GCP

GCP Student Living plc

Half-yearly report and consolidated financial statements for the six months ended 31 December 2016

Contents

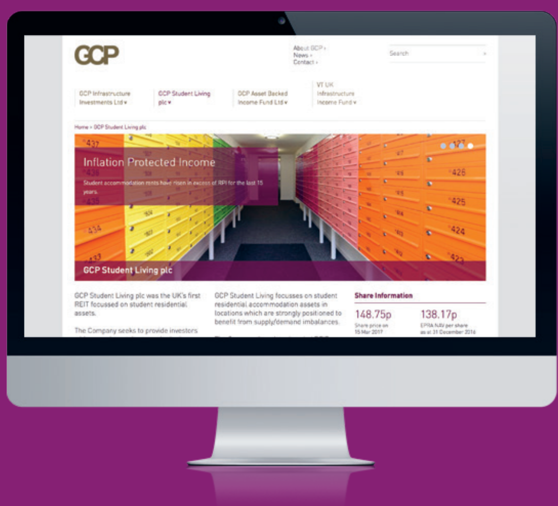
About us

GCP Student Living plc was the first real estate investment trust in the UK focused on student residential assets. The Company invests in modern, purpose-built private student residential accommodation and teaching facilities located primarily in and around London.

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

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

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



Visit us online
www.gcpuk.com/gcp-student-living-plc

At a glance

Rental income for the period

HY 2016	**£13m**
HY 2015	£9m
HY 2014	£5.6m

Net operating margin

HY 2016	**79%**
HY 2015	76%
HY 2014	78%

Rental growth

HY 2016	**3.9%**
HY 2015	4.5%
HY 2014	3.6%

Total return for the period

HY 2016	**15.1%**
HY 2015	7.8%
HY 2014	10%

Dividends for the period

HY 2016	**2.86p**
HY 2015	2.82p
HY 2014	2.80p

EPRA NAV per ordinary share

HY 2016	**138.17p**
FY 2016	136.93p
FY 2015	125.51p

Share price per ordinary share

HY 2016	**147.50p**
FY 2016	130.75p
FY 2015	129.25p

Value of property portfolio

HY 2016	**£465.7m**
FY 2016	£424.8m
FY 2015	£177.2m

Loan-to-value

HY 2016	**25%**
FY 2016	26.5%
FY 2015	22.3%

Highlights for the period

- The Company delivered a strong set of results, generating total rental income for the period of £13 million.
- The Company successfully raised £23 million through a substantially oversubscribed placing of ordinary shares in December 2016.
- Annualised total return since IPO of 16.3%, in excess of the Company's target return of 8-10%.
- On 16 September 2016, the Company completed its migration to a premium listing on the Official List of the UKLA. Trading in its ordinary shares was transferred from the SFS to the Premium Segment of the Main Market of the LSE with effect from that date.
- Broad student mix with students from 102 countries studying at 75 HEIs.
- The Company's properties continue to benefit from the supply/demand imbalances for high-quality, modern student facilities, with all properties fully occupied and rental growth of 3.9% for the 2016/17 academic year.
- Dividends of 2.86 pence per share paid in respect of the period.
- EPRA NAV (cum-income) per ordinary share of 138.17 pence and EPRA NAV (ex-income) per ordinary share of 136.74 pence at 31 December 2016.
- During the period, the Company was admitted by the FTSE Group in the FTSE All Share Index which has broadened the Company's appeal to a wider range of investors.
- Loan-to-value at 31 December 2016 of 25%.
- High-quality portfolio of six modern standing assets with c.2,000 beds located primarily in and around London, with a valuation of £465.7 million at 31 December 2016.
- The Company completed on the site acquisition in respect of the forward-funded development at Scape Wembley, London. Construction remains on schedule for completion ahead of the 2017/18 academic year, which will provide a further c.580 modern beds.
- C.980 beds in and around London secured under future contractual arrangements, including 180 beds under a forward purchase agreement.

Investment objectives

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

Dividend income

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

The Company has paid a total of 2.86 pence per ordinary share in respect of the period, increasing the Company's dividend on an annualised basis in line with RPI.

Capital appreciation

To provide modest capital appreciation over the long term.

The valuation of the Company's property portfolio has increased by 1.5% over the period, driven by a combination of yield compression and increasing rental rates.

Portfolio quality

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

At 31 December 2016, the Company's property portfolio comprised six high-quality, modern standing student accommodation assets and one development.

Key performance highlights

2.86p

Dividends paid in respect of the period

1.6%

Annualised dividend growth

1.5%

Capital appreciation

£465.7m

External valuation of investments

Full

Occupancy as at 31 December 2016

3.9%

Rental growth

Portfolio at a glance

Six high-quality, modern standing student accommodation assets and one development.

Scape East
£127.7m
NIY 5.04%

588

Scape Shoreditch
£176.3m
NIY 4.75%

541

The Pad
£34.5m
NIY 5.75%

220

Water Lane Apartments
£18.5m
NIY 5.75%

153

141

Scape Surrey
£22.9m
NIY 5.75%

280

Scape Greenwich
£51.2m
NIY 5.08%

180

Podium[1]
Forward purchase agreement

580

Scape Wembley[1]
Forward-funding agreement
£34.6m
NIY 5.40%[2]

96%

Value of standing assets located in and around London

1. Expected to be operational in 2017/18.
2. Expected NIY.

Chairman's statement

Robert Peto
Chairman

"

The Company paid dividends totalling 2.86 pence per share and delivered a total return for shareholders of 15.1%.

Introduction

On behalf of the Board, I am pleased to report a period of stable performance for the Company. The focus on assets offering long-term rental growth prospects has delivered full occupancy and rental growth of 3.9% compared with the 2015/16 academic year, substantially ahead of the national average of 1.9%. The Company paid dividends totalling 2.86 pence per share and delivered a total return for shareholders of 15.1% over the period, with annualised total returns since IPO in 2013 of 16.3%.

Company update

In September 2016, the Company met the requirements to migrate its shares to trading on the Premium Segment of the Main Market of the LSE which the Directors believe will broaden its investor base in the long term and better position the Company to meet the liquidity requirements of a wider audience of investors. The Company has since been admitted to the FTSE All Share Index which has resulted in significant investment in the Company by index investors. Post period end, the Company was further admitted to the FTSE EPRA/NAREIT Global Real Estate Index.

In December 2016, the Company raised £23 million by way of a non-pre-emptive placing of new ordinary shares. The placing was substantially oversubscribed and scale back was applied accordingly, a pleasing endorsement of the continued support of our shareholders.

Post period end, the Company announced that it was renewing its share issuance programme for 2017 following approval by the Company's shareholders at the general meeting held on 31 January 2017. The 2017 placing programme gives the Directors the authority to allot up to 200 million shares for cash over the course of the programme. An initial issue of new ordinary shares in February 2017 raised gross proceeds of £80.6 million for the Company.

Property portfolio

The Company's property portfolio has achieved full occupancy for the 2016/17 academic year, generating rental income of £13 million for the period ended 31 December 2016, and has experienced average rental growth of 3.9% year-on-year. The external market valuation of the Company's property portfolio was £465.7 million, which represents a valuation uplift of £6.3 million or 1.5% in the six-month period to 31 December 2016. The valuation uplift has been driven by rental growth. The average net initial yield of the portfolio as at 31 December 2016 was 5.1%.

Post period end, the Company announced on 8 March 2017 that it had exchanged contracts to acquire Woburn Place, located in Bloomsbury, London WC1. The proceeds from the initial issue in February 2017 will be used to acquire Woburn Place. Following refurbishment, it is anticipated that this property will

Student demand for places exceeded acceptances by c.180,000 students last year despite it being a record year for acceptances for 2016/17.

provide a further c.420 modern beds and communal areas for the 2018/19 academic year. Woburn Place is located close to several globally recognised universities, including University College London, King's College London, The London School of Economics and Political Science and SOAS University of London.

Financial results

The Company generated operating profit before valuation gains of £6.7 million and operating profit including valuation gains of £13 million for the financial period to 31 December 2016. The Company's basic EPS for the period was 4.12 pence and adjusted EPS was 2.05 pence. Total net assets have increased from £358.5 million at 30 June 2016 to £384.4 million, increasing EPRA NAV per ordinary share by 1.24 pence to 138.17 pence at 31 December 2016.

Dividends

The Company has paid dividends in respect of the financial period ended 31 December 2016 of 2.86 pence per ordinary share. The dividends were paid in full as PIDs in respect of the Group's tax-exempt property rental business.

Outlook

The UK student accommodation investment market experienced another active year in 2016 with £3.5 billion of properties transacted, materially above long-term averages. Notwithstanding the risk of greater market volatility arising from the result of the UK Brexit referendum and macroeconomic and political events in the US, the transactional volume of student residential properties, coupled with another year of growth in student acceptances, suggest that the UK student residential accommodation market has not been materially impacted by these events.

Student demand for places exceeded acceptances by c.180,000 students last year despite it being a record year for acceptances for 2016/17. Recent student application data for the forthcoming 2017/18 academic year showed UK and EU student applications down by c.5% with non-EU international students rising slightly. This is not expected to have an impact on the Company given the scale of surplus demand seen last year and the fact that the Company focuses on international students and postgraduates.

Education remains one of the UK's most successful exports, the importance of which was noted in the Prime Minister's New Year message of friendship to China this year. This may further benefit from any restrictive measures taken by the US in respect of visa requirements for international students.

The Group's investment portfolio is focused primarily on student accommodation assets in and around London, which has the largest student population of any city in the UK, and continues to position the Company to benefit from strong structural supply and demand imbalances. Demand by overseas students for private sector student accommodation in and around London is likely to remain resilient relative to the rest of the UK, given the international perception of London as a global cosmopolitan centre of learning.

Accordingly, whilst the long-term implications of the events noted above remain unknown, the Board remains confident that the Company's student accommodation portfolio will continue to deliver stable performance due to its defensive income qualities as well as offering the prospect for continued rental growth. Looking forward, the focus will continue to be on sustainable rental growth, to which end, the Board is encouraged by the Investment Manager's ability to secure attractive assets in and around London and continues to adopt a prudent approach to the levels of borrowing.

Robert Peto
Chairman
23 March 2017

Investment Manager's report

The UK student accommodation investment market experienced another active year in 2016 with some £3.5 billion of properties transacted.

UK student accommodation market

Overview

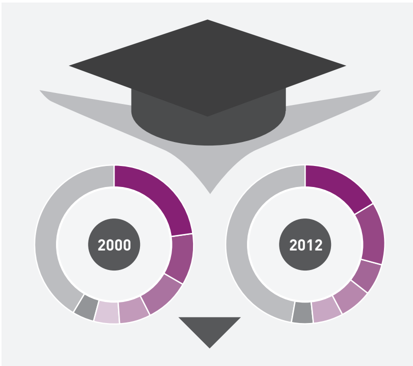
The UK has some of the highest-ranking universities in the world, with three in the top ten and seven in the top 50 in 2016/17[1]. The higher education sector is a c.£60 billion contributor to the UK's economy.

Students have become increasingly globally mobile with over 4.5 million students studying abroad in 2012, up from two million in 2000, according to the OECD. This figure is forecast to reach eight million by 2025. China, India, the Republic of Korea, Germany and Saudi Arabia are the top five countries with students going abroad, with c.520,000 Chinese students going abroad in 2015, an increase of 14% over 2014.

The student body has also changed over the period, becoming younger and with a higher proportion of full-time students, as the decline in the number of part-time and mature students has continued. Full-time students now make up 79% of the student body, up from 62% at the start of the decade, and under-25s now make up over three-quarters of all undergraduates and approximately half of postgraduates[2].

As well as changes in the age of students and their mode of study, the student body has become more cosmopolitan over the decade. In 2004/05, 4% of students came from the EU and 9% from outside the EU. By 2015/16, the numbers had increased to 6% and 14% respectively[3].

HE students' top destinations



	2000	2012
US	22.8%	16.5%
UK	10.7%	13.0%
Germany	9.0%	6.3%
France	6.6%	6.2%
Australia	5.1%	6.1%
Canada	4.5%	4.7%
Other countries	41.3%	47.2%

Top destination countries for internationally mobile students, 2000 and 2012 compared.

Source: Department of Business, Innovation and Skills (2013).

1. Times Higher Education World University rankings 2016/17.
2. HESA student record 2015/16.
3. OECD Education at a Glance 2014. A1-3.

The US is the most popular market for international students, with the UK being the next largest destination. One of the UK's advantages is its average cost of living and tuition, which is generally lower than in both the US and Australia[4].

Investment market

The UK student accommodation investment market experienced another active year in 2016 with some £3.5 billion of properties transacted, well above long-term averages, and supported by a range of UK and overseas based long-term investors.

Transactional volumes, coupled with another year of growth in student acceptances for the 2016/17 academic year, suggest that the student residential accommodation market has not been materially impacted by the result of the UK Brexit referendum in the short term.

HEI acceptance and applicant rates

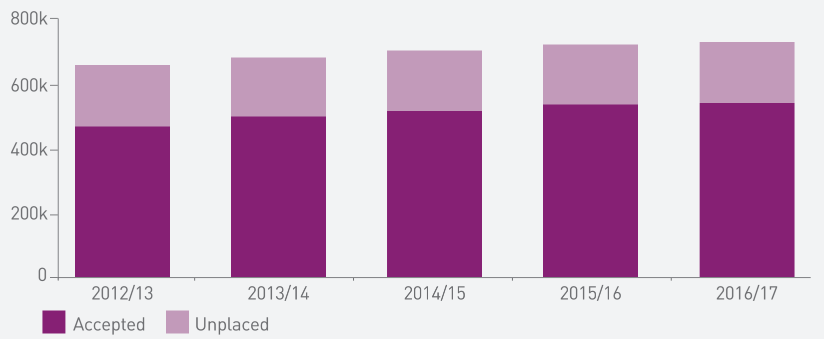
The 2016/17 academic cycle broke last year's record, with the intake of undergraduates entering UK higher education totalling c.535,000. Nevertheless, there were another c.180,000 students who applied for a place who did not get accepted; this shows a significant surplus demand in the sector.

On 1 February 2017, UCAS published application statistics for the January 2017 deadline, which showed that applicants for the UK and EU were down by 5% and 7% respectively, while non-EU international students were slightly up on last year.

The reduction in UK student numbers has been primarily driven by a reduction in nursing degrees, owing to significant funding cuts, with the remainder coming from mature undergraduates who are more likely to be taking up apprenticeships under the new government schemes. EU student numbers were forecast to decrease following two record years of growth and the impact of the Brexit vote. However, this shortfall is not expected to have a material impact owing to the scale of student demand buffer outlined above.

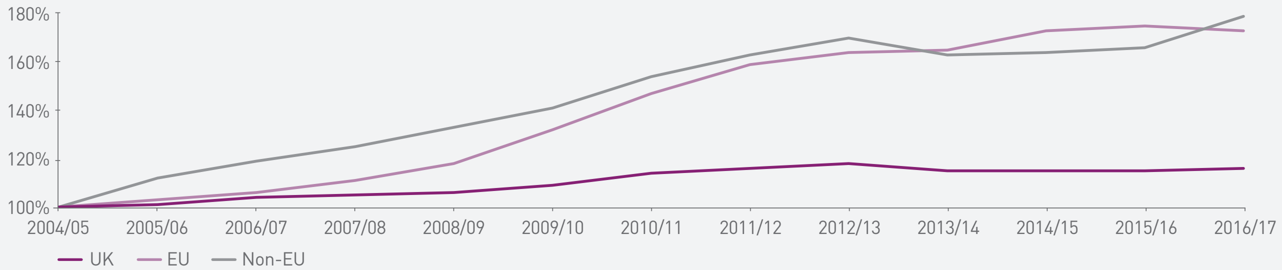
International student numbers, which have been the primary driver of applicant growth over the past five years, have remained strong. It is expected that these numbers will continue to rise over the medium term driven by a combination of new long-term sterling depreciation, the impact of US protectionist trade policies and visa restrictions, in addition to the UK government's moves to strengthen non-EU trade relations in line with its "Global Britain" agenda.

Student acceptance rates



Source: UCAS

Growth in full-time student numbers



Source: Higher Education Statistics Agency.

4. Savills: Spotlight, World Student Housing 2015/16.

Investment Manager's report continued

Financial results

The Company has achieved average rental growth of 3.9% across the portfolio for the 2016/17 academic year, producing a stable set of results, with total rental income for the period of £13 million generated from the Company's property portfolio.

Total gains on investment properties through revaluation of the Company's investment portfolio were £6.3 million as at 31 December 2016, positively impacting operating profit and generating EPS of 4.12 pence. The adjusted EPS for the period was 2.05 pence.

Total administration expenses of £3.6 million comprise fund running costs, including the Investment Manager's fee and other service provider costs in the period.

Ongoing net finance costs of £2.1 million in the period comprise loan interest associated with the Company's financing arrangements.

The Company generated total profit before tax for the period of £10.9 million.

Financial performance

Income statement

	Six months ended 31 December 2016 £'000	Six months ended 31 December 2015 £'000
Rental income	**13,035**	9,014
Operating expenses	**(2,742)**	(2,167)
Gross profit (net operating income)	**10,293**	6,847
Net operating margin	**79%**	76%
Administration expenses	**(3,576)**	(2,613)
Gains on investment properties	**6,306**	21,699
Operating profit	**13,023**	25,933
Ongoing net finance costs	**(2,137)**	(1,289)
Exceