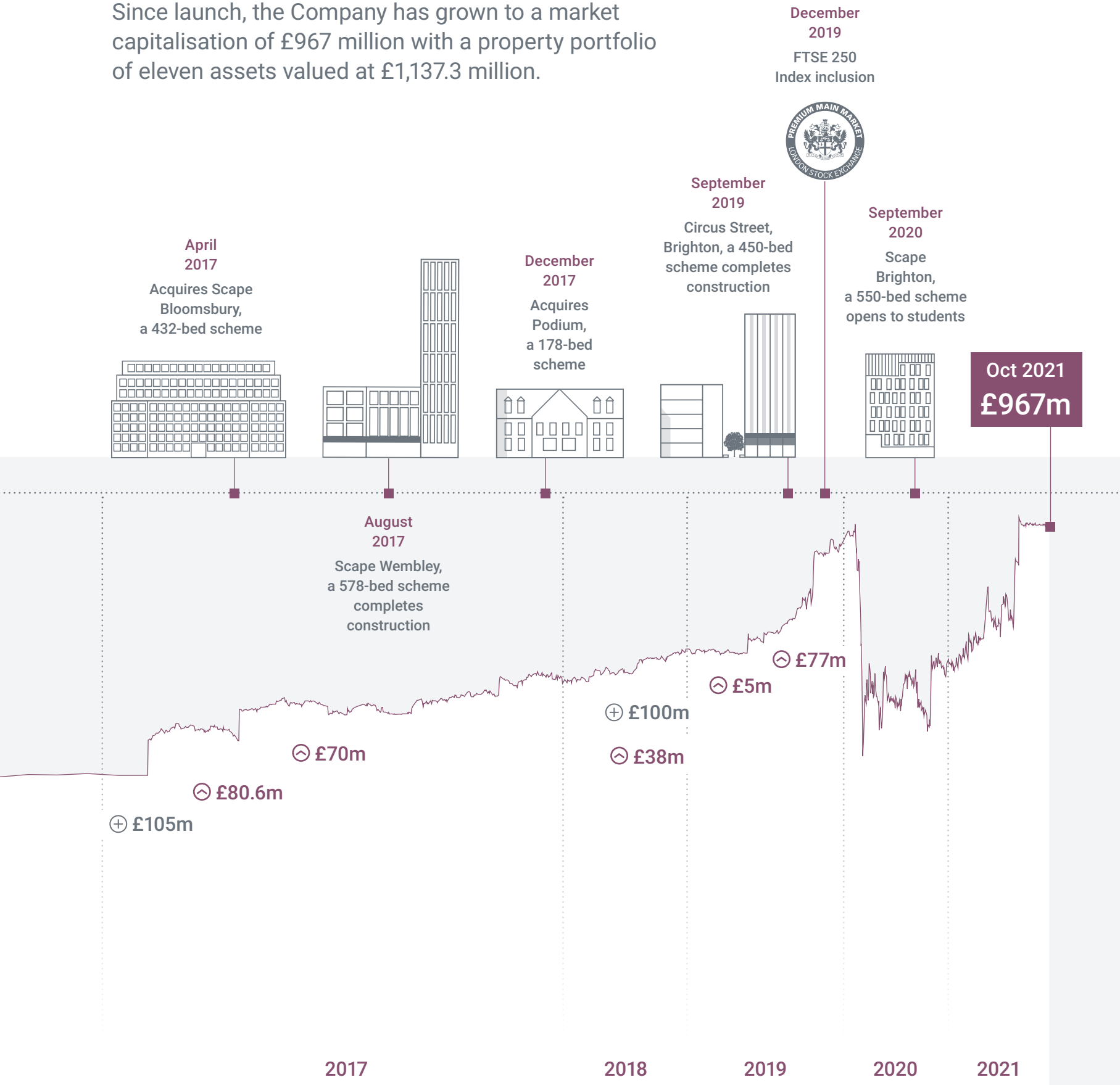
3. Based on the period from IPO to the date of the announcement of the recommended cash offer on 16 July 2021.

THE LIFE OF GCP STUDENT SINCE IPO

The Company was launched in May 2013 as the first real estate investment trust in the UK to focus on student residential assets.



Since launch, the Company has grown to a market capitalisation of £967 million with a property portfolio of eleven assets valued at £1,137.3 million.



STRATEGIC REPORT

WHAT'S IN THIS SECTION

STRATEGIC OVERVIEW

Find out more on pages 12 to 13

INVESTMENT MANAGER'S REPORT

Find out more on pages 14 to 21

PROPERTY PORTFOLIO

Find out more on pages 22 to 27

STAKEHOLDERS

Find out more on pages 28 to 31

SUSTAINABILITY

Find out more on pages 32 to 35

RISK MANAGEMENT

Find out more on pages 36 to 45



STRATEGIC OVERVIEW

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

10.2%

Annualised total shareholder return since IPO¹

0.75p

Dividends paid in respect of the year

GCP STUDENT LIVING PLC

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Business model

The Company's investment strategy is set out in its investment objective and policy below. It should be considered in conjunction with the Chairman's statement and the strategic report which provide an in-depth review of the Company's performance and future² strategy.

Investment objective

The Company's investment objective is to provide shareholders with attractive total returns in the longer term through the potential for modest capital appreciation and regular, sustainable, long-term dividends with 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. The Company has not breached its investment guidelines and restrictions during the year.

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 pages 116 to 117 for definitions and calculation methodology.

2. This report includes statements that are, or may be deemed to be, 'forward-looking statements'. These include statements regarding the intentions, beliefs or current expectations of the Directors and the Investment Manager regarding future events and performance of the Company, at the date of the report only.

INVESTMENT MANAGER'S REPORT

The Investment Manager has assembled a portfolio of assets which, following the acquisition of the Company by the Consortium, will have delivered an annualised total shareholder return since IPO¹ of 13.9%.

GCP STUDENT LIVING PLC

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PORTFOLIO PERFORMANCE

Introduction

Travel restrictions combined with lockdowns and the closure of academic institutions through the financial year have restricted the ability of students to attend universities and occupy their student accommodation. These factors have resulted in a reduction to occupancy levels across the portfolio, impacting revenue for the year. Notwithstanding this, strong institutional appetite for private student accommodation assets has driven up the value of assets in the expectation of attractive longer-term returns.

Portfolio performance update

The key drivers of the Company's returns are based on the three fundamentals of where, what and how the Company acquires and operates assets. Focusing on modern, purpose-built, private student residential accommodation located primarily in and around London forms the basis of how the Investment Manager seeks to add value over the long term. The success of this approach has been demonstrated by the price which the Consortium has offered to acquire the Company, and the returns since IPO that this will realise for shareholders.

The Group's portfolio generated rental income of £36.3 million for the year to 30 June 2021 (30 June 2020: £47.8 million) comprising income from direct lets of rooms to students, nominations agreements with HEIs and long-term commercial leases, as set out in the chart below. This represents c.60% of budgeted revenues of £60.1 million for the financial year. The portfolio has continued to be impacted by the restrictions on global mobility and closure of academic institutions resulting from the Covid-19 pandemic.

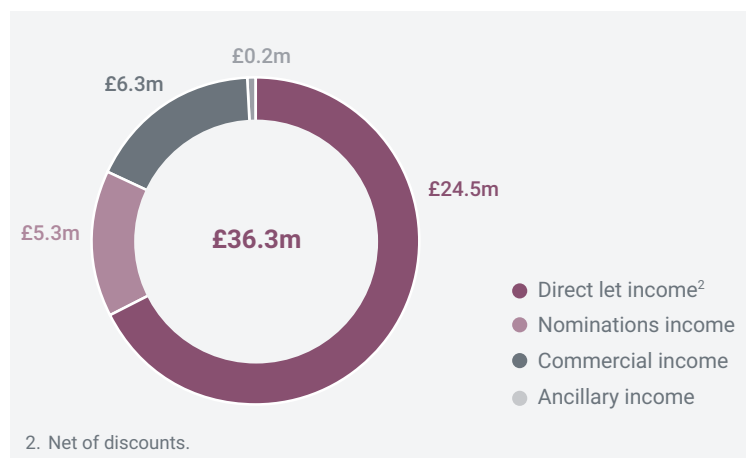
The Group's buildings have remained operational throughout the pandemic with the Investment Manager and Property Managers remaining focused on ensuring the wellbeing of residents and staff by providing a safe and secure environment in line with UK Government regulations. The Board, the Investment Manager and the Property Managers have all prioritised the safety and wellbeing of students and the Group's employees from the outset.

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.

For the academic year 2020/21, approximately 68% of booked rooms were occupied and/or subject to nominations agreements. Post year end, at 15 October 2021, approximately 80% of rooms across the Group's portfolio of student accommodation have been booked for the 2021/22 academic year and of these rooms 83% have been occupied by residents. The level of bookings at the same date for the previous academic year was 70%.

On 5 November 2020, the Company reported that the Company's nominations agreement with a subsidiary of INTO University Partnerships ("INTO") was in arrears of c.£1.9 million at 30 September 2020. On 17 November 2020, the Company announced that it and INTO had agreed to a full settlement of all arrears of £1.9 million, in addition to a variation to the nominations agreement between them. The previous nominations agreement was for 210 beds at the Group's Scape Mile End asset up until the end of the 2024/25 academic year. The revised arrangements between the Company and INTO are for 105 beds, at a premium rate, up until the end of the 2020/21 academic year and include additional parent company financial guarantees.

REVENUE BY TYPE



1. Alternative performance measure – see APMs section on pages 116 and 117 for definitions and calculation methodology.

INVESTMENT MANAGER’S REPORT CONTINUED

PORTFOLIO PERFORMANCE CONTINUED

Portfolio performance update continued
On 15 February 2020, the Company announced that it had terminated its 15-year occupational lease with a WeWork subsidiary (“WeWork”) in respect of commercial space at Scape Shoreditch. Ahead of termination, the Company collected a payment of c.£3.1 million (including VAT) covering all arrears and rent due to the end of June 2021.

The payment was equal to the maximum amount available of WeWork’s parent company guarantee. The Company has taken vacant possession of the commercial space at Scape Shoreditch. The Investment Manager is pursuing opportunities to re-let the commercial space at Scape Shoreditch including plans for refitting the premises.

In order to support direct let students during this difficult period, in January 2021 the Company offered rental concessions of up to 100% for a six-week period, which was applied to final instalments for the academic year due in April 2021. The loss of rental income arising from this rent concession was approximately £0.7 million or c.0.15 pence per share.

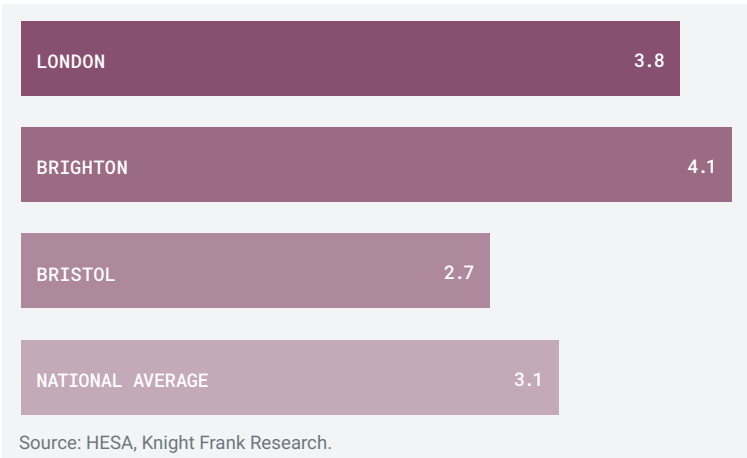
In the year under review, the Company has achieved strong NAV growth driven by valuation uplifts. The Company’s EPRA NTA¹ per share increased from 171.78 pence at 30 June 2020 to 195.05 pence at 30 June 2021, an increase of 13.6%. This was driven by a like-for-like portfolio valuation uplift of 11.0%. The market valuation of the portfolio was £1.14 billion at 30 June 2021.

The valuation uplift for the year has been driven primarily by strong investment demand for private student accommodation in the Company’s core London market, which has been the Investment Manager’s focus since IPO.

This includes valuation uplifts on Scape Bloomsbury of £25.2 million, Scape Wembley of £21.9 million and Scape Mile End of £17.2 million. The blended net initial yield¹ of the Company’s operational portfolio at 30 June 2021 was 4.30% (30 June 2020: 4.44%).

During the year, the Company’s forward-funded development at Scape Brighton became operational, notwithstanding reduced levels of activity across the construction sector. Scape Brighton opened to students in two stages in September and early November 2020. Its construction costs have been part-funded through the Company’s £55.0 million development facility, of which £15.0 million was drawn at the year end. The Company’s outstanding capital commitments, including in respect of the construction costs at Scape Brighton, were approximately £3.9 million and will be funded through the Company’s available cash resources.

STUDENTS PER BED RATIO



1. Alternative performance measure – see pages 116 and 117 for definitions and calculation methodology.

MARKET UPDATE

The UK student accommodation market

The Covid-19 pandemic has created unprecedented challenges for global mobility, including that of students. With this backdrop, it is encouraging to note that applications and acceptances for higher education courses are at record levels. The UK remains a global leader in the provision of higher education, with some of the highest-ranking universities in the world, including two in the top ten in 2021¹, making it attractive to both domestic and international students, for whom the UK is the second most popular destination for further education after the USA².

Approximately 81% of the Company’s portfolio is located in and around London. Demand for full-time higher education courses in London remains strong relative to the rest of the UK. London is home to 23 universities, with more universities (four) ranked in the top 40 by The Times Higher Education World University Rankings than any other city in the world. Approximately 30% of the 2.5 million students in the UK study in London and the South East³. International students in particular favour London as a destination for higher education given its continued reputation as a global centre of academic excellence. A quarter of all international students in the UK choose to study in London.

Student numbers supportive of occupancy and growth

Applications and acceptances for higher education courses in the UK were at record levels for the 2020/21 academic year. UCAS end-of-cycle data for the 2020/21 academic year showed that 570,475 students had accepted places onto higher education courses in the UK, representing a year-on-year increase on pre-pandemic levels of 5.4%.

This growth has been driven by a year-on-year increase in acceptances of 16.9% for non-EU international students to 52,755 and a 4.5% increase in domestic students to 485,400. The number of EU students has also increased by 1.7% to 32,320. The increase in acceptances for domestic students has, in part, been underpinned by record entry rates of 18 year-olds into higher education.

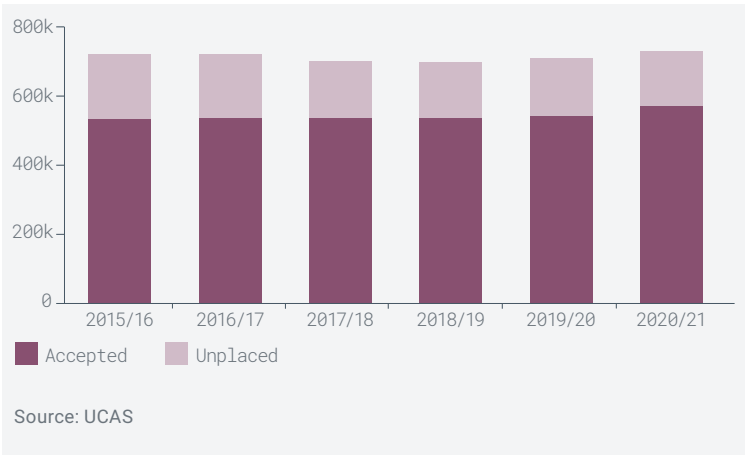
Looking forward, UCAS clearing data published on 7 September 2021 relating to acceptances for the upcoming 2021/22 academic year shows a further increase in students placed onto higher education courses in the UK with a year-on-year increase of 5% for non-EU international students. The effect of Brexit is impacting student numbers from the EU due to the obligation to now pay international student rates rather than domestic, with acceptances falling by 56%.

The UCAS data above supports the Investment Manager’s view that students will continue to invest in their education and enrol on courses to further their future employment prospects.

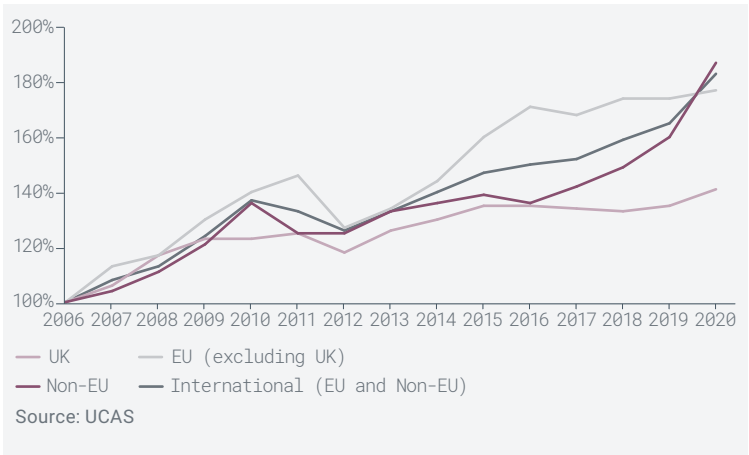
The continued rise in the number of applications from non-EU international students suggests that students remain willing to travel to study abroad in order to obtain qualifications delivered in the English language and are making applications on the basis that they will do so. However, with the continued global impact on travel caused by the Covid-19 pandemic and the effect of Brexit on student movement from the EU, there remains considerable uncertainty on occupancy levels for at least one further academic year and possibly beyond.

The Board and the Investment Manager continue to monitor global events as they relate to student numbers, including relations between the US, the UK and China. In 2020/21, one in four of the Company’s student bookings were from China.

STUDENT ACCEPTANCE RATES



GROWTH IN STUDENT ACCEPTANCES



1. The Times Higher Education World University Rankings 2021.
2. OECD.
3. HESA.

INVESTMENT MANAGER’S REPORT CONTINUED

MARKET UPDATE CONTINUED

Strong supply-side barriers

The investment returns from student accommodation vary considerably between cities in the UK. The Investment Manager has focused on constructing a portfolio in those markets which demonstrate a structural undersupply of private student accommodation. Furthermore, short-term supply dynamics, driven by the consequences of the pandemic, should not detract from the longer-term divergence of returns from student accommodation between cities in the UK with an undersupply of student housing and those with less restrictive planning regulations.

The Investment Manager expects London and Brighton to remain undersupplied as a result of a combination of high land values and challenging planning restrictions. Modern student accommodation is in short supply in both markets, as illustrated by existing university stock in London, of which an estimated two-thirds is over 20 years old¹.

The beneficial impact of these supply-side barriers on the Company’s portfolio, coupled with the outlook for demand for accommodation in its assets and investment activity in the student accommodation sector, is reflected by the strong valuation increases achieved both during the period and since the Company’s IPO in 2013. The Investment Manager believes these fundamentals will continue to drive strong performance over the longer term, in the event that the recommended offer for the Company does not complete.

Transactional activity

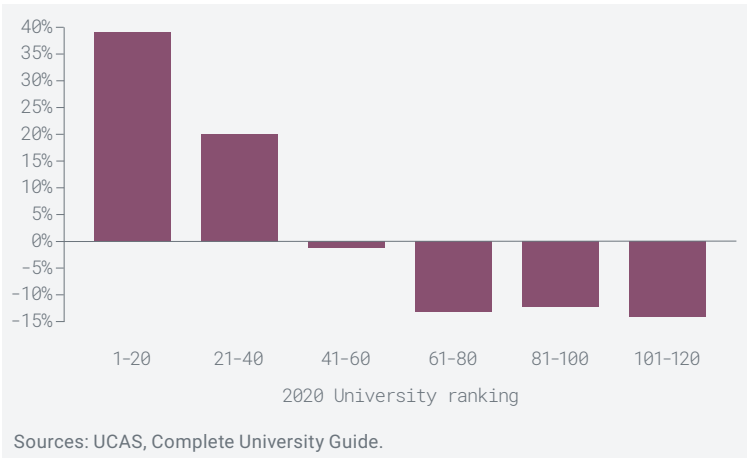
Investment volumes of student accommodation assets exceeded £5.9 billion in 2020, the highest level of transactional activity in the UK ever recorded. This included the £4.7 billion acquisition of the iQ Student portfolio by Blackstone Group in May 2020 which was the largest-ever student property transaction in the UK, at an estimated yield of 4.2%.

Other notable transactions included the acquisition of a c.£600 million mixed portfolio of student accommodation and residential units by Quadreal in November 2020, for a reported yield for the student element of below 4.0%.

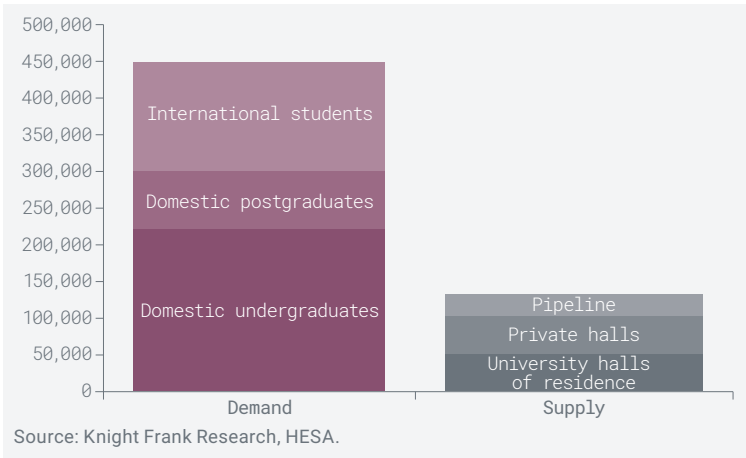
Further, the sale of Scape Canalside to an institutional buyer was completed in October 2020, for a price of c.£100 million, believed to reflect an estimated yield of 4.2%.

Private capital continues to be deployed in the acquisition of student accommodation in the UK throughout 2021. Approximately £600 million of transactions have completed for assets during Q2 2021.

CHANGE IN STUDENT APPLICATIONS BY RANKING OF UK UNIVERSITIES (2012-2020)



STUDENT ACCOMMODATION SUPPLY AND DEMAND IN LONDON 2020



1. JLL London Student Housing

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FINANCIAL REVIEW

Rental income

The Company generated rental income for the year ended 30 June 2021 of £36.3 million from the Company's property portfolio. This represents c.60% of budgeted income for the financial year. The portfolio has continued to be impacted by the restrictions on global mobility and closure of academic institutions resulting from the Covid-19 pandemic, which 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

The Company's net operating margin has reduced to 57% for the period, primarily due to the reduction in revenue detailed above and an increase in operating costs. Property expenditure of £15.3 million was incurred during the year, a significant increase of £5.7 million year-on-year; predominantly due to the accounting treatment of three factors. Firstly, the Scape property management fees of £2.2 million (previously paid by the Investment Manager from its fee) are now being paid directly by the Company and recognised in property operating costs. The investment management fees have been reduced accordingly, refer to note 28.

Secondly, the termination of the WeWork lease in February 2020 resulted in a write-off of £2.1 million of lease incentives held on the statement of financial position. This was offset by a £3.1 million settlement from WeWork recognised in income. Finally, bad debts of £1.0 million were written off in the year in respect of students unable to occupy their rooms due to the ongoing pandemic.

Administration expenses

Total administration expenses of £8.6 million comprise fund running costs, including the Investment Manager's fee and other service provider costs in the period. Administration costs are carefully monitored and controlled by the Investment Manager and the Board to ensure that the Company receives value for services received.

Other costs

These include the initial legal and professional fees associated with the recommended cash offer of £0.4 million and aborted transaction costs of £0.1 million in relation to a forward purchase agreement of a second asset in the same locality as Scape Guildford. Further costs associated with the recommended cash offer were incurred post year end which are not reflected in the financial statements.

Net financing costs

Net finance costs of £10.0 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 £1.9 million was generated in the period.

Total fair value gains on investment properties through revaluation of the Company's investment portfolio were £112.8 million for the year, positively impacting operating profit and generating EPS of 25.21 pence. The adjusted EPS¹ for the period was 1.41 pence² excluding fair value gains on investment properties and adjusting for non-recurring transactions costs and licence fees receivable on forward funding agreements.

Financial performance**Condensed profit and loss**

	Notes	For the year ended 30 June 2021 £'000	For the year ended 30 June 2020 £'000
Total income	4	36,909	47,762
Property operating expenses	5	(15,849)	(9,658)
Gross profit (net operating income)		21,060	38,104
Net operating margin		57%	80%
Administration expenses	5	(8,619)	(9,861)
Other costs	5	(561)	(3,765)
Net finance costs	15, 16	(10,028)	(9,804)
Profit before tax and fair value gains on investment properties (realised profits)		1,852	14,674
Fair value gains on investment properties	10	112,877	33,904
Profit before tax for the year		114,729	48,578

1. Alternative performance measure – see pages 116 and 117 for definitions and calculation methodology.

2. Refer to note 3 for detailed calculation.

INVESTMENT MANAGER'S REPORT CONTINUED

FINANCIAL REVIEW CONTINUED

Ongoing charges

The Company's ongoing charges ratio¹ was 1.0% for the year ended 30 June 2021, calculated in line with the AIC methodology, excluding direct property costs. This ratio has decreased from 1.3% in the prior year, 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 2021, the Company paid dividends of 0.75 pence per ordinary share. The dividends were paid in full as a PID in respect of the Group's tax exempt property rental business. 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 2021 and at the date of this report.

The total dividend of 0.75 pence for the year was 188% covered by adjusted EPS¹ of 1.41 pence².

Cash flow generation

The Company held cash and cash equivalents of £44.6 million at the end of the financial year. A total of £15.4 million of operating cash flows were generated in relation to the Company's student accommodation portfolio. The Company drew down £6.1 million on the Company's development facility and continued the forward-funding of the construction of Circus Street and Scape Brighton. The remaining cash outflows during the year relate the cost of servicing the Company's debt facility in addition to payment of dividends, resulting in a net decrease in cash and cash equivalents at the year end.

Debt financing

The Company's loan facilities total £335.0 million, of which £288.2 million was drawn at 30 June 2021. 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 four years. In addition, the Group has £100 million of floating rate borrowing facilities with Wells Fargo (of which £53.2 million was drawn as at 30 June 2021) 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 21%.

Asset performance

Bookings for the 2020/21 academic year were at reduced levels, however the Company saw headline like-for-like student rental growth¹ of 2.6% for the year and also benefited from yield compression. The valuation uplift for the financial year has been predominantly driven by uplifts on Scape Bloomsbury of £25.2 million, Scape Wembley of £21.9 million and Scape Mile End of £17.2 million.

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

1. Alternative performance measure – see pages 116 and 117 for definitions and calculation methodology.

2. Refer to note 3 for detailed calculation.

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Lifecycle reserve

The Company's lifecycle cash reserves were £3.1 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

In October 2019, EPRA announced updated best practice recommendations which included new NAV metrics to replace EPRA NAV. The Company has adopted EPRA NTA¹ as its principal measure of NAV. Net assets attributable to equity holders at 30 June 2021 on an IFRS basis were £887.4 million, up from £781.4 million at 30 June 2020.

The increase in net assets since the prior year end was primarily driven by an increase in the valuation of the property portfolio. At 30 June 2021, there were 455,019,030 shares in issue, giving an EPRA NTA¹ per share of 195.05 pence.

NAV and share price return

The Company's ordinary shares have traded at an average premium¹ to EPRA NTA¹ per share (ex-income) of 0.7% since IPO, with an average discount¹ over the financial year of 17.0%. EPRA NTA¹ per share has increased from 171.78 pence at 30 June 2020 to 195.05 pence per share at 30 June 2021, a 13.5% increase year-on-year. Dividends of 0.75 pence per ordinary share were paid to shareholders.

The annualised total shareholder return since IPO¹ was 10.2% at the year end, compared to the annualised target return of 8 to 10%. The total shareholder return¹ for the year was 31.9%. On the basis of the cash exit of 213 pence per share, the Company will have delivered a total shareholder return since IPO^{1,3} of 190.0%, representing an annualised total shareholder return since IPO^{1,3} of 13.9% and a return on equity since IPO^{1,3} of 2.6 times.

Financial performance**Condensed balance sheet**

	Notes	As at 30 June 2021 £'000	As at 30 June 2020 £'000
Assets			
Investment property	10	1,148,811	1,009,838
Trade and other receivables, retentions and deposits		8,534	17,979
Cash and cash equivalents	23	44,559	60,358
Total assets		1,201,904	1,088,175
Liabilities			
Trade and other payables, retentions and deposits		(8,857)	(9,374)
Deferred income		(6,985)	(6,085)
Lease liability		(11,834)	(11,608)
Financial derivatives		(95)	(233)
Interest-bearing loans and borrowings	17	(286,721)	(279,456)
Total liabilities		(314,492)	(306,756)
Net assets		887,412	781,419
Number of shares		455,019,030	455,019,030
EPRA NTA¹ per share (cum-income)	3	195.05p²	171.78p
EPRA NTA¹ per share (ex-income)		195.05p²	170.36p

1. Alternative performance measure – see pages 116 and 117 for definitions and calculation methodology.

2. Following the recommended cash offer for the Company, the Directors suspended the fourth quarterly dividend. Therefore, EPRA NTA (ex-income) is equivalent to EPRA NTA (cum-income).

3. Based on the period from IPO to the date of the announcement of the recommended cash offer on 16 July 2021.

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 2021

4,116

Number of beds
at 30 June 2021

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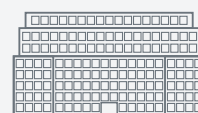
At 30 June 2021, the Company's portfolio comprised eleven high-quality, modern student accommodation buildings, of which 81% of the total capital value was located in and around London.

Key

- 1 Number of beds
- 2 Date of acquisition
- 3 Book cost
- 4 Valuation at 30 June 2021
- 5 NIY^{a, b}

**1 Scape Shoreditch**

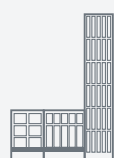
1	541	2	Sep 2015
3	£166.8m	4	£227.3m
5	4.33%		

**2 Scape Bloomsbury**

1	432	2	Apr 2017
3	£167.3m	4	£219.6m
5	3.75%		

**3 Scape Mile End**

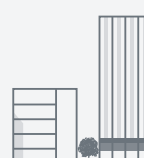
1	588	2	May 2013
3	£94.4m	4	£181.6m
5	4.20%		

**4 Scape Wembley**

1	578	2	Jun 2016
3	£78.0m	4	£127.2m
5	4.15%		

**5 Scape Brighton**

1	555	2	Jul 2018
3	£92.5m	4	£107.2m
5	5.00%		

**6 Circus Street^c**

1	450	2	Aug 2017
3	£63.5m	4	£85.0m
5	3.80%		

**7 Scape Greenwich**

1	280	2	May 2014
3	£40.5m	4	£66.7m
5	4.34%		

**8 The Pad**

1	220	2	Dec 2013
3	£31.4m	4	£35.3m
5	5.80%		

**9 Podium**

1	178	2	Dec 2017
3	£29.6m	4	£32.9m
5	5.65%		

**10 Scape Guildford**

1	141	2	Sep 2015
3	£19.1m	4	£29.8m
5	5.15%		

**11 Water Lane Apartments**

1	153	2	Feb 2016
3	£18.8m	4	£24.7m
5	5.15%		

5

Top five HEIs attended

1. Royal Holloway
2. UCL
3. QMUL
4. Sussex
5. Brighton

5

Top five nationalities represented

1. British
2. Chinese
3. Indian
4. French
5. American

4.30%

Blended net initial yield^{a, b}

80%

Studio rooms in the Company's buildings^d

a) The blended net initial yield is calculated by the Company's independent valuer on operational assets only.

b) Alternative performance measure ("APM") – see pages 116 and 117 for definitions and calculation methodology.

c) The office element remains under construction.

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

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. 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 when tenanted. The property has generated a valuation uplift of £16.6 million for the year to 30 June 2021.



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 BAYES Business School, University of 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 £25.2 million for the year to 30 June 2021.



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 customers, shareholders, employees, local communities and suppliers.



STAKEHOLDER ENGAGEMENT

Section 172

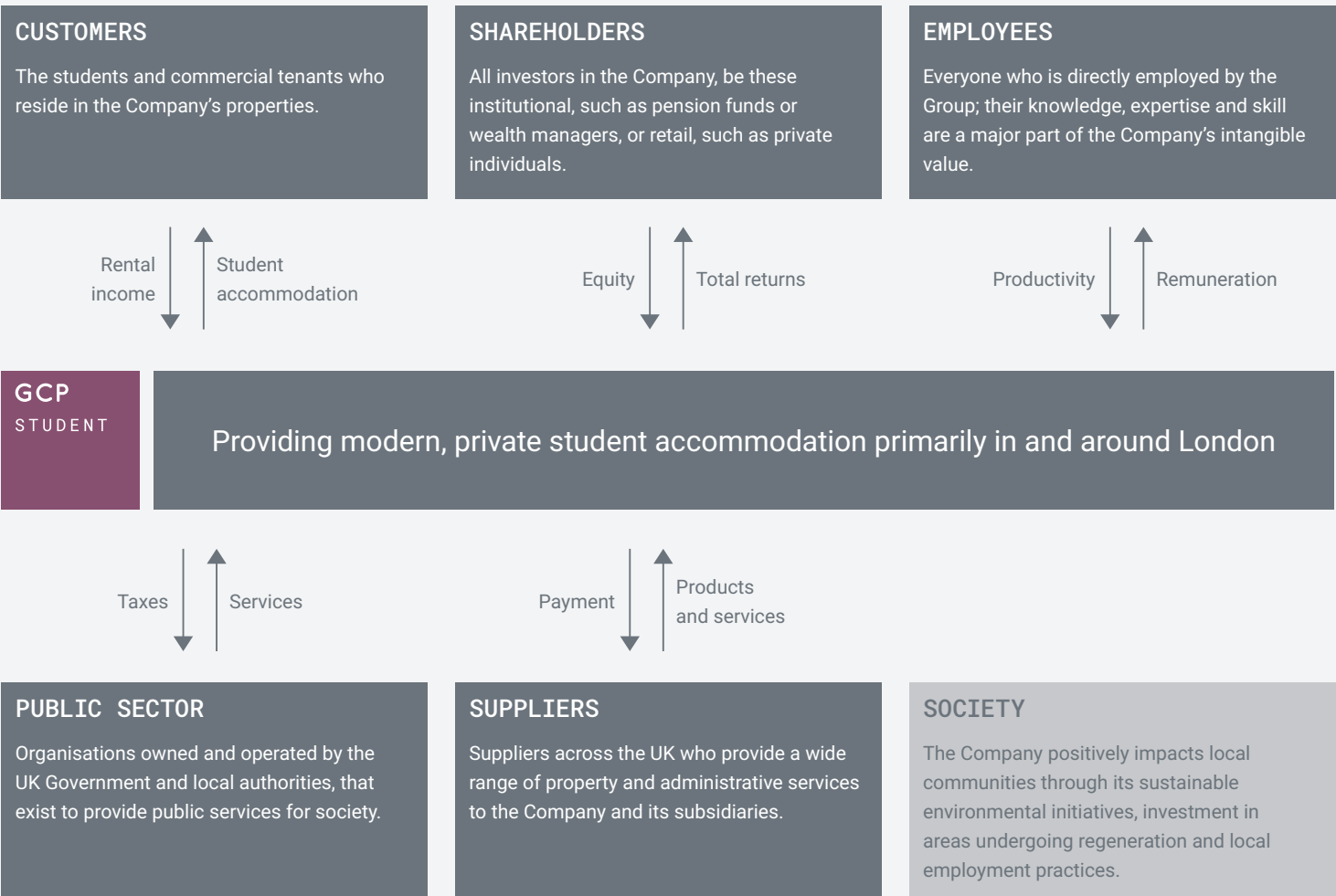
The Board of Directors recognises that, both individually and collectively, its overarching duty is to act in good faith and in a way that is most likely to promote the success of the Company and the Group. As set out in section 172 of the Companies Act 2006, the Directors act for the benefit of shareholders 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 below demonstrates how the Company interacts with its stakeholders.



STAKEHOLDERS CONTINUED

STAKEHOLDER ENGAGEMENT CONTINUED

The Group's key stakeholders comprise customers, shareholders, employees, suppliers and the local communities in which it operates.

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.

CUSTOMERS

The students who reside in the Company's properties. The operational portfolio provides a home to c.4,000 students.

Why engage

Thousands of 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. The Scape app provides 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 and ACM.

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

SHAREHOLDERS

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

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.

Shareholder meetings were held in April and May 2021 at which the Chairman met with a number of the Company's major shareholders.

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.

As set out in the Chairman's statement, following the publication of a circular to shareholders regarding the Board-recommended acquisition of the Company by the Consortium, shareholders voted in favour of the acquisition on 6 September 2021. Further information on the acquisition is set out in the scheme document, which is available on the Company's website.

The 2021 annual general meeting of the Company will be held later this year¹. All shareholders are encouraged to attend and vote at the annual general meeting, during which the Board and Investment Manager will be available to discuss issues affecting the Company.

A separate notice convening the annual general meeting will be distributed to shareholders in due course. This will include an explanation of the items of business to be considered at the meeting. The notice will also be made available on the Company's website.

1. This report includes statements that are, or may be deemed to be, 'forward-looking statements'. These include statements regarding the intentions, beliefs or current expectations of the Directors and the Investment Manager regarding future events and performance of the Company, at the date of the report only.

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EMPLOYEES

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

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 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.

If the transaction to acquire the Company completes, it is expected that the Group's employees will be retained to provide property management services in respect of certain of the Scape-branded assets within the portfolio.

SUPPLIERS

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

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.

If the transaction to acquire the Company completes, the Consortium has indicated that following purchase it intends that the investment management arrangements with the Investment Manager will be terminated. It is expected that the Property Manager will be retained to provide property management services in respect of certain assets. The Company will honour the existing terms of all other agreements with service providers up to the point of acquisition.

SOCIETY

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

Why engage

The Group's 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 32 to 35.

SUSTAINABILITY

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



Responsible investment

The Board considers the integration of responsible investment principles across the Group, the assets within its investment portfolio and the operations of its advisers to be of fundamental importance. The Board has established an ESG Committee and a Board member has been allocated specific responsibility for ESG matters.

The Investment Manager is a signatory to the Principles for Responsible Investment (“PRI”). The PRI, established in 2006, is a global collaborative network of investors working together to put the six Principles for Responsible Investment into practice. More information can be found at: www.unpri.org.



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

Prior to a new investment being approved, the Investment Manager assesses how the investment fares against key relevant ESG criteria, laid out in an ESG checklist tailored for the Company. The checklist typically covers the counterparty’s commitment and capability to effectively identify, monitor and manage potential ESG-related risks and opportunities, and, to the extent applicable, the availability of relevant policies and procedures, alignment with industry or investment specific standards and ratings and compliance with relevant ESG-related regulation and legislation.

As a firm-wide approach, the Investment Manager applies a process of positively screening for investments that promote sustainability or benefit society, including, but not limited to, the areas of climate change mitigation and adaptation, energy transition, critical infrastructure, affordable living, social housing, education and healthcare. The Investment Manager excludes investments which focus on animal testing, armaments, alcohol production, pornography, tobacco, coal production and power, and nuclear fuel production. Its policy on Responsible Investment can be found on its website: www.graviscapital.com.

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 2021, a total of c.500 tonnes of property waste has been diverted from landfill, with Scape procuring the conversion of 82% of all property waste into renewable energy and 16% into national recycling schemes. The property waste has been recycled into various consumer products such as cups and bottles and renewable energy, with approximately 230,000 kWh of electricity being generated during the year.

Energy efficiency

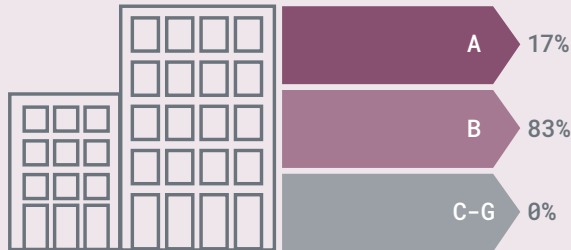
The Company’s buildings are either constructed, or acquired, as newly operational properties and therefore conform to the Company’s requirements for the highest standards of energy efficiency. The properties are designed with this in mind, with 100% of the portfolio with an EPC rated B or above.

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.

EPC ratings

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

The Company portfolio (by gross internal area) at 30 June 2021 is rated as follows:



SUSTAINABILITY CONTINUED

Greenhouse gas emissions

Carbon emissions data	Year ended 30 June 2021	Year ended 30 June 2020
Absolute energy use:		
Residential gas (kWh)	9,442,670	9,743,744
Residential electricity (kWh)	6,335,285	5,830,977
Absolute CO₂e emissions (tonnes CO₂e)	3,075	3,151
Residential gas emissions (tonnes CO ₂ e) (Scope 1)	1,730	1,792
Residential electricity emissions (tonnes CO ₂ e) (Scope 2)	1,345	1,359
Total residential emissions (tonnes CO₂e) (Scopes 1+2)	3,075	3,151
CO₂e emissions per sq ft (tonnes CO₂e/sq ft)	0.0030	0.0036
Residential gas and oil emissions (tonnes CO ₂ e/sq ft) (Scope 1)	0.0017	0.0020
Residential electricity emissions (tonnes CO ₂ e/sq ft) (Scope 2)	0.0013	0.0016
Total residential emissions (tonnes CO₂e/sq ft) (Scopes 1+2)	0.0030	0.0036
CO₂e emissions per bed (tonnes CO₂e/number of beds)	0.7	0.8

Impact area	EPRA code	Units of measure	Indicator	Year ended 30 June 2021	Year ended 30 June 2020
Total electricity consumption	Elec-Abs	Annual kWh	All properties	6,335,285	5,830,977
Total district heating and cooling consumption	DH&C-Abs	Annual kWh	All properties	1,258,400	1,083,810
Total fuel consumption	Fuels-Abs	Annual kWh	All properties	15,777,955	15,574,720
Building energy intensity	Energy-Int	kWh/appropriate denominator	All properties	3,075	3,784

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 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.

Scope of data:

Scape Brighton became operational during the year and therefore emissions on an absolute basis have increased. Excluding Scape Brighton, emissions have decreased by 11% on an absolute basis.

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.

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Impact area	EPRA code	Units of measure	Indicator	Year ended 30 June 2021	Year ended 30 June 2020
Total direct GHG emissions	GHG-Dir-Abs	Annual metric tonnes CO ₂	All properties	3,075	3,151
Greenhouse gas (GHG) emissions intensity from building consumption	GHG-Int	Tonnes CO ₂ /appropriate denominator	All properties	0.7	0.8

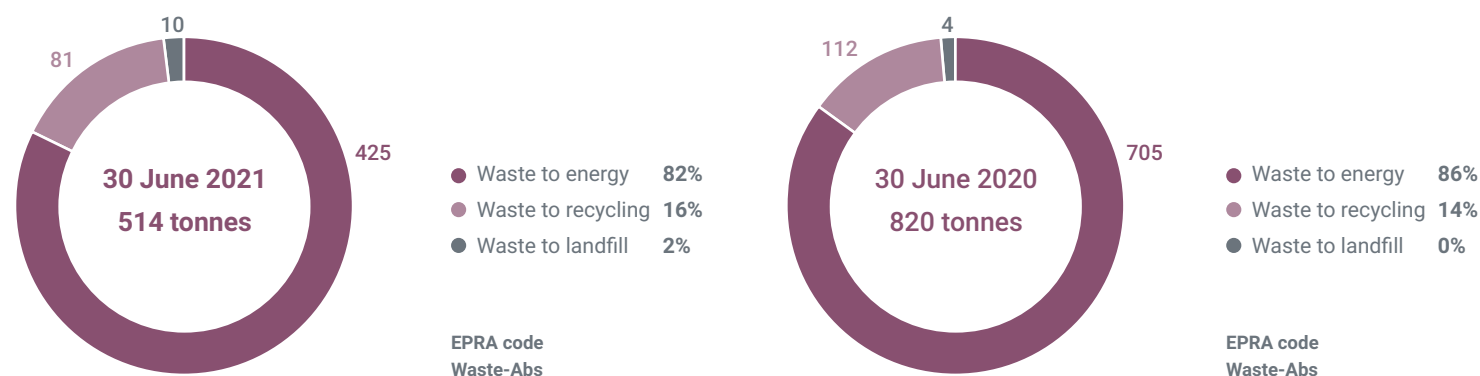
Water consumption

Impact area	EPRA code	Units of measure	Indicator	Year ended 30 June 2021	Year ended 30 June 2020
Total water consumption	Water-Abs	Annual cubic metres	All properties	165,847	172,725
Building water intensity	Water-Int	m ² /appropriate denominator	All properties	40.3	42.0

Waste and recycling

Total weight of waste by disposal route

(Annual metric tonnes and proportion by disposal route)

**Methodology/notes:****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.

Employee data

Impact area	EPRA code	Units of measure	Indicator	Year ended 30 June 2021		Year ended 30 June 2020	
				Female	Male	Female	Male
Employee gender diversity	Diversity-Emp	Number of employees	Board of Directors	2	3	2	3
			Senior management	3	1	3	2
			Employees	67	50	66	48
			Total	72	54	71	53

RISK MANAGEMENT

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



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Role of the Board

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

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

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

Internal control review

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

The Directors have reviewed and considered the guidance supplied by the FRC 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; 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 regard to the UK's exit from the EU, relations between the UK, US and China and the Covid-19 pandemic.

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
Reliance on the Investment Manager and third party service providers The Group relies upon the performance of third party service providers to perform its main functions. In particular, the Group depends on the Investment Manager to provide investment advice and management services. Such services, which include monitoring the performance of the investment portfolio and conducting due diligence in respect of any new investments, are integral to the Group's performance.	Failure by a third party service provider to carry out its obligations in accordance with the terms of its appointment, or to exercise due care and skill, could have a material adverse effect on the Group's performance. The misconduct or misrepresentations by employees of the Group, the Investment Manager, the Property Managers or other third party service providers could cause significant losses to the Group.	The performance of the Group's service providers is closely monitored by the management engagement committee of the Board, which conducts review meetings with each of the Group's principal third party service providers on an annual basis. The audit and risk committee also reviews the internal controls reports and other compliance and regulatory reports of its service providers on an annual basis. The performance of the employees within the Group is monitored by the board of GCP Operations and Scape and considered regularly by the Board.	 Stable The Investment Manager continues to provide adequate resource and act with due skill, care and diligence in its responsibilities as Investment Manager and AIFM to the Company. The Company's third party service providers continue to act in accordance with their obligations. The Investment Manager and third party service providers enacted Business Continuity Plans in response to the Covid-19 pandemic which continue to operate effectively.
Due diligence Prior to entering into an agreement to acquire any property, the Investment Manager will perform due diligence on behalf of the Group, on the proposed investment. The due diligence process may not reveal all the facts that may be relevant in connection with any proposed investment.	To the extent that the Investment Manager underestimates or fails to identify risks and liabilities associated with the investment in question, the Group may be subject to defects in title, to environmental, structural or operational defects requiring remediation, or may be unable to obtain necessary permits which may materially and adversely impact the EPRA NTA ¹ per share and the earnings of the Company.	In addition to the due diligence carried out by the Investment Manager, third party technical, insurance and legal experts are engaged to advise on specific risks to an acquisition, whether it be structured via a property-owning vehicle or a direct property acquisition.	 Stable 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 £36.3 million, which represents c.60% of the budgeted income for the year.

1. Alternative performance measure – see pages 116 and 117 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
Concentration The Company's property portfolio comprised eleven assets at 30 June 2021. 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.	 Decrease The Company has completed the construction of its second asset in Brighton under a forward-funding agreement. The Directors believe that Brighton demonstrates the strong supply and demand imbalances for student residential accommodation similar to the characteristics that make London attractive.
Net income and property values Occupancy, rental income and property values may be adversely affected by a number of factors, including a fall in the number of students, competing sites, any harm to the reputation of the Group or the Scape brand amongst universities, students or other potential customers, or as a result of other local or national factors, including Brexit 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.	 Stable The Company continues to be impacted by the restrictions on global mobility and closure of academic institutions caused by the Covid-19 pandemic. The operational portfolio generated rental income of £36.3 million for the year to 30 June 2021, representing c.60% 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
Property valuation 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 service agreement with Knight Frank LLP to provide quarterly valuations of all of the Group's assets. Knight Frank LLP is one of the largest valuers of student accommodation in the UK and therefore has access to a large number of data points to support its valuations. In addition to this, the Board of Directors has significant experience of property valuation and its constituent elements.	 Stable Despite the operational challenges the Company is experiencing, investor demand for student accommodation continues to support attractive valuations. This is illustrated by the offer made by the Consortium to acquire the Company.
Compliance with laws and regulations Any change in the laws, regulations and/or government policy affecting the Group, including any change in the Company's tax status or in taxation legislation in the UK (including a change in interpretation of such legislation) or retrospective changes to building regulations including those pertaining to building materials and external walls.	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 or any costs associated with making the buildings compliant with retrospective changes to building regulations 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 and technical building consultants 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.	 Increase The residual risk has increased in light of the greater focus on building safety. The Company's internal compliance procedures continue to operate effectively. The Investment Manager and third party service providers monitor changes to laws, regulations and/or government policy on a regular basis and report to the Board.

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
UK property market conditions The Group's profitability depends on property values in the UK to a significant extent.	An overall downturn in the UK property market as a result of Brexit, 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.	 Decrease Property valuations, and particularly student property valuations, have remained resilient throughout the Covid-19 pandemic with transactional evidence supporting valuations. With restrictions now eased and the successful vaccination rollout, the level of uncertainty has reduced.
Government policy and Brexit 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. The Board are also closely monitoring relations between the US, the UK and China.	 Stable The effect of Brexit on students from the EU has been observed in the 2021/22 UCAS clearing cycle. Acceptances of EU students have reduced by 56% due to the obligation to pay international student rates rather than domestic.
Geopolitical 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 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.	 Increase The signing of a security partnership with Australia and the USA has increased tensions between the UK and China. In 2020/21 one in four of the Company's student residents were from China. The Board and the Investment Manager continue to monitor global events as they relate to student numbers, including relations between the US, the UK and China.

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RISK 3: FINANCIAL RISK

RISK	IMPACT	HOW THE RISK IS MANAGED	CHANGE IN RESIDUAL RISK OVER THE YEAR
Breach of loan covenants and gearing limits The availability of the Company's debt facilities depends on the Company complying with a number of key financial covenants in respect of loan-to-value and interest service cover.	An adverse change to capital values as a result of a downturn in the UK property market, or a reduction to net income due to factors such as a fall in the number of students or other national factors, may lead to a situation whereby the Company breaches its banking covenants.	The Company's borrowing policy provides for the Company to have no more than 55% gearing in the short term and 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.	 Stable The Company's gearing and loan-to-value ratios remain within long-term targets and the Group was not in breach of its banking covenants at 30 June 2021.

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
Covid-19 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, have continued to closely monitor the crisis. 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 had also put acquisitions on hold and is maintaining a surplus cash balance.	 Decrease The year has continued to be dominated by the Covid-19 pandemic. However, the Board notes the increasingly positive news flow in recent months, notably the resumption of international travel following the vaccine rollout as well as the strong investment appetite and transaction activity in the purpose-built student accommodation sector.

RISK MANAGEMENT CONTINUED

EMERGING RISKS

EMERGING RISKS CONTINUED

RISK	IMPACT	HOW THE RISK IS MANAGED	CHANGE IN RESIDUAL RISK OVER THE YEAR
Climate change A 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 2020/21 reporting cycle. The Board has an ESG committee which oversees the formulation and implementation of the Group's ESG strategy. The Investment Manager is a signatory to the PRI and carries out environmental impact assessments in due diligence processes.	 Increase The UN's IPCC recent report on climate change included stark warnings about the future of our planet. It outlined that if global emissions are cut in half by 2030 to reach net zero by the middle of this century, the rise in temperatures could be halted and possibly reversed. The Company has set a long-term target ¹ of a 0.5% per annum like-for-like reduction in energy consumption, water consumption and general waste production from a baseline of 2018 to 2021.
University funding 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 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.	 Stable The Company's exposure to London and locations aligned to highly ranked universities has protected it against falls in student numbers. Half of the Group's direct let bookings for the 2020/21 academic year were by students attending five universities which experienced on average 13% growth in acceptances in September 2020, compared to a national average of 5%.

1. This report includes statements that are, or may be deemed to be, 'forward-looking statements'. These include statements regarding the intentions, beliefs or current expectations of the Directors and the Investment Manager regarding future events and performance of the Company, at the date of the report only.

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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 NTA and the nature of its portfolio and expenditure projections.

Material uncertainty

On 6 September 2021, the shareholders of the Company approved resolutions relating to the acquisition of the Company by the Consortium. The acquisition is subject to certain conditions including CMA approval, and if occurs, is estimated to complete in the coming months. The Directors are aware that the Consortium has stated its intention to break up the Group after completion of the proposed acquisition. If this were to happen, it would materially change the Directors' assessment of going concern for the Group, and therefore a material uncertainty has been identified. Further information is given in note 2.2 to the financial statements.

Continuation vote

The Company's articles of association include provisions for a continuation vote to be held every three years. A continuation resolution is scheduled to be put to shareholders at the annual general meeting to be held later in 2021. In the event that the acquisition of the Company by the Consortium is completed ahead of that date, the Company will not hold its annual general meeting as currently constituted and no continuation vote will be held.

Directors' assessment

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 twelve months from the date of approval 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 NTA per share 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, including consideration of the material uncertainty detailed above, 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.

Viability statement

The Directors have also made an assessment of the viability of the Company, in order to meet the requirements of the UK Code, notwithstanding the approval by shareholders of the recommended cash offer and the material uncertainty identified in relation to this matter. Further information is given in note 2.2 to the financial statements.

The Directors have assessed the prospects of the Group over a period longer than the period used in the going concern assessment of twelve months from the date of approval of these financial statements. The Board has determined that a five-year period constitutes an appropriate period to provide its viability statement. They have therefore assessed the viability of the Company over a five-year period to 30 June 2026, assuming the acquisition of the Company by the Consortium does not complete. 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 four years.

The Directors have considered the financial position of the Group and the potential impact on the Company's principal risks and uncertainties detailed on pages 39 to 44, 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. The principal risks that the Directors consider have been most impacted by the pandemic are 'net income and property values' risk and 'property valuation' risk. The Directors have also considered the Company's policy for monitoring, managing and mitigating its exposure to these risks.

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 2021 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, in the event that the recommended offer for the Company does not complete.

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

David Hunter
Chairman

18 October 2021

GOVERNANCE

WHAT'S IN THIS SECTION

BOARD OF DIRECTORS

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THE INVESTMENT MANAGER

Pages 50 and 51

BOARD LEADERSHIP AND PURPOSE

Pages 52 and 53

DIVISION OF RESPONSIBILITIES

Pages 54 and 55

COMPOSITION, SUCCESSION AND EVALUATION

Pages 56 and 57

AUDIT, RISK AND INTERNAL CONTROL

See the audit and risk committee report on pages 58 to 60,
risk management disclosures on pages 36 to 45 and the
financial statements on pages 68 to 114

REMUNERATION

See the Directors' remuneration report on pages 61 to 64

DIRECTORS' REPORT

Pages 65 to 66

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Page 67





BOARD OF DIRECTORS

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



David Hunter

Chairman

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.



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 and working extensively with institutional investors, multilateral agencies and governments. She is currently Head of Private Placements at The Phoenix Group. Ms Day is a governor of The London School of Economics and has 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 NatWest in capital markets, portfolio management and corporate coverage. She was appointed by the European Investment Bank to the investment committee for the European Fund for Strategic Investment and served as Head of Private and Institutional Capital at CDC Group. Ms Day has a Masters from Columbia University's School of International and Public Affairs and a BSc in Economics from The London School of Economics and Political Science.

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

Date of appointment: 23 February 2018.



Malcolm Naish

Senior Independent Director
and Chair of the management
engagement committee

Mr Naish is a non-executive director of 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.

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**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 Home REIT plc and RM Infrastructure Income 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.

**Russell Chambers****Director**

Mr Chambers has 35 years of experience in investment banking, advising companies and boards on various strategic priorities including mergers and acquisitions and raising capital in the debt and equity capital markets. Mr Chambers was a Senior Advisor at Credit Suisse until 2020 after having acted as the CEO of their UK and Irish business previously. Mr Chambers qualified as a solicitor with Lovell White and King, now Hogan Lovells. He is currently a Senior Advisor with both Bain Capital and Teneo and also serves as a Director with Antin Infrastructure Partners, a private equity firm which was listed on the Paris Euronext exchange in September 2021.

Skills and experience: Significant board level experience in the investment banking sector.

Date of appointment: 1 February 2021.

THE INVESTMENT MANAGER

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

INVESTMENT TEAM



Nick Barker

Director

Mr Barker has lead responsibility for the provision of investment advice to the Company.

He qualified as a Member of RICS in 2007 whilst working at Cushman & Wakefield Investors, having previously graduated from the University of Reading with a degree in Investment & Finance in Property. Prior to Cushman & Wakefield, Mr Barker's early career included working 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.



Joe McDonagh

Associate Director

Mr McDonagh is responsible for advising on acquisitions, financial analysis and financing.

He joined the Investment Manager from Grant Thornton, where he was part of the advisory team providing advice to clients predominantly in the infrastructure and real estate sectors. Mr McDonagh 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 is a qualified chartered accountant. Mr McDonagh joined the Investment Manager in 2018.



Emma Ballard

Analyst

Ms Ballard is responsible for financial analysis, market research and providing support to the wider investment team.

She joined the Investment Manager from Knight Frank, where she was part of the office investment team, primarily focused on south-east and regional UK office acquisitions and disposals, acting for UK funds and property companies. Prior to Knight Frank, she spent four years with Deloitte managing audits and other assurance services for a range of investment managers and private equity clients. Ms Ballard has a degree in Geography from the University of Durham and a master's degree in Real Estate from Cass Business School. She is a chartered accountant and chartered surveyor. Ms Ballard joined the Investment Manager in 2020.

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FINANCIAL AND CORPORATE ADVISORY

Saira Johnston
Chief financial officer



Chloe Marlow
Head of corporate reporting



Dion Di Miceli
Fund corporate adviser



Sarah Bowe
Compliance and risk officer



Paul White
Fund financial controller

BOARD LEADERSHIP AND PURPOSE

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



David Hunter
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 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. A copy of the UK Code can be obtained at www.frc.org.uk.

Statement of compliance with the AIC Code

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

The UK Code includes provisions relating to:

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

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 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 future¹ succession planning, as appropriate.

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.

1. This report includes statements that are, or may be deemed to be, 'forward-looking statements'. These include statements regarding the intentions, beliefs or current expectations of the Directors and the Investment Manager regarding future events and performance of the Company, at the date of the report only.

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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 Hunter 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 Hunter 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 28 to 31.

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 six committees to assist its operations: the audit and risk committee, the management engagement committee, the remuneration committee, the nomination committee, the disclosure committee and the environmental, social and governance 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 58 to 60.

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 61 to 64.

Disclosure committee

The disclosure committee comprises all Directors and is chaired by Mr Hunter. 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

The nomination committee comprises all Directors and is chaired by Mr Hunter. The committee meets at least once a year to consider Board succession planning and recruitment and to conduct the annual Board evaluation exercise.

Environmental, social and governance committee

The environmental, social and governance committee comprises all Directors and is chaired by Ms Day. The committee was established in May 2021 and held its first meeting in July 2021, post year end. The committee has oversight of the formulation and implementation of the Company's ESG strategy. The committee intends¹ to meet at least twice a year and report to the Board on a quarterly basis.

1. This report includes statements that are, or may be deemed to be, 'forward-looking statements'. These include statements regarding the intentions, beliefs or current expectations of the Directors and the Investment Manager regarding future events and performance of the Company, at the date of the report only.

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

PURPOSE:

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: David Hunter



Gillian Day



Malcolm Naish



Marlene Wood



Russell Chambers

Audit and risk committee

PURPOSE:

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

COMPOSITION:

Chair: Marlene Wood
Russell Chambers
Gillian Day
David Hunter
Malcolm Naish

See the audit and risk committee report on pages 58 to 60.

Management
engagement
committee

PURPOSE:

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

COMPOSITION:

Chair: Malcolm Naish
Russell Chambers
Gillian Day
David Hunter
Marlene Wood

Remuneration committee

PURPOSE:

Reviews the remuneration of the Directors.

COMPOSITION:

Chair: Gillian Day
Russell Chambers
David Hunter
Malcolm Naish
Marlene Wood

See the Directors' remuneration report on pages 61 to 64.

**Disclosure
committee**

PURPOSE:

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

COMPOSITION:

Chair: David Hunter
Russell Chambers
Gillian Day
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
Russell Chambers
Gillian Day
Malcolm Naish
Marlene Wood

ESG committee

PURPOSE:

Oversees the formulation and implementation of the Group's ESG strategy.

COMPOSITION:

Chair: Gillian Day
Russell Chambers
David Hunter
Malcolm Naish
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 48.

As set out in the Chairman's statement on page 6, following Mr Peto's retirement as a Director and Chairman of the Company following the annual general meeting on 4 November 2020, Mr Hunter was appointed as Chairman with immediate effect.

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 31.

Meetings

The Company has six scheduled Board meetings a year, with additional meetings 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 37 and 38.

The number of scheduled Board, audit and risk committee, management engagement committee and remuneration committee meetings held during the year ended 30 June 2021 and the attendance of the individual Directors is shown below:

	Board		Audit and risk committee		Management engagement committee		Remuneration committee		Nomination 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	Number entitled to attend	Number attended
David Hunter	6	6	6	6	1	1	1	1	1	1
Gillian Day	6	6	6	6	1	1	1	1	1	1
Malcolm Naish	6	6	6	6	1	1	1	1	1	1
Marlene Wood	6	6	6	6	1	1	1	1	1	1
Robert Peto ¹	3	3	3	3	1	1	—	—	—	—
Russell Chambers ²	3	3	3	3	—	—	1	1	1	1

1. Retired as a Director on 4 November 2020.

2. Appointed as a Director on 1 February 2021.

Thirteen additional Board meetings were held by the Company during the year. The ESG committee met for the first time post year end in July 2021.

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 nomination committee regularly reviews the composition and effectiveness of the Board and its committees with the objective of ensuring that these have the appropriate balance of skills and experience required to meet the current and future opportunities and challenges facing the Company.

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 and is mindful of the recommendations of the Hampton Alexander Review and the Parker Review in this regard.

These factors were taken into consideration by the nomination committee as part of the appointment process undertaken during the year under review which culminated in the appointment of Mr Chambers as a Director of the Company with effect from 1 February 2021.

The Company engaged Odgers Berndtson, an independent search consultancy with no connection to the Company or its Directors, to assist it with this appointment. The Directors considered the desired background and expertise of the new Director in order to complement the skills already on the Board and a shortlist of potential candidates was then provided by Odgers Berndtson. The Directors met with a number of these candidates, following which Mr Chambers was appointed to the Board.

Induction of new Directors

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

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.

Election and 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, the Board strongly recommends the election of Mr Chambers and the re-election of the other Directors 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 means by which they can access the services and goods supplied by the Group. The Board believes that all employees and clients are entitled to be treated with respect and dignity.

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

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

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Performance evaluation

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

The Board has agreed that an external Board evaluation will be carried out every three years and, in the intervening years, evaluations will be carried out by means of questionnaires. As the evaluation of the Board was carried out by Deloitte LLP in 2020, the Directors have undertaken an internal performance evaluation in respect of the year under review, led by the Chairman, specifically designed to assess the strengths and independence of the Board and the performance of its committees, the Chairman and individual Directors.

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

The Chairman leads the Board and is responsible for its overall effectiveness in directing the Company. He promotes a culture of openness and debate and facilitates constructive board relations and the effective contribution of all Directors.

In liaison with the Company Secretary, he ensures that the Directors receive accurate, timely and clear information.

The recommendations made as part of the evaluation process were discussed by the Directors to ensure that all points were addressed appropriately and to enable continuous improvement of the Board. As a result of the evaluation, the Board considers that all of the current Directors make an effective contribution and have the requisite skills and experience to continue to provide able leadership and direction for the Company.

Insurance and indemnity provisions

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

Conflicts of interest

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

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

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

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

Internal control review and assessment process

Details of the Company's internal control review and the assessment process are outlined in the strategic report on pages 37 and 38.

AUDIT, RISK AND INTERNAL CONTROL

I am pleased to present the audit and risk committee report for the year ended 30 June 2021.



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 2021, the committee reviewed the half-yearly report for the period ended 31 December 2020 and recommended its approval to the Board. In February 2021, the external Auditor's plan for their audit of the year-end financial statements was received and discussed. In September 2021, 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 53.

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 property assets;
- review the quarterly NTA 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.

GCP STUDENT LIVING PLC

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Activities in the year

During the year, the audit and risk committee:

- 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 pages 36 to 44 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 NTAs 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 2020 and the statutory audit of the annual report for the year ended 30 June 2021, 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 2021.
- 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 consolidated 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;
- 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; and
- received a letter from the FRC in respect of its review of the 2020 annual report. There were no questions or queries which the FRC wished to raise with the Company. However, a number of improvements to existing disclosures were identified and these have been incorporated into the 2021 annual report to benefit users of the accounts. The FRC's role is not to verify the information in the annual report but is to consider compliance with reporting requirements, therefore, the review does not provide assurance that the Company's 2020 annual report and financial statements are correct in all material respects.

Significant issues

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

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, at both its scheduled meetings and additional update meetings which have been held since March 2020 and have continued during the year under review. Further information on the impact of Covid-19 upon the Group is set out on pages 14 to 21 and in the going concern and viability disclosures on page 45.

Valuation of property assets, rental income and operating costs

The audit and risk committee considered the quarterly valuations of the Company's portfolio assets and the year-end valuation as at 30 June 2021 and the market report provided by the Company's valuer, Knight Frank LLP. In order to enable a full discussion of the valuations of the Company's investment properties, and to enable the Directors to challenge the valuations and the underlying assumptions, as appropriate, the Directors met with the valuer 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.

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 whilst highlighting a material uncertainty in respect of the proposed acquisition of the Company.

The audit and risk committee also considered the longer-term viability statement within the annual report for the year ended 30 June 2021, 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 going concern and viability statements can be found on page 45.

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.

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.

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. As set out in last year's annual report, a material increase in audit fees was proposed to the committee in 2021, due to the increased size and complexity of the Group since Ernst & Young LLP was retained as Auditor following the last tender process in 2016, as well as the increased regulatory requirements and market risk being experienced by audit firms across the sector. The Auditor proposed that the fee for the statutory audit of the Company and its subsidiaries be increased to £260,000 in two stages; to £200,000 for the 2020 audit and to £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. This two-stage increase has now been fully implemented.

Total audit fees for the year amounted to £240,000 (30 June 2020: £180,000). This incorporates a fee of £115,000 (30 June 2020: £60,000) for the audit of the Company's financial statements for the year ended 30 June 2021 and £125,000 (30 June 2020: £120,000) for the audit of the financial statements of the Company's subsidiaries for 2021.

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 2020 for a fee of £20,000 (30 June 2019: £20,000).

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 2021 annual consolidated 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 third year as audit partner, and the Auditor's team four times 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 these non-audit services and that the Auditor has fulfilled its obligations to the Company and its shareholders.

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

The audit of the Company and its subsidiaries was last put out to tender in 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 2021.

Marlene Wood

Chair of the audit and risk committee

18 October 2021

REMUNERATION

DIRECTORS' REMUNERATION REPORT

I am pleased to present the Directors' remuneration report for the year ended 30 June 2021.



Gillian Day

Chair of the remuneration committee

Statement from the Chair of the remuneration committee

As set out on page 53 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 2021, 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. While no remuneration consultant was appointed by the Company during the year under review, the remuneration committee met in May 2021 to review Directors' remuneration levels in the context of the scale of the Company's operations, the level of involvement and time commitment required of the Directors and the wider REIT sector, and to make recommendations to the Board.

At this review, the committee also considered the option to increase the Directors' fees annually at least in line with inflation so that substantial fee increases were not required to be made in any one year going forward. Therefore, the Board agreed that, with effect from 1 July 2021, Directors' fee levels would receive an inflationary increase of 3.5%, rounded to the nearest hundred pounds. No other changes were made to the Directors' remuneration.

Post year end, the committee met to consider the significant amount of extra time spent by the Directors outside of their ordinary duties in relation to the recommended cash acquisition by the Consortium, including a large number of additional Board meetings and calls. Following consideration, the Board, on the recommendation of the committee, agreed that an additional fee of £25,000 be paid to each Director of the Company and an additional fee of £50,000 be paid to the Chairman of the Company, given the significant additional time spent by him on the transaction.

The Directors' remuneration policy was last approved by shareholders in 2020. There will be no significant change in the way the current, approved remuneration policy will be implemented during the course of the next financial year. An ordinary resolution will be put to shareholders at the forthcoming¹ annual general meeting to receive and approve the Directors' remuneration report.

1. This report includes statements that are, or may be deemed to be, 'forward-looking statements'. These include statements regarding the intentions, beliefs or current expectations of the Directors and the Investment Manager regarding future events and performance of the Company, at the date of the report only.

REMUNERATION CONTINUED

DIRECTORS' REMUNERATION REPORT CONTINUED

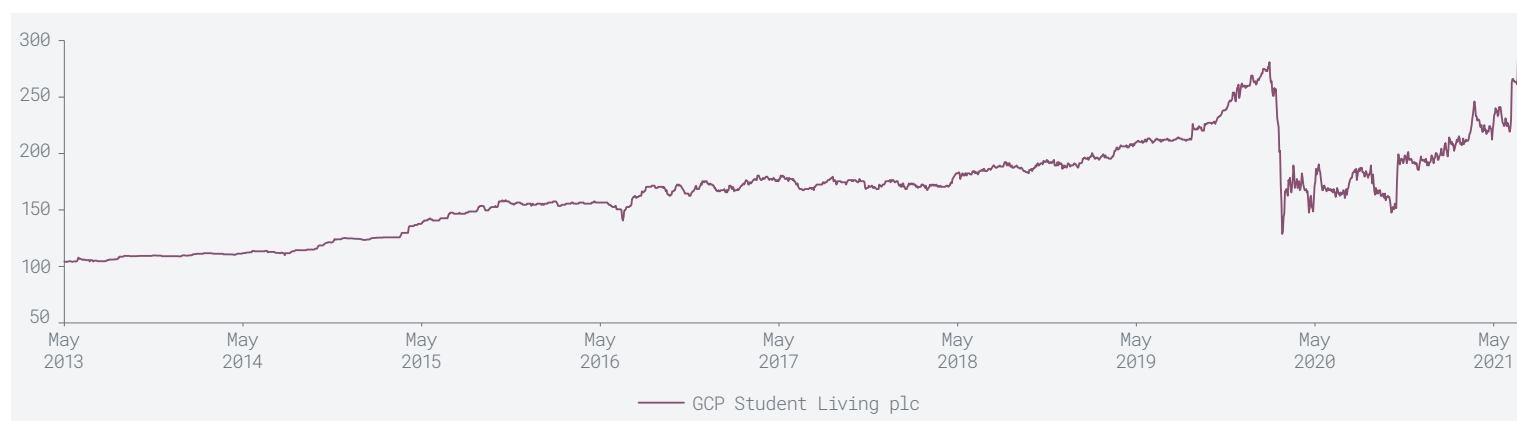
Voting at annual general meeting

The Directors' remuneration report for the year ended 30 June 2020 and the Directors' remuneration policy were approved by shareholders at the annual general meeting held on 4 November 2020. 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	268,188,854	99.9942	268,188,854	99.9942
Against	15,444	0.0058	15,444	0.0058
At Chairman's discretion	—	—	—	—
Total votes cast	268,204,298	100	268,204,298	100
Number of votes withheld	2,878,674	1.0733	2,878,674	1.0733

Performance of the Company

The chart below shows the total return to ordinary shareholders since IPO of the Company in May 2013.



Directors' remuneration for the year ended 30 June 2021 (audited)

The remuneration paid to the Directors during the year ended 30 June 2021 is set out in the table below:

	Fees		Expenses		Total	
	Year to 30 June 2021 £	Year to 30 June 2020 £	Year to 30 June 2021 £	Year to 30 June 2020 £	Year to 30 June 2021 £	Year to 30 June 2020 £
Robert Peto ¹	17,209	49,900	—	842	17,209	50,742
David Hunter (Chairman) ³	46,251	39,200	—	437	46,251	39,637
Russell Chambers ²	16,333	—	—	—	16,333	—
Gillian Day	39,200	39,200	81	50	39,281	39,250
Malcolm Naish	39,200	39,200	—	—	39,200	39,200
Marlene Wood (Chair of the audit and risk committee)	44,600	44,600	—	1,576	44,600	46,176
	202,793	212,100	81	2,905	202,874	215,005

1. Retired as Chairman and as a Director of the Company on 4 November 2020.

2. Appointed as a Director of the Company on 1 February 2021.

3. Appointed as Chairman of the Company on 4 November 2020.

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Relative importance of spend on pay

The table below sets out, in respect of the year ended 30 June 2021:

- 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 2021 £'000	Year to 30 June 2020 £'000	% change
Directors' remuneration	203	212	(4.2)
Dividends paid to shareholders	3,413 ¹	27,334 ²	(87.5)
Employees' remuneration	2,977	3,256	(8.6)

1. Includes third interim dividend of £1.1 million for the quarter ended 30 March 2021 which was paid on 9 July 2021.

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

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 2021, the interests of the Directors and any connected persons in the ordinary shares of the Company are set out below:

	Year to 30 June 2021 Number of shares	Year to 30 June 2020 Number of shares
David Hunter (Chairman) ³	21,170	21,170
Russell Chambers	—	—
Gillian Day	2,279	2,279
Malcolm Naish	31,286	31,286
Marlene Wood	20,000 ⁴	7,810

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

4. 12,190 ordinary shares were acquired by Ms Wood on 6 November 2020.

There have been no changes to any of the above holdings between 30 June 2021 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. A resolution to approve this remuneration policy was proposed at the annual general meeting of the Company held on 4 November 2020. The resolution was passed, and the remuneration policy provisions set out below will apply until they are next put to shareholders for renewal of that approval.

Directors' remuneration policy

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

The fees of the non-executive Directors are determined within the limits set out in the Company's articles of association, 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 2021 and the expected¹ fees payable in respect of the year ending 30 June 2022 are set out in the table below.

	Expected ¹ annual fees for the year to 30 June 2022 £	Annual fees for the year to 30 June 2021 £
Chairman	51,700	49,900
Chair of the audit and risk committee	46,200	44,600
Non-executive Director	40,600	39,200
Total remuneration paid to Directors	219,700	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

18 October 2021

1. This report includes statements that are, or may be deemed to be, 'forward-looking statements'. These include statements regarding the intentions, beliefs or current expectations of the Directors and the Investment Manager regarding future events and performance of the Company, at the date of the report only.

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DIRECTORS' REPORT

The Directors are pleased to present their report for the year ended 30 June 2021.

Corporate governance

The corporate governance statement on pages 52 to 57 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 48 and 49.

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 4 November 2020, 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 45,501,900 ordinary shares. No ordinary shares have been allotted under this authority during the year.

As at the date of this report, the Company may allot further ordinary shares up to an aggregate nominal amount of £455,019 under its existing authority.

At the annual general meeting held on 4 November 2020, 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. This authority will expire at the conclusion of, and renewal will be sought at, the annual general meeting to be held later this year.

Shares bought back by the Company may be held in treasury, from where they could be reissued at or above the prevailing NTA 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 2021, the total voting rights of the Company were 455,019,030, and at the date of this report are 455,019,030.

Dividends

Dividends totalling 0.75 pence per ordinary share have been paid in respect of the year ended 30 June 2021 as follows:¹

	Year ended 30 June 2021 pence	Year ended 30 June 2020 pence
First interim dividend	0.25	1.57
Second interim dividend	0.25	1.58
Third interim dividend	0.25	1.58
Fourth interim dividend	—	1.42
Total	0.75	6.15

1. Refer to note 8 for further information.

Substantial shareholdings

As at 30 June 2021, 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 2021
APG Asset Management N.V.	50,531,721	11.1
BlackRock, Inc.	24,468,649	5.37
Bank of Montreal	25,429,101	5.59
CCLA Investment Management Limited	21,430,788	4.71

Post year end, the Company was informed of the following notifiable interests in the voting rights of the Company:

- On 1 October 2021, the Company was notified that Morgan Stanley had an interest in 23,221,148 ordinary shares, comprising 5.10% of the total voting rights.
- On 5 October 2021, the Company was notified that JPMorgan Chase & Co. had an interest in 27,531,111 ordinary shares, comprising 6.05% of the total voting rights.
- On 15 October 2021, the Company was notified that Investec Wealth & Investment had an interest in 32,826,904 ordinary shares, comprising 7.21% of the total voting rights.
- On 15 October 2021, the Company was notified that BlackRock, Inc. had an interest in 27,326,178 ordinary shares, comprising 6.00% of the total voting rights.
- On 15 October 2021, the Company was notified that Samson Rock Capital LLP had an interest in 18,638,669 ordinary shares, comprising 4.10% of the total voting rights.

The Company has not been informed of any other changes to the notifiable interests between 30 June 2021 and 15 October 2021, being the last practicable date prior to the publication of this report.

DIRECTORS' REPORT CONTINUED

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 page 65;
- 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 in due course.

Significant agreements

The following 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:

- the amended and restated investment management agreement dated 27 August 2020 (as amended) between the Company and the Investment Manager, which governs Gravis Capital Management Limited's appointment as the Company's investment manager, and contains accelerated termination rights for both parties on a change of control of the Company;
- each of the property management agreements dated 27 August 2020 between the relevant subsidiary of the Company, GCP Operations Limited and Scape Student Limited, which together govern Scape's appointment as the property manager in respect of all the assets save for Water Lane Apartments, and contain accelerated termination rights for both Scape and the relevant subsidiary company on a change of control of the Company;

- the facility agreement dated 25 September 2015 between certain Group companies and PGIM (as amended and restated on 3 April 2017) in respect of 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, pursuant to which a change of control of the Company allows PGIM to, amongst other things, declare the outstanding loan and all other amounts payable under the facility agreement immediately due; and
- the facility agreement dated 3 April 2017 between certain Group companies and PGIM in respect of secured borrowings from PGIM totalling £65 million expiring in April 2029 with fixed rate interest at 2.82%, pursuant to which a change of control of the Company allows PGIM to, amongst other things, declare the outstanding loan and all other amounts payable under the facility agreement immediately due.

Further details regarding the principal agreements between the Company and its service providers, other than the Investment Manager, are set out within the notes to the consolidated financial statements on pages 85 and 86. Details of the investment management agreement with the Investment Manager are set out on page 105.

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.

If the transaction to acquire the Company completes, the Consortium has indicated that following purchase it intends that the investment management arrangements with the Investment Manager will be terminated.

Provision of information to the 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 65. 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 34 and 35.

Future developments

Further information regarding likely future developments in the business of the Company and the Group, particularly with respect to the Board-recommended acquisition of the Company by the Consortium, is set out in the Chairman's statement on pages 4 to 6.

This Directors' report has been approved by the Board.

By order of the Board

Link Company Matters Limited

Company Secretary

18 October 2021

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 international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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, 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 international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, 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

David Hunter
Chairman

18 October 2021

FINANCIAL STATEMENTS

WHAT'S IN THIS SECTION

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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 Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 30 June 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No.1606/2002 as it applies in the European Union;
- the Company financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of GCP Student Living plc (the 'Company') and its subsidiaries (the 'Group') for the year ended 30 June 2021, which comprise:

GROUP	COMPANY
Consolidated Statement of Comprehensive Income for the year ended 30 June 2021	—
Consolidated Statement of Financial Position as at 30 June 2021	Company Statement of Financial Position as at 30 June 2021
Consolidated Statement of Changes in Equity for the year ended 30 June 2021	Company Statement of Changes in Equity for the year ended 30 June 2021
Consolidated Statement of Cash Flows for the year ended 30 June 2021	Company Statement of Cash Flows for the year ended 30 June 2021
Related notes 1 to 30 to the Group financial statements, including a summary of significant accounting policies	Related notes 1 to 10 to the 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 International Accounting Standards in conformity with the requirements of the Companies Act 2006 and, as regards to the group financial statements, International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union and as regards the parent company financial statements, as applied in accordance with section 408 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. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's 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.

Material uncertainty related to going concern

We draw attention to note 2.2 in the financial statements, which indicates that on 6 September 2021, shareholders in the Company approved resolutions relating to the acquisition of the Company by a special purpose vehicle formed by a consortium comprising Scape Living plc and iQSA Holdco Limited (the "Consortium").

The acquisition will complete in the coming months only if certain conditions including Competition and Markets Authority ("CMA") approval are met. As outlined in note 2.2, the Consortium have stated their intention to break up the Group if the potential acquisition is to complete. These events or conditions, along with the other matters as set forth in the note, indicate that a material uncertainty exists that may cast significant doubt on the Group and Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

We describe below how our audit responded to the risk posed by the potential acquisition by the Consortium relating to going concern:

- We reviewed the shareholder communications with respect to the recommended cash acquisition by the Consortium, including the 'Separation Agreement' between the Company and members of the Consortium, outlining the mechanics of what may happen after any acquisition of the Company by the Consortium.
- We held discussions with the Investment Manager, Broker and audit and risk committee to understand the progress and terms and conditions with respect to the acquisition.
- We reviewed all correspondence with the CMA and any other relevant correspondence, related to the transaction, up until the date of the approval of the financial statements.

GCP STUDENT LIVING PLC

Annual report and consolidated financial statements for the year ended 30 June 2021

- We reviewed whether the annual report and consolidated financial statements fairly presented the associated material uncertainty over going concern resulting from the potential acquisition by the Consortium, and validated that the disclosures were consistent with the Directors' assessment of going concern and the viability statement.

We draw attention to the viability statement in the Annual Report on page 45, which is prepared taking account of the material uncertainty over going concern arising from the potential acquisition by the Consortium. The Directors consider that the material uncertainties referred to in respect of going concern may cast significant doubt over the future viability of the Group and Company should these events complete. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and Company's ability to continue to adopt the going concern basis of accounting included:

- confirming our understanding of the Directors' going concern assessment process and obtaining the Directors' going concern assessment covering the period up to 12 months from the date of signing. This includes the Company's profitability, liquidity and solvency positions, under a business as usual state, in the absence of the potential acquisition by the Consortium, and considering the impact of Covid-19;
- evaluating the appropriateness of assumptions and methodology used in the Company's financial forecast which forms the basis for the Directors' going concern assessment and determining whether the forecast provides an appropriate basis for the Directors to assess the Company's going concern basis of accounting;
- assessing the accuracy of the going concern analysis by agreeing the inputs in the Directors' cashflow 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 2021 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 cashflow analysis;
- testing the clerical accuracy of the financial forecast used;
- evaluating the assumptions used in Directors' stress testing, including the appropriateness of (i) direct lets occupancy, (ii) collectability of nominations and commercial income, (iii) challenging their reverse stress test, (iv) testing of loan covenants, (v) analysis of compliance with REIT status under the stress scenarios and the level of financial headroom. We also assessed whether the actions available to mitigate the impact of the downside scenarios identified by management were reasonable;
- searching for contrary evidence by comparing estimated rental income and budgeted expenses to actuals achieved throughout the year;
- enquiring of management and those charged with governance as to the impact of Covid-19 and Brexit on the business and reviewing board minutes and key regulatory documents for risks, events or contrary evidence that may impact the Company's ability to continue as a going concern; and
- assessing the appropriateness of the Company's going concern disclosures by evaluating the consistency with the Directors' assessment and for compliance with the relevant reporting requirements.

Based on the work we have performed, other than the potential acquisition by the Consortium, we have not identified any other events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the period of 12 months after the approval of the financial statements.

In relation to the Group and Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in respect of the Directors' identification in the financial statements of any material uncertainties to the Group and Company's ability to continue to do so over a period of twelve months from the date of approval of the financial statements.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group and Company's ability to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT CONTINUED

TO THE MEMBERS OF GCP STUDENT LIVING PLC

Overview of our audit approach

Audit scope	<ul style="list-style-type: none"> — We performed an audit of the complete financial information of the Group and Parent Company. — 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.
Key audit matters	<ul style="list-style-type: none"> — Inaccurate or incomplete rental revenue recognition. — Incorrect valuation of the investment property portfolio.
Materiality	<ul style="list-style-type: none"> — Overall group materiality of £8.8 million, which represents 1% of net assets.

An overview of the scope of the Parent Company and Group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company 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 purposes of the audit was undertaken by the Group audit team.

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. In addition to the matter described in the material uncertainties related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

RISK	OUR RESPONSE TO THE RISK	KEY OBSERVATIONS COMMUNICATED TO THE AUDIT AND RISK COMMITTEE
<p>Inaccurate or incomplete rental revenue recognition (Group risk) (30 June 2021: £25.4 million; 30 June 2020: £35.5 million)</p> <p>Refer to Note 4 of the consolidated financial statements, which includes the accounting policy (page 85).</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"> — We performed a walkthrough to understand the implementation and design effectiveness of controls over revenue recognition; — We performed substantive analytical review procedures over direct let rental revenue. We formed an expectation of the rental income for each property based on the number of rooms at each price point; — We agreed the total income for each revenue stream per the income schedules through to the trial balance; — We agreed a sample of rental rates to tenancy agreements recalculating rental income for the period; — We performed a recalculation of a sample of nomination and commercial income, based on the related signed agreements and agreeing it to booked amounts; — We recalculated lease incentives based on the terms within the lease agreement to assess the appropriateness of the accounting treatment applied; and — 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. 	<p>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 2021

RISK	OUR RESPONSE TO THE RISK	KEY OBSERVATIONS COMMUNICATED TO THE AUDIT AND RISK COMMITTEE
<p>Incorrect valuation of the investment property portfolio (Group risk) (30 June 2021: £1,149 million; 30 June 2020: £1,001 million)</p> <p>Refer to Note 10 of the consolidated financial statements, which includes the accounting policy (page 91) and the report of the audit and risk committee on page 59.</p> <p>The Group's investment portfolio is comprised of completed properties and a property 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>	<ul style="list-style-type: none"> – We performed a walkthrough of the property valuation processes and controls; – We evaluated the competence, capabilities and objectivity of management's valuation expert, Knight Frank LLP; – For all properties we performed the following procedures in respect of the valuations performed by Knight Frank LLP: <ul style="list-style-type: none"> – Utilised EY property valuations experts to test each of the market related inputs for their appropriateness to available market data, and assessed the appropriateness of the valuation methods used; – Tested factual inputs including rental profiles, tenant details and occupancy rates to supporting documentation; – Searched for any evidence from market data which contradicts the input data; – Tested calculations and arithmetical accuracy; and – Tested the clerical accuracy and extraction of independent valuations to accounting records and financial statements. – 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 considered the impact of COVID-19 in our procedures, including our consultation with valuation specialists. 	<p>Based on our procedures performed we had no material matters to report to the audit and risk committee.</p>

Our key audit matters are consistent with those identified in the prior year, except for 'The use of the going concern basis in the preparation of the Group and Parent Company financial statements', where our procedures have instead been outlined as part of our consideration of the material uncertainty related to going concern.

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 £8.8 million (30 June 2020: £7.8 million), which is 1% (30 June 2020: 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 £8.7 million (30 June 2020: £7.9 million), which is 1% (30 June 2020: 1%) of net assets.

We calculated materiality at the planning stage of the audit based on the net assets of the Group and Parent Company at 30 June 2020. During the course of our year end audit procedures we reassessed materiality based on net assets at 30 June 2021 and adjusted our audit procedures accordingly.

INDEPENDENT AUDITOR'S REPORT CONTINUED

TO THE MEMBERS OF GCP STUDENT LIVING PLC

Our application of materiality continued

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 judgement was that performance materiality was 75% (30 June 2020: 75%) of our planning materiality, namely £6.6 million (30 June 2020: £5.8 million). We have set performance materiality at this percentage due to an expectation of lower likelihood of misstatements based on prior years' audit knowledge, no knowledge of changes in the circumstances and internal control environment and our results of the client and engagement acceptance and continuance process.

Reporting threshold

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

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £443k (30 June 2020: £391k), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Other information

The other information comprises the information included in the annual report set out on pages 1 to 67 including the introduction set out on pages 1 to 9, the strategic report set out on pages 10 to 45, the governance section set out on pages 46 to 67, the additional information set out on pages 115 to 120 other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report.

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.

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 course of 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 themselves. 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.

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.

Corporate Governance Statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the group and company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Aside from the impact of the matters disclosed in the material uncertainties related to going concern section, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- the Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified, set out on page 45;
- the Directors' explanation as to their assessment of the company's prospects, the period this assessment covers and why the period is appropriate, set out on page 45;
- the Directors' statement on fair, balanced and understandable set out on page 67;
- the Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 36 to 45;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 58 to 60; and
- the section describing the work of the audit and risk committee set out on pages 58 to 60.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 67, 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.

GCP STUDENT LIVING PLC

Annual report and consolidated financial statements for the year ended 30 June 2021

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

Auditor's responsibilities for the audit of the financial statements

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and 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 (International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union, 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, and the administrator, as well as the Chairman 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 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. 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

- Following the recommendation from the audit committee, we were appointed by the company on 19 October 2013 to audit the financial statements for the year ending 30 June 2014 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is eight years, covering the years ending 30 June 2014 to 30 June 2021.
- 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 committee.

Use of our report

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

James Beszant (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

18 October 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2021

		Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Continuing operations	Notes		
Rental income	4	36,293	47,762
Other income	4	616	—
Property operating expenses	5	(15,849)	(9,658)
Gross profit		21,060	38,104
Administration expenses	5	(8,619)	(9,861)
Aborted transaction costs	5	(119)	(3,765)
Costs relating to recommended cash offer	5	(442)	—
Operating profit before gains on investment properties		11,880	24,478
Fair value gains on investment properties	10	112,877	33,904
Operating profit		124,757	58,382
Finance income	15	144	93
Finance expenses	16	(10,172)	(9,897)
Profit before tax		114,729	48,578
Tax charge on residual income	7	—	—
Total comprehensive income for the year		114,729	48,578
EPS (basic and diluted) (pence per share)	3	25.21	11.17

The accompanying notes on pages 80 to 107 form an integral part of these financial statements.

GCP STUDENT LIVING PLC

Annual report and consolidated financial statements for the year ended 30 June 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

	Notes	30 June 2021 £'000	30 June 2020 £'000
Assets			
Non-current assets			
Investment property	10	1,148,811	1,009,838
Total non-current assets		1,148,811	1,009,838
Current assets			
Cash and cash equivalents	23	44,559	60,358
Retention account		—	308
Trade and other receivables	24	8,534	17,671
Total current assets		53,093	78,337
Total assets		1,201,904	1,088,175
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	17	(233,707)	(279,456)
Lease liability	17	(11,486)	(11,266)
Financial derivatives	13	—	(233)
Total non-current liabilities		(245,193)	(290,955)
Current liabilities			
Interest-bearing loans and borrowings	17	(53,014)	—
Trade and other payables	25	(8,857)	(9,066)
Deferred income	25	(6,985)	(6,085)
Lease liability	17	(348)	(342)
Retention account		—	(308)
Financial derivatives	13	(95)	—
Total current liabilities		(69,299)	(15,801)
Total liabilities		(314,492)	(306,756)
Net assets		887,412	781,419
Equity			
Share capital	18	4,550	4,550
Share premium	19	525,748	525,748
Special reserve	20	19,456	26,340
Retained earnings	20	337,658	224,781
Total equity		887,412	781,419
Number of shares in issue		455,019,030	455,019,030
EPRA NDV¹ per share (pence per share)	3	195.03	171.73
EPRA NTA¹ per share (pence per share)	3	195.05	171.78
EPRA NRV¹ per share (pence per share)	3	212.08	184.46

These financial statements were approved by the Board of GCP Student Living plc on 18 October 2021 and signed on its behalf by:

David Hunter

Chairman

Company number: 08420243

The accompanying notes on pages 80 to 107 form an integral part of these financial statements.

1. Alternative performance measure – see pages 116 and 117 for definitions and calculation methodology.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2021

	Notes	Share capital £'000	Share premium £'000	Special reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 July 2020		4,550	525,748	26,340	224,781	781,419
Total comprehensive income		—	—	—	114,729	114,729
Dividends in respect of the previous year	8	—	—	(6,364)	(97)	(6,461)
Dividends in respect of the current year	8	—	—	(520)	(1,755)	(2,275)
Balance at 30 June 2021		4,550	525,748	19,456	337,658	887,412

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
Total comprehensive income		—	—	—	48,578	48,578
Ordinary shares issued		413	76,526	—	—	76,939
Share issue costs		—	(1,436)	—	—	(1,436)
Dividends in respect of the previous year	8	—	—	(2,344)	(4,109)	(6,453)
Dividends in respect of the current year	8	—	—	(10,075)	(10,797)	(20,872)
Balance at 30 June 2020		4,550	525,748	26,340	224,781	781,419

The accompanying notes on pages 80 to 107 form an integral part of these financial statements.

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CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2021

	Notes	30 June 2021 £'000	30 June 2020 £'000
Cash flows from operating activities			
Operating profit		124,757	58,382
Adjustments to reconcile profit for the year to net operating cash flows:			
Gains from change in fair value of investment properties	10	(112,877)	(33,904)
Decrease/(increase) in other receivables and prepayments		1,869	(1,583)
Increase/(decrease) in other payables and accrued expenses		1,676	(5,941)
Net cash flow generated from operating activities		15,425	16,954
Cash flows from investing activities			
Land and development expenditure on properties under construction		(23,403)	(41,075)
Reimbursement for shared development works		4,427	—
Capital expenditure on investment properties		(34)	(295)
Net cash used in investing activities		(19,010)	(41,370)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		—	76,939
Share issue costs		—	(1,436)
Proceeds from interest-bearing loans and borrowings	17	6,101	57,016
Repayment of interest-bearing loans and borrowings		—	(28,220)
Repayment of lease liability		(351)	(174)
Loan arrangement fees		—	(49)
Finance income		84	85
Finance expenses		(8,666)	(7,828)
Dividends paid	8	(9,382)	(27,068)
Net cash flow (used in)/generated from financing activities		(12,214)	69,265
Net (decrease)/increase in cash and cash equivalents		(15,799)	44,849
Cash and cash equivalents at start of the year		60,358	15,509
Cash and cash equivalents at end of the year	23	44,559	60,358

The accompanying notes on pages 80 to 107 form an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021



Part 1. Basis of preparation

This section includes the Company's accounting policies applied to the financial statements in accordance with IFRS. Specific accounting policies 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 £732.6 million at 30 June 2021.

2. Basis of preparation

These financial statements are prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in 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 2021. Comparative figures are for the previous accounting period, the year ended 30 June 2020.

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.

In adopting the going concern basis of accounting, the Directors have identified a material uncertainty, set out in note 2.2. There have been no accruals or adjustments to the financial statement figures in relation to the material uncertainty.

2.1 Changes to accounting standards and interpretations

In the current period, the Group has applied a number of amendments to IFRS including IFRS 16 Covid-19 related rent concessions and changes to interest rate benchmark reform. These amendments also include annual improvements to IFRS, changes in standards, legislative and regulatory amendments, changes in disclosure and presentation requirements, including updates relating to Covid-19. The adoption of these updates has not had a significant impact on the Group's financial statements.

Further to the above, there are no new IFRS or IFRIC interpretations that are issued but not effective that would be expected to have a significant impact on the Group's financial statements.

2.2 Significant accounting judgements and estimates

The preparation of these financial statements in accordance with IFRS requires the Directors of the Company to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability in the future.

Judgements

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

Operating lease commitments – Group as lessor

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

Going concern

The Directors have made an assessment of the Group's ability to continue as a going concern and are satisfied that the Company has the resources to continue in business for the foreseeable future, for a period of twelve months from the date of approval of this report.

In making their assessment, the Directors have considered the potential impacts of the acquisition of the Company by the Consortium and the ongoing Covid-19 pandemic on the Group, operations and the investment portfolio.

The Directors, the Investment Manager and other service providers have put in place contingency plans to minimise disruption from the Covid-19 pandemic. 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 deductions 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.

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The Directors have a reasonable expectation that the Group has sufficient cash resources and financing available to meet its liabilities as they fall due over the next twelve months. The Company has suspended the payment of dividends until further notice, following the recommended cash offer for the Company, and has cash balances which exceed any short-term liabilities. In forming this expectation, the Directors have considered the results of forecasting and stress testing carried out by the Investment Manager, including analysis of the ongoing impact of the Covid-19 pandemic on market conditions and its impact on the Company.

The Directors are not aware of any material uncertainties, other than as set out below, 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 a going concern basis.

Material uncertainty

The Directors note that the Consortium has stated its intention to break up the Group after completion of the proposed acquisition. If this were to happen, it would materially change the Directors' assessment of going concern for the Group. Notwithstanding this, the Directors have concluded that it remains appropriate to prepare the consolidated financial statements on a going concern basis while highlighting this as a material uncertainty for the Company. There have been no accruals or adjustments to the financial statement figures in relation to the material uncertainty.

In reaching this conclusion the Directors have considered the following:

- if the acquisition occurs, it is estimated to complete in the coming months, however it remains subject to several conditions, including clearance from the CMA, the outcome of which is not certain; and
- the Directors approving these consolidated financial statements will not be those tasked with breaking up the Group post acquisition. They therefore do not currently have sufficiently reliable and precise information on which to adopt a basis other than going concern.

Estimates**Valuation of property**

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

2.3 Summary of significant accounting policies

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

a) Basis of consolidation

As a real estate entity, the Company does not meet the definition of an investment entity and therefore does not qualify for the consolidation exemption under IFRS 10. The consolidated financial statements comprise the financial statements of the Group and its subsidiaries at 30 June 2021. 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 2021



Part 2. Review of the financial year

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

3. EPRA metrics

3.1 EPRA earnings

Basic EPS is calculated by dividing profit for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares during the year. As there are no dilutive instruments in issue, basic and diluted EPS are identical. The following reflects the earnings and share data used in the basic and diluted share computations and EPRA EPS¹ and Group-specific adjusted EPS¹ computations.

	30 June 2021 £'000	30 June 2020 £'000
Group earnings for EPS and diluted EPS	114,729	48,578
Fair value gains on investment properties	(112,877)	(33,904)
Fair value (gains)/losses on financial assets	(138)	233
Group earnings for basic and diluted EPRA EPS¹	1,714	14,907
Group-specific adjustments:		
Licence fees on forward-funded developments	2,076	4,206
Write-off of lease incentive relating to terminated lease	2,073	—
Aborted transaction costs	119	3,765
Costs relating to recommended cash offer	442	—
Group-specific adjusted earnings	6,424	22,878

	30 June 2021 Pence per share	30 June 2020 Pence per share
Basic Group EPS	25.21	11.17
Basic Group EPRA EPS ¹	0.38	3.42
Diluted Group EPS	25.21	11.17
Diluted Group EPRA EPS ¹	0.38	3.42
Group-specific adjusted EPS ¹	1.41	5.26
Total dividends	0.75	6.15
Dividend cover ratio ¹	188%	86%

	30 June 2021 Number of shares	30 June 2020 Number of shares
Weighted average number of shares in issue	455,019,030	434,788,411

1. Alternative performance measure – see pages 116 and 117 for definitions and calculation methodology.

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A Group-specific adjusted EPS¹ has been calculated to show EPRA earnings¹ excluding non-recurring transaction costs and adding licence fees on forward-funding agreements which are treated as capital items in the financial statements. These adjustments have arisen from the following:

1. For the year ended 30 June 2021:

- i. licence fees of £486,000 from the developer of Circus Street, Brighton in respect of a forward-funding agreement;
- ii. licence fees of £1,590,000 from the developer of Scape Brighton in respect of a forward-funding agreement;
- iii. write-off of lease incentive relating to terminated lease at Scape Shoreditch of £2,073,000;
- iv. aborted transaction costs of £119,000 in relation to a forward purchase agreement of a second asset in the same locality as Scape Guildford; and
- v. £442,000 of costs relating to the recommended cash offer.

2. For the year ended 30 June 2020:

- i. licence fees of £986,000 from the developer of Circus Street, Brighton in respect of a forward-funding agreement;
- ii. licence fees of £3,220,000 from the developer of Scape Brighton in respect of a forward-funding agreement; and
- iii. 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.

3.2 EPRA NAV¹

EPRA announced updated best practice recommendations which included revised NAV metrics to replace EPRA NAV¹ and EPRA NNNAV¹. These comprise: EPRA NDV¹, EPRA NTA¹ and EPRA NRV¹. The Company has adopted EPRA NTA¹ as its principal measure of NAV for the year ended 30 June 2021 and for future periods. The revised EPRA metrics are shown below.

	30 June 2021 £'000	30 June 2020 £'000
NAV reported under IFRS and EPRA NDV¹	887,412	781,419
Fair value of other financial instruments	95	233
EPRA NTA¹	887,507	781,652
Investment property uplift to gross value	77,514	57,674
EPRA NRV¹	965,021	839,326
Number of shares in issue	455,019,030	455,019,030
EPRA NDV¹ pence per share	195.03	171.73
EPRA NTA¹ pence per share	195.05	171.78
EPRA NRV pence per share	212.08	184.46

1. Alternative performance measure – see pages 116 and 117 for definitions and calculation methodology.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2021

Part 2. Review of the financial year continued

3. EPRA metrics continued

3.3. EPRA cost ratio¹

	30 June 2021 £'000	30 June 2020 £'000
Administration expenses	8,619	9,861
Property operating expenses	13,776	9,658
Less other operating income recharges intended to cover overhead expenses less any related profits	(579)	—
Less ground rent	—	(347)
Less recoverable service charge income and other similar costs	(416)	(226)
EPRA costs (including direct vacancy costs)	21,400	18,946
Direct vacancy costs	(308)	—
EPRA costs (excluding direct vacancy costs)	21,092	18,946
Gross rental income	36,293	47,762
Less recoverable service charge income and other similar items	(416)	(226)
Gross rental income	35,877	47,536
EPRA cost ratio ¹ (including direct vacancy costs)	60%	40%
EPRA cost ratio ¹ (excluding direct vacancy costs)	59%	40%

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

1. Alternative performance measure – see pages 116 and 117 for definitions and calculation methodology.

4. Income

	30 June 2021 £'000	30 June 2020 £'000
Rental income		
Nomination rental income	5,268	6,243
Direct let rental income	25,419	35,482
Discounts	(882)	(332)
Total student income	29,805	41,393
Teaching space income	513	525
Commercial rental income	5,743	5,451
Gross rental income	36,061	47,369
Ancillary income ²	165	386
Income from solar panels	67	7
Total rental income	36,293	47,762
Other income ³	616	—
Total	36,909	47,762

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

3. Other income relates to the recharge of property operating expenses, including staff costs, incurred centrally by the Group and shared with Scape and the owners of non-Group properties managed by Scape.

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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.

Other income includes the recharge of a proportion of shared property operating expenses, incurred centrally by the Group, to entities outside the Group. The amount recharged is calculated by allocating the underlying costs to the relevant properties using the number of beds at each property. A mark-up on cost is applied where the recharge relates to staff costs.

5. Property operating and administration expenses

	30 June 2021 £'000	30 June 2020 £'000
Bad debts	1,011	121
Marketing	546	312
Operating costs	2,706	2,422
Property maintenance	2,036	1,743
Property management fees	2,222	107
Staff costs	3,556	3,255
Utilities	1,699	1,698
Write-off of lease incentive relating to terminated lease	2,073	—
Property operating expenses	15,849	9,658
Directors' remuneration	203	212
Investment management fees	6,108	7,467
Other administration expenses	2,308	2,182
Administration expenses	8,619	9,861
Aborted transaction costs	119	3,765
Costs relating to recommended cash offer ¹	442	—
Total	25,029	23,284

1. These are the initial legal and professional costs incurred by the Company in relation to the recommended cash offer for the Company. The costs include professional advice provided to the Board as well as the cost of providing due diligence information to the Consortium as part of the bidding process. Additional costs have been accrued since the year end and will be recognised in subsequent reporting periods.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2021

Part 2. Review of the financial year continued

5. Property operating and administration expenses continued

Property management agreements continued

Scape

For the financial year ended 30 June 2021, the Company received property management services from Scape Student Limited.

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 property management arrangements, with effect from 1 July 2020, Scape is 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 is payable in respect of the management of the Group's non-PBSA commercial space.

The property management fees payable by the Group to Scape are 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.

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, during the year, Nigel Taeae (Chairman of Scape) and Tom Ward (Global CEO of Scape) resigned as directors of the Investment Manager. Mr 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 2021, the directors of the Investment Manager indirectly owned a c.6% interest in Scape Student Limited. Prior to the separation of the businesses of the Investment Manager and Scape as detailed above, the directors held an interest of approximately 75% in Scape Student Living Limited (the company's previous registered name).

The Consortium has indicated that following its purchase of the Company it intends that the Property Manager will be retained to provide property management services in respect of certain assets. The companies under common control with Scape provide property management and ancillary services to Scape Living plc, a member of the Consortium. The controlling parties of Scape also, indirectly, hold a small minority interest in Scape Living plc.

Administration agreement

Link Alternative Fund Administrators Limited has been appointed as the Administrator to the Company and its subsidiaries. It provides the day-to-day administration services for these entities. It is also responsible for the Company's general administrative functions, such as the calculation and publication of the NTA 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 £71,000 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.

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6. Auditor's remuneration

	30 June 2021 £'000	30 June 2020 £'000
Audit fee	240	180
Non-audit services – review of the half-year financial statements	20	20
Total	260	200

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 2021 £'000	30 June 2020 £'000
Annual report and financial statements	115	60
Subsidiary financial statements for the year ended 30 June 2021/2020	125	120
Total	240	180

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

7. Taxation

Corporation tax has arisen as follows:

	30 June 2021 £'000	30 June 2020 £'000
Corporation tax on residual income for current year	—	—
Corporation tax on residual income for prior periods	—	—
Total	—	—

Reconciliation of tax charge to profit before tax:

	30 June 2021 £'000	30 June 2020 £'000
Profit before tax	114,729	48,578
Corporation tax at 19% (30 June 2020: 19%)	21,799	9,230
Change in value of investment properties	(21,447)	(6,458)
Change in value of financial assets	26	60
Tax exempt property rental business	(553)	(4,381)
Capital allowances	(486)	(394)
Excess management expenses	661	1,943
Total	—	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2021

Part 2. Review of the financial year continued

7. Taxation continued

The Group has unrelieved excess management expenses of £21,482,000 (2020: £23,355,000) and a non-trade loan relationship deficit of £5,051,000 (2020: £1,572,000). 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 2021				30 June 2020			
Dividend		Total pence ¹	PID ¹	Ordinary dividend ¹	£'000	Total pence ¹	PID ¹	Ordinary dividend ¹	£'000
Current year dividends									
30 June 2021/2020	Fourth interim dividend	—	—	—	— ³	1.42	1.26	0.16	— ²
31 March 2021/2020	Third interim dividend	0.25	0.25	—	— ²	1.58	1.30	0.28	7,189
31 December 2020/2019	Second interim dividend	0.25	0.25	—	1,138	1.58	1.30	0.28	7,189
30 September 2020/2019	First interim dividend	0.25	0.25	—	1,137	1.57	1.49	0.08	6,494
Total		0.75	0.75	—	2,275	6.15	5.35	0.80	20,872
Prior year dividends									
30 June 2020/2019	Fourth interim dividend	1.42	1.26	0.16	6,461	1.56	1.08	0.48	6,453
Total		1.42	1.26	0.16	6,461	1.56	1.08	0.48	6,453
Dividends in statement of changes in equity					8,736				
Movement in withholding tax accrual					646				
Dividends in statement of cash flows					9,382				

1. Amounts shown in pence per share.

2. Dividend was paid after the year end and is not accrued for as a provision in the financial statements.

3. Following the recommended cash offer for the Company, the Directors decided to suspend the Company's quarterly dividend until further notice.

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.

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**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.

On 15 February 2020, the Company announced that it had terminated its 15-year occupational lease with a WeWork subsidiary ("WeWork") in respect of commercial space at Scape Shoreditch. Ahead of termination, the Company collected a payment of c.£3.1 million (including VAT) covering all arrears and rent due to the end of June 2021.

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 2021 are as follows:

	30 June 2021 £'000	30 June 2020 £'000
Less than one year	31,267	35,697
One to two years	9,615	15,682
Two to three years	4,554	9,936
Three to four years	4,554	9,813
Four to five years	4,554	9,813
More than five years	49,468	66,598
Total	104,012	147,539

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2021

Part 3. Asset management continued

10. UK investment property

	Properties under construction £'000	Leasehold £'000	Freehold £'000	Total £'000
Carrying value at 1 July 2020	81,482	348,537	579,819	1,009,838
Capitalised expenditure	25,887	33	(56)	25,864
Transfer from properties under construction	(99,699)	99,699	—	—
Fair value gains on investment properties ¹	3,190	38,231	71,456	112,877
Adjustment to the lease liability in respect of rent review	—	232	—	232
Carrying value at 30 June 2021	10,860	486,732	651,219	1,148,811
Right-of-use asset	—	(11,834)	—	(11,834)
Lease incentives	—	313	—	313
Fair value at 30 June 2021	10,860	475,211	651,219	1,137,290
Carrying value at 1 July 2019	97,540	264,651	557,012	919,203
Capitalised expenditure	44,958	27	136	45,121
Transfer from properties under construction	(67,350)	67,350	—	—
Fair value gains on investment properties ¹	6,334	4,899	22,671	33,904
Adjustment in respect of right-of-use asset recognised on first application of IFRS 16	—	11,610	—	11,610
Carrying value at 30 June 2020	81,482	348,537	579,819	1,009,838
Right-of-use asset	—	(11,522)	—	(11,522)
Lease incentives	—	2,514	—	2,514
Fair value at 30 June 2020	81,482	339,529	579,819	1,000,830

1. Included in fair value gains on investment properties is a gain of £80,000 (30 June 2020: loss of £88,000) which relates to the right-of-use asset.

During the year, the Group completed construction of the student accommodation element of Scape Brighton, which opened to students in September 2020. The Group received £4.4 million from the owner of the residential development adjacent to Circus Street, Brighton as reimbursement for the cost of shared development works. On 15 February 2020, the Company announced that it had terminated its 15-year occupational lease with a WeWork subsidiary ("WeWork") in respect of commercial space at Scape Shoreditch.

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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 value 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. Refer to note 13 for further details.

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.

A right-of-use asset has been recognised at fair value in relation to ground rent paid on one of the Group's investment properties. The right-of-use asset is included within investment property in the consolidated statement of financial position at fair value. There were no additions to the right-of-use asset during the year.

11. EPRA NIY¹

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

	30 June 2021 £'000	30 June 2020 £'000
Investment properties	1,137,290	1,000,830
Less: investment property under construction	(10,860)	(81,482)
Operational property portfolio	1,126,430	919,348
Allowance for estimated purchasers' costs	88,374	54,769
Operational property portfolio plus purchasers' costs	1,214,804	974,117
Annualised cash passing rental income	61,590	50,713
Property operating costs	(9,343)	(7,499)
Annualised net rents	52,247	43,214
Topped-up net annualised rent	52,247	43,214
EPRA NIY¹	4.30%	4.44%
EPRA topped-up NIY	4.30%	4.44%

1. Alternative performance measure – see pages 116 and 117 for definitions and calculation methodology.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2021

Part 3. Asset management continued

11. EPRA NIY¹ continued

Property-related capital expenditure analysis

	30 June 2021 £'000	30 June 2020 £'000
Development expenditure	25,887	44,958
Investment properties	(23)	163
No incremental lettable space	33	163
Reversing prior development cost accruals	(56)	—
Total capital expenditure	25,864	45,121
Conversion from accrual to cash basis	(6,854)	(3,751)
Total capital expenditure on cash basis	19,010	41,370

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 68% booked for the 2020/21 academic year. The Company's buildings were fully occupied for the prior 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. Bookings for the 2021/22 academic year were 80% at 15 October 2021, and of these rooms 83% have been occupied by residents.

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 to 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.

1. Alternative performance measure – see pages 116 and 117 for definitions and calculation methodology.

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

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

The Covid-19 pandemic continues to impact global financial markets. Travel restrictions are still in place in many countries. In the UK, market activity is being impacted in all sectors. Given the ongoing impact Covid-19 is having on the property market, the Directors are keeping the valuation of the portfolio under frequent review.

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 hierarchy¹:

	30 June 2021			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets and liabilities measured at fair value				
Investment properties	—	—	1,137,290	1,137,290
Financial derivatives	—	(95)	—	(95)
Total	—	(95)	1,137,290	1,137,195

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2021

Part 3. Asset management continued

13. Fair value continued

Valuation techniques and significant inputs within the valuation of investment properties

The following table analyses:

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

Class	Fair value	Valuation technique	Key unobservable inputs	Range
Operational student property 30 June 2021	£1,126,430,000	Income capitalisation	ERV – 2020/21 Rental growth Tenancy period Sundry income Facilities management cost Initial yield	£165 – £729 per bed per week¹ 2% – 2.5% 41/51 weeks £50 – £100 per bed per annum £2,050 – £2,850 per bed per annum 3.75% – 5.50% blended (3.75% – 7.50%)
Development office property 30 June 2021	£10,860,000	GDV (less cost to complete)	GDV Costs to complete	£15,000,000 £4,140,000
Operational student property 30 June 2020	£919,348,000	Income capitalisation	ERV – 2019/20 Rental growth Tenancy period Sundry income Facilities management cost Initial yield	£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%)
Development student property 30 June 2020	£81,482,000	RLV (plus cost spend to date)	RLV Build cost spend to date	£9,910,000 – £72,670,000 £4,244,000 – £12,281,000

1. The Company's buildings are located in and around London where rental rates vary depending on location and size and specification of the accommodation.

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

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

14. Events after the reporting period

On 26 July 2021, the Group revised its redrawable credit facility with Wells Fargo. The facility was extended to January 2023 and the interest rate was set at 2.1% above SONIA, reducing to 1.95% when the debt yield is 9.0% or higher. Further information is provided in note 17.

On 11 August 2021, the Company published a circular to shareholders containing the details of the Board recommended acquisition of the Company by the Consortium. On 6 September 2021, shareholders voted in favour of the above. If the transaction completes (subject to certain conditions being met, including clearance from the CMA) each shareholder in the Company will receive 213 pence per share in cash. If the conditions are met, the transaction is expected to occur in the coming months.

On 13 August 2021, the Group terminated its interest rate cap and amended its interest rate swap to a rate of 0.86%, linked to SONIA. Further information is provided in note 17.

Further, the Company suspended the payment of dividends until further notice, following the recommended cash offer for the Company.

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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 2021 £'000	30 June 2020 £'000
Income from cash and short-term deposits	6	79
Income from interest-bearing loans and borrowings	—	14
Change in fair value of interest rate derivatives ¹	138	—
Total	144	93

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

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

16. Finance expenses

	30 June 2021 £'000	30 June 2020 £'000
Bank charges	12	13
Change in fair value of interest rate derivatives ¹	—	233
Commitment and other fees	420	863
Lease liability interest	345	172
Loan arrangement fees amortised	817	824
Loan interest	8,578	7,792
Total	10,172	9,897

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 2021

Part 4. Borrowings and equity continued

17. Interest-bearing loans and borrowings

	30 June 2021 £'000	30 June 2020 £'000
Borrowings at the start of the year	281,720	252,150
Borrowings drawn down in the year ¹	6,448	57,790
Borrowings repaid in the year	—	(28,220)
Borrowings at the end of the year	288,168	281,720
Unamortised loan arrangement fees at the start of the year	(2,264)	(3,039)
Amortised during the year	817	824
Loan arrangement fees incurred during the year	—	(49)
Unamortised loan arrangement fees at the end of the year	(1,447)	(2,264)
Borrowings less unamortised loan arrangement fees	286,721	279,456
Current liabilities – less than one year	53,014	—
Non-current liabilities – more than one year	233,707	279,456
Borrowings less unamortised loan arrangement fees	286,721	279,456

1. Includes commitment and other fees capitalised.

At 30 June 2021, 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

Floating rate 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	£38,168,000

Post year end, on 26 July 2021, the Group revised its redrawable credit facility with Wells Fargo. The facility was extended to January 2023 and the interest rate revised to 2.1% above three-month SONIA, reducing to 1.95% when the debt yield¹ is 9.0% or higher. A further £9.1 million was drawn on the redrawable credit facility and £15.0 million of the development loan was repaid.

The Group also entered into interest rate hedging arrangements in relation to the Wells Fargo development loan. The arrangements expire 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.

On 13 August 2021, the Group terminated the interest rate cap and amended the interest rate swap to a rate of 0.86%, linked to SONIA, on the full amount of the development loan outstanding at that date (£23.1 million).

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 covenants for the following metrics: loan-to-value of less than 60-65%, interest service cover ratio of 1.75 times and a debt yield greater than 7.5%, that are measured in accordance with the respective facility agreement. The Group was not in breach of its banking covenants at 30 June 2021.

1. Alternative performance measure – see pages 116 and 117 for definitions and calculation methodology.

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	30 June 2021 £'000	30 June 2020 £'000
Reconciliation of financing liabilities		
Balance at the start of the year	279,456	249,111
Changes from cash flows		
Borrowings drawn down	6,101	57,016
Borrowings repaid	—	(28,220)
Loan arrangement fees	—	(49)
Non-cash changes		
Commitment and other fees capitalised	347	774
Amortisation of loan arrangement fees	817	824
Balance at the end of the year	286,721	279,456
Reconciliation of lease liability		
Balance at the start of the year	11,608	—
Changes from cash flows		
Repayment of leasing liability	(351)	(174)
Non-cash changes		
Adjustment in respect of recognition of lease liability on first application of IFRS 16	—	11,610
Adjustment to the lease liability in respect of rent review	232	—
Lease liability interest	345	172
Balance at the end of the year	11,834	11,608
Current liabilities – less than one year	348	342
Non-current liabilities – more than one year	11,486	11,266
Balance at the end of the year	11,834	11,608

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.

	Maximum limit	30 June 2021 Actual exposure	30 June 2020 Actual exposure
Leverage exposure			
Gross method	155%	128%	128%
Commitment method	155%	133%	136%

The leverage figures above represent leverage calculated under the AIFMD methodology as follows:

	30 June 2021		30 June 2020	
	Gross £'000	Commitment £'000	Gross £'000	Commitment £'000
Leverage exposure				
Investments at fair value	1,137,290	1,137,290	1,000,830	1,000,830
Cash and cash equivalents	—	44,559	—	60,358
Total exposure under the AIFMD	1,137,290	1,181,849	1,000,830	1,061,188
Total shareholders' funds	887,412	887,412	781,419	781,419
Leverage	128%	133%	128%	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 the loan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2021

Part 4. Borrowings and equity continued

18. Share capital

Ordinary shares of £0.01 each	Number of shares	Share issue price	£'000
Authorised, issued and fully paid:			
Balance at 1 July 2019	413,653,630	—	4,137
Shares issued on 27 December 2019	41,365,400	186.00p	413
Balance at 30 June 2020	455,019,030	—	4,550
Shares issued	—	—	—
Balance at 30 June 2021	455,019,030		4,550

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 2021 £'000	30 June 2020 £'000
At the start of the year	525,748	450,658
Shares issued on 27 December 2019	—	76,526
Share issue costs	—	(1,436)
Balance at the end of the year	525,748	525,748

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 2021 £'000	30 June 2020 £'000
Issued share capital	603,963	603,963
Share issue costs	(10,857)	(10,857)
Cancelled share premium ¹	(67,358)	(67,358)
Total	525,748	525,748

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 2021 £'000	30 June 2020 £'000
Cancelled share premium	67,358	67,358
Dividends paid from reserves	(47,902)	(41,018)
Total	19,456	26,340

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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 2021 £'000	30 June 2020 £'000
Total unrealised gains on investment properties	337,658	224,781
Total revenue profits	70,286	68,434
Dividends paid from revenue profits	(70,286)	(68,434)
Total	337,658	224,781

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. At the year end, the Group was operating with a loan-to-value of 21% (30 June 2020: 22%).

The debt facilities include gearing and interest cover covenants that are measured in accordance with the respective facility agreement, refer to note 17.

The Group was not in breach of its banking covenants at 30 June 2021.

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 £1,137,290,000 and, to manage this risk, the Group diversifies its portfolio across a number of assets.

The Covid-19 pandemic continues to impact global financial markets. Travel restrictions are still in place in many countries. In the UK, market activity is being impacted in all sectors. Given the ongoing impact Covid-19 is having on the property market, the Directors are keeping the valuation of the portfolio 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
As at 30 June 2021				
(Decrease)/increase in the fair value of the investment properties	(35,453)	35,463	74,795	(66,218)
As at 30 June 2020				
(Decrease)/increase in the fair value of the investment properties	(26,091)	26,661	54,750	(47,020)

The key assumptions for the investment properties are net initial yields, and rental income which is based on current rent and rental growth.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2021

Part 4. Borrowings and equity continued

22. Financial risk management objectives and policies continued

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 £112,877,000 (30 June 2020: £33,904,000) 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 39 and 43 where market risk is discussed in more detail.

Interest rate risk

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

The Company also has a variable rate facility of up to £100,000,000, of which £53,168,000 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
Year ended 30 June 2021						
Interest-bearing loans and borrowings	17,059	43,673	6,956	181,511	70,067	319,266
Trade and other payables	6,130	2,727	—	—	—	8,857
Lease liability	88	264	352	1,055	48,178	49,937
Financial derivatives	—	95	—	—	—	95
Total	23,277	46,759	7,308	182,566	118,245	378,155
	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
Year ended 30 June 2020						
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	87	261	348	1,044	48,016	49,756
Financial derivatives	—	—	233	—	—	233
Retention account	—	308	—	—	—	308
Total	10,192	7,869	54,792	187,678	119,916	380,447

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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. Further disclosures relating to impairment of financial assets are included in note 24.

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

	30 June 2021 £'000	30 June 2020 £'000
Retention account	—	308
Cash and cash equivalents	44,559	60,358
Trade and other receivables ¹	7,357	14,216
Total	51,916	74,882

1. Excludes prepayments and lease incentives.

The retention account and cash and cash equivalents are held with Barclays Bank PLC, which holds an A1 credit rating, with the exception of £22.5 million held with Landesbank-Thüringen Girozentrale (Helaba) which holds an A2 credit rating. Ratings taken from S&P Global.

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FOR THE YEAR ENDED 30 JUNE 2021



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 2021 £'000	30 June 2020 £'000
Cash and cash equivalents	34,349	56,011
Subsidiary cash and cash equivalents	10,210	4,347
Total	44,559	60,358

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 2021 £'000	30 June 2020 £'000
Prepayments	864	941
Rent receivable	1,900	1,777
Cash held by rental agents	4,081	3,479
Licence fees	1,074	3,614
Lease incentives	313	2,514
Receivables from developers	—	4,427
Other receivables	302	919
Total	8,534	17,671

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 2021 were £1.0 million (2020: £0.1 million).

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.

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25. Payables and accrued expenses

	30 June 2021 £'000	30 June 2020 £'000
Property operating expenses	1,726	744
Finance expenses	1,000	1,002
Other expenses	6,131	7,320
Trade and other payables	8,857	9,066
Deferred income	6,985	6,085
Total	15,842	15,151

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2021



Part 6. Staff and key management

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

26. Directors' remuneration

	30 June 2021 £'000	30 June 2020 £'000
David Hunter	47	39
Russell Chambers ²	16	—
Gillian Day	39	39
Malcolm Naish	39	39
Robert Peto ¹	17	50
Marlene Wood	45	45
Total	203	212

1. Retired as a Director of the Company on 4 November 2020.

2. Appointed as a Director of the Company on 1 February 2021.

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 61 to 63.

27. Staff costs

	30 June 2021 £'000	30 June 2020 £'000
Salaries	2,942	3,187
Other benefits	35	68
Staff costs recharged to non-Group companies	379	—
Total	3,356	3,255

With the exception of the Directors, whose remuneration is shown in the Directors' remuneration report and policy on pages 61 to 64, the Group employed 129 (2020: 112) members of staff, with an average of 135 (2020: 123) employees during the year.

The Group operates a defined contributions pension scheme for 101 (2020: 79) of its employees. The costs for the year ended 30 June 2021 totalled £55,000 (30 June 2020: £49,000).

During the year, the Group recharged £379,000 (2020: £nil) to Scape and the owners of properties managed by Scape but not held by the Group for services provided by Group employees.

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28. Related party transactions**Directors**

The Directors (all non-executive) of the Company and subsidiaries are considered to be the key management personnel of the Group. Directors' remuneration for the year totalled £203,000 (30 June 2020: £212,000) and at 30 June 2021, a balance of £nil (30 June 2020: £nil) was outstanding. Further information is given in note 26.

The Directors, with the exception of Russell Chambers, 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. The contractual arrangements were revised during the prior year, with the new arrangements detailed below taking effect from 1 July 2020.

For its services to the Company, the Investment Manager receives an annual fee which is payable quarterly in arrears based on the prevailing NAV of the Group, as set out below.

NAV	Investment management fee to 30 June 2021 (annualised)	Previous investment management fee to 30 June 2020 (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%

The Group is responsible for the payment of all property management fees incurred. Further details of the Company's property management agreements are set out in note 5.

The 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 Consortium has indicated that following its purchase of the Company it intends that the investment management arrangements with the Investment Manager will be terminated.

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 £6,132,000 (30 June 2020: £7,573,000) in respect of investment management fees and the AIFM fee. A total of £6,132,000 (30 June 2020: £7,492,000) is included within administration expenses in the consolidated statement of comprehensive income and £nil (30 June 2020: £81,000) is included within the share issue costs relating to shares issued during the year; at 30 June 2021, £1,670,000 (30 June 2020: £1,949,000) was outstanding and is unsecured and payable within 30 days.

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.

During the year, the Group recharged £616,000 to Scape and the owners of properties managed by Scape but not held by the Group for services provided by Group employees.

The Group is party to a contract with Scaperfield Limited to acquire and forward-fund the construction of Scape Brighton, which completed for the 2020/21 academic year. The directors of the Investment Manager and their family members, directly or indirectly, owned in aggregate approximately 25% of Scaperfield Limited during the year.

The above asset has been acquired, on the basis of an independent valuation and approval by the independent Board of Directors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2021



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 incorporation
GCP Bloomsbury Limited ^{1,2}	UK
GCP Brighton Limited ²	UK
GCP Brunswick Limited ^{1,2}	UK
GCP Holdco Limited ^{1,2}	UK
GCP Holdco 2 Limited ^{1,2}	UK
GCP Holdco 3 Limited ^{1,2}	UK
GCP Makerfield Limited ^{1,2}	UK
GCP Operations Limited ²	UK
GCP QMUL Limited ²	UK
GCP RHUL Limited ^{1,2}	UK
GCP RHUL 2 Limited ^{1,2}	UK
GCP Scape East Limited ^{1,2}	UK
GCP SG Limited ^{1,2}	UK
GCP Surrey 2 Limited ^{1,2}	UK
GCP Topco Limited ²	UK
GCP Topco 2 Limited ²	UK
GCP WL Limited ^{1,2}	UK
GCP Wembley Limited ²	UK
GCP Wembley 2 Limited ^{1,2}	UK
GCP Greenwich Limited ^{1,3}	Guernsey
GCP Greenwich 2 Limited ^{1,3}	Guernsey
GCP Greenwich JV Limited ^{1,3}	Guernsey
GCP Old Street Limited ^{1,3}	Guernsey
GCP Old Street 2 Limited ^{1,3}	Guernsey
GCP Old Street Acquisitions Limited ^{1,3}	Guernsey

1. Indirect subsidiaries.

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

3. Registered office: 2nd Floor, Windsor House, Lower Pollet, St Peter Port, Guernsey GY1 1WF. 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.

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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.

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

	Notes	30 June 2021 £'000	30 June 2020 £'000
Assets			
Non-current assets			
Investment in subsidiary companies	3	838,360	744,440
Loans receivable from subsidiary company	5	40,000	40,000
Total non-current assets		878,360	784,440
Current assets			
Cash and cash equivalents	4	34,349	56,011
Trade and other receivables	6	42,718	31,884
Total current assets		77,067	87,895
Total assets		955,427	872,335
Liabilities			
Non-current liabilities			
Loans payable to subsidiary company	8	(40,000)	(40,000)
Total non-current liabilities		(40,000)	(40,000)
Current liabilities			
Trade and other payables	7	(28,015)	(50,916)
Total current liabilities		(28,015)	(50,916)
Total liabilities		(68,015)	(90,916)
Net assets		887,412	781,419
Equity			
Share capital		4,550	4,550
Share premium		525,748	525,748
Special reserve		19,456	26,340
Retained earnings		337,658	224,781
Total equity		887,412	781,419
Number of shares in issue		455,019,030	455,019,030
NAV per share (pence per share)		195.03	171.73

The total comprehensive income of the Company for the year was £114,729,000 (30 June 2020: £48,578,000).

The financial statements were approved by the Board of Directors of GCP Student Living plc on 18 October 2021 and signed on its behalf by:

David Hunter

Chairman

Company number: 08420243

The accompanying notes on pages 111 to 114 form an integral part of these Company financial statements.

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COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2021

	Share capital £'000	Share premium £'000	Special reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 July 2020	4,550	525,748	26,340	224,781	781,419
Total comprehensive income	—	—	—	114,729	114,729
Dividends paid in respect of the previous year	—	—	(6,364)	(97)	(6,461)
Dividends paid in respect of the current year	—	—	(520)	(1,755)	(2,275)
Balance at 30 June 2021	4,550	525,748	19,456	337,658	887,412

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
Total comprehensive income	—	—	—	48,578	48,578
Ordinary shares issued	413	76,526	—	—	76,939
Share issue costs	—	(1,436)	—	—	(1,436)
Dividends paid in respect of the previous year	—	—	(2,344)	(4,109)	(6,453)
Dividends paid in respect of the current year	—	—	(10,075)	(10,797)	(20,872)
Balance at 30 June 2020	4,550	525,748	26,340	224,781	781,419

The accompanying notes on pages 111 to 114 form an integral part of these Company financial statements.

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2021

	Notes	30 June 2021 £'000	30 June 2020 £'000
Cash flows from operating activities			
Operating profit		114,729	48,509
Adjustments to reconcile profit for the year to net cash flows:			
Gains from change in fair value of subsidiary companies		(93,920)	(47,226)
Dividends received from subsidiary companies		(24,491)	(6,823)
Net recharges from subsidiary companies		(4,847)	(4,002)
Decrease/(increase) in other receivables and prepayments		124	(121)
Increase in other payables and accrued expenses		163	378
Net cash flow used in operating activities		(8,242)	(9,285)
Cash flows from investing activities			
Net cash (paid to)/received from subsidiary companies ¹		(4,038)	11,805
Net cash (used in)/generated from investing activities		(4,038)	11,805
Cash flows from financing activities			
Proceeds from issue of ordinary share capital		—	76,939
Share issue costs		—	(1,436)
Finance income		7	76
Finance expenses		(7)	(7)
Dividends paid in the year		(9,382)	(27,068)
Net cash flow (used in)/generated from financing activities		(9,382)	48,504
Net (decrease)/increase in cash and cash equivalents		(21,662)	51,024
Cash and cash equivalents at start of the year		56,011	4,987
Cash and cash equivalents at end of the year	4	34,349	56,011

1. During the year the Company received and paid numerous cash amounts to and from the subsidiaries, due to the nature of these transactions it was considered appropriate to present these amounts net.

The accompanying notes on pages 111 to 114 form an integral part of these Company financial statements.

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NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

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 international accounting standards in conformity with the requirements of the Companies Act 2006. 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 2021. Comparative figures are for the previous accounting period, the year ended 30 June 2020.

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 have been prepared on a going concern basis whilst highlighting a material uncertainty (see note 2.2) to the consolidated financial statements for further details of the Directors assessment and follow the accounting policies laid out above.

3. Investment in subsidiary companies

	30 June 2021 £'000	30 June 2020 £'000
At the beginning of the year	744,440	689,760
Investment in subsidiary companies	—	7,853
	744,440	697,613
Fair value gains on the revaluation of subsidiary companies	93,920	46,827
Total	838,360	744,440

	30 June 2021 £'000	30 June 2020 £'000
Investments in subsidiary companies		
GCP Topco 2 Limited	—	4,322
GCP Holdco 3 Limited	—	3,531
Total	—	7,853

Accounting policy

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

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

4. Cash and cash equivalents

	30 June 2021 £'000	30 June 2020 £'000
Cash and cash equivalents	34,349	56,011
Total	34,349	56,011

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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2021

5. Loans receivable from subsidiary companies

	30 June 2021 £'000	30 June 2020 £'000
Long-term loan receivable from subsidiary companies ¹	40,000	40,000
Total	40,000	40,000

Loans due from related parties are unsecured. Interest is charged on the loans at a rate of 2.83% per annum. It is anticipated the loans will not be repaid until September 2024 at the earliest. Analysis of balances due from related parties has been presented in note 10.

6. Other receivables

	30 June 2021 £'000	30 June 2020 £'000
Amounts due from subsidiary companies ¹	42,612	31,658
Prepayments and other receivables	106	226
Total	42,718	31,884

Amounts due from related parties above are unsecured and interest free. Analysis of balances due from related parties has been presented in note 10.

7. Other payables and accrued expenses

	30 June 2021 £'000	30 June 2020 £'000
Amounts due to subsidiary companies	25,496	47,916
Other expenses payable	2,519	3,000
Total	28,015	50,916

Amounts due to related parties above are unsecured and interest free. Analysis of balances due from related parties has been presented in note 10.

8. Loans payable to subsidiary companies

	30 June 2021 £'000	30 June 2020 £'000
Loans payable to subsidiary companies	40,000	40,000
Total	40,000	40,000

Loans due to related parties are unsecured. Interest is charged on the loans at a rate of 2.83% per annum. It is anticipated the loans will not be repaid until September 2024 at the earliest. Analysis of balances due from related parties has been presented in note 10.

9. 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.

1. 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. Loans receivable and other receivables relate to balances with Group companies, all of which are currently profit making. These are predominantly entities which earn capital appreciation and generate rental income from their investment properties. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset.

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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 hierarchy¹:

30 June 2021	Level 1	Level 2	Level 3	Total
Assets measured at fair value	£'000	£'000	£'000	£'000
Investment in subsidiary companies	—	—	838,360	838,360
Total	—	—	838,360	838,360

30 June 2020	Level 1	Level 2	Level 3	Total
Assets measured at fair value	£'000	£'000	£'000	£'000
Investment in subsidiary companies	—	—	744,440	744,440
Total	—	—	744,440	744,440

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.

10. Related party transactions

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

	30 June 2021	30 June 2020
Transactions	£'000	£'000
Recharges of fund level expenses to:		
GCP Bloomsbury Limited	1,129	744
GCP Brighton Limited	321	297
GCP Brunswick Limited	57	4
GCP Greenwich Limited	93	—
GCP Greenwich 2 Limited	485	243
GCP Greenwich JV Limited	45	—
GCP Holdco Limited	58	5
GCP Holdco 2 Limited	58	5
GCP Holdco 3 Limited	58	5
GCP Makerfield Limited	773	249
GCP Old Street Limited	192	—
GCP Old Street 2 Limited	1,198	818
GCP Old Street Acquisitions Limited	45	—
GCP Operations Limited	61	8
GCP QMUL Limited	53	8
GCP RHUL Limited	364	140
GCP RHUL 2 Limited	307	127
GCP Scape East Limited	1,110	630
GCP SG Limited	296	115
GCP Surrey 2 Limited	53	9
GCP Topco Limited	58	5
GCP Topco 2 Limited	58	5
GCP Wembley Limited	125	—
GCP Wembley 2 Limited	861	407
GCP WL Limited	136	93
Total	7,994	3,917

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2021

10. Related party transactions continued

	30 June 2021 £'000	30 June 2020 £'000
Balances		
Other intercompany balances due from:		
GCP Brighton Limited	28,037	30,921
GCP Holdco 3 Limited	13,680	—
GCP QMUL Limited	603	534
GCP Surrey 2 Limited	209	120
GCP Wembley 2 Limited	83	83
Total	42,612	31,658
Balances	30 June 2021 £'000	30 June 2020 £'000
Other intercompany balances due to:		
GCP Holdco 3 Limited	—	(8,050)
GCP Operations Limited	(235)	(156)
GCP Topco Limited	(24,009)	(32,741)
GCP Topco 2 Limited	(1,252)	(6,969)
Total	(25,496)	(47,916)
Balances	30 June 2021 £'000	30 June 2020 £'000
Intercompany loans due (to)/from:		
GCP Topco Limited	(40,000)	(40,000)
GCP Topco 2 Limited	40,000	40,000

SHAREHOLDER INFORMATION

Key dates

October	Annual results announced Payment of fourth interim dividend ¹
December	Annual general meeting Company's half-year end Payment of first interim dividend ¹
March	Half-yearly results announced Payment of second interim dividend ¹
June	Company's year end Payment of third interim dividend ¹

Frequency of NAV publication

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

Sources of further information

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

Warning to 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. To register, you will need your investor code, which can be found on your share certificate or your dividend tax voucher.

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

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

By email: enquiries@linkgroup.co.uk

By post: Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL.

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>.

1. Following the recommended cash offer for the Company, the Directors suspended dividends until further notice.

ALTERNATIVE PERFORMANCE MEASURES (“APMs”)

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, consolidated statement of changes in equity 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 NAV return since IPO

Total NAV return¹ expressed as a time-weighted annual percentage. Calculated with reference to the NAV at IPO of 97 pence per ordinary share.

Source: Bloomberg

Annualised total shareholder return since IPO

Total shareholder return¹ expressed as a time-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.

Bookings

Confirmed student room bookings either through direct lets or nomination agreements.

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, financial derivatives 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.

EPRA NDV (EPRA Net Disposal Value)

Represents shareholders’ value under a disposal scenario, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability, net of any resulting tax. Calculated in accordance with EPRA guidelines (refer to note 4).

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 NRV (EPRA Net Reinstatement Value)

Net assets attributable to shareholders measured with the aim of reflecting the cost to recreate the Company based on its current capital and financing structure. Property transfers costs and taxes are included, while assets and liabilities not expected to crystallise in the normal course of business are excluded. Calculated in accordance with EPRA guidelines (refer to note 4).

EPRA NTA (EPRA Net Tangible Assets)

The value of net assets attributable to shareholders, excluding the fair value of financial instruments and intangible assets. Assumes that entities buy and sell assets, thereby crystallising certain levels of unavoidable deferred tax. Calculated in accordance with EPRA guidelines (refer to note 4).

EPRA triple net asset value (EPRA NNNAV)

EPRA NAV¹ 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 2021 £'000	As at 30 June 2020 £'000
Loan-to-value		
Interest-bearing loans and borrowing	288,168	281,720
Cash and cash equivalents	(44,559)	(60,358)
	243,609	221,362
Investment property	1,148,811	1,009,838
Loan-to-value	21%	22%

1. Refer to relevant APM.

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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 total income.

NIY

Net initial yield is the current annualised rent, net of costs, expressed as a percentage of capital value, after adding notional purchaser's costs.

Ongoing charges

Ongoing charges 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. Calculated on the AIC's methodology, excluding direct property costs.

	30 June 2021 £'000	30 June 2020 £'000
Ongoing charges		
Investment management fees	6,108	7,467
Directors' fees	203	212
Administration expenses	2,308	2,182
Total expenses	8,619	9,861
Non-recurring expenses	(811)	(50)
Total recurring expenses	7,808	9,811
Average NAV	815,698	765,132
Ongoing charges ratio	0.96%	1.28%

Student rental growth

Annual like-for-like 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

GLOSSARY

Adjusted EPS	Collegiate	EPRA NRV
Refer to APMs on pages 116 and 117	Collegiate AC Limited – Property Manager for Water Lane Apartments, Bristol	Refer to APMs on pages 116 and 117
AIC	Company or GCP Student	EPRA NTA
Association of Investment Companies	GCP Student Living plc	Refer to APMs on pages 116 and 117
AIC Code	Consortium	EPRA sBPR
AIC Code of Corporate Governance, as published in February 2019	A consortium comprising Scape Living plc and iQSA Holdco Limited, to be funded by their respective primary shareholders, these being APG Asset Management N.V. and Blackstone Group International Partners LLP.	EPRA Sustainability Best Practices Recommendations
AIFM	Cost of borrowing	EPRA triple net asset value (EPRA NNNAV)
Alternative Investment Fund Manager	Cost of borrowing expressed as a percentage weighted according to period drawn down (refer to notes 16 and 17)	Refer to APMs on pages 116 and 117
AIFMD	CTA	EPS
Alternative Investment Fund Managers Directive	Corporation Tax Act 2010	Earnings per share (refer to note 3)
Annualised total shareholder return since IPO	Debt yield	ERV
Refer to APMs on pages 116 and 117	A financial covenant calculated as property net operating income divided by the amount of the drawn facility	Estimated rental value (refer to page 94)
APM	Dividend cover ratio	ESG
Alternative performance measure	Refer to APMs on pages 116 and 117	Environmental, social, governance
Average net assets	EPRA	EU
The average of the four quarterly net asset valuations calculated over the financial year	European Public Real Estate Association	European Union
AY	EPRA cost ratio	FCA
Academic year	Refer to APMs on pages 116 and 117	Financial Conduct Authority
Blended cost of borrowing	EPRA EPS	FPPP
Cost of borrowing expressed as a percentage weighted according to period drawn down (refer to notes 16 and 17)	Refer to APMs on pages 116 and 117	Financial Position and Prospects Procedures
Blended NIY	EPRA NAV	FRC
Refer to APMs on pages 116 and 117	Refer to APMs on pages 116 and 117	Financial Reporting Council
Bookings	EPRA NIY	GDV
Refer to APMs on pages 116 and 117	Refer to APMs on pages 116 and 117	Gross development value
City		Gearing
City, University of London		Gearing refers to the relationship, or ratio, of a company's debt-to-equity. Gearing shows the extent to which the Group's operations are funded by lenders versus shareholders
CMA		GHG
Competition and Markets Authority		Greenhouse gas
CMA Order		.
The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014		

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GOSH	NAV	RPI
Great Ormond Street Hospital	Net asset value (refer to note 3)	Retail price index
GRESB	NAV total return	RNS
Global Real Estate Sustainability Benchmark	Refer to APMs on pages 116 and 117	Regulatory news service
Group	Net operating margin	Scape
GCP Student Living plc and its subsidiaries	Gross profit expressed as a percentage of rental income	Scape Student Limited – Property Manager for Scape Shoreditch, Scape Mile End, Scape Greenwich, Scape Guildford, Scape Wembley, Scape Bloomsbury, Podium, Scape Brighton, Circus Street and The Pad
HEI	NIY	SOAS
Higher education institution	Refer to APMs on pages 116 and 117	School of Oriental and African Studies
IFRIC	OECD	SONIA
International Financial Reporting Interpretations Committee	Organisation for Economic Co-operation and Development	Sterling overnight index average
IFRS	Ongoing charges ratio	Student rental growth
International Financial Reporting Standards	Refer to APMs on pages 116 and 117	Refer to APMs on pages 116 and 117
Interest service cover ratio	PBSA	Total shareholder return
A facility-specific financial covenant calculated as net operating income divided by interest expense	Purpose-built student accommodation	Refer to APMs on pages 116 and 117
INTO	PGIM	UCAS
INTO University Partnerships	PGIM Real Estate Finance	Universities and Colleges Admissions Service
IPO	PID	UCH
Initial public offering	Property income distribution	University College Hospital
LIBOR	QMUL	UCL
London interbank offered rate	Queen Mary University of London	University College, London
Loan-to-value or LTV	REIT	UK AIFM
Refer to APMs on pages 116 and 117	Real estate investment trust	Alternative Investment Fund Manager
LSE	RHUL	UK Code
London School of Economics	Royal Holloway, University of London	UK Code of Corporate Governance, as published in 2018
MAR	RICS	UN IPCC
Market Abuse Regulation	Royal Institution of Chartered Surveyors	United Nations Intergovernmental Panel on Climate Change
MSCI ESG Rating	RLV	
ESG ratings provided by MSCI Inc.	Residual land value	

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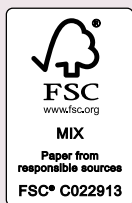
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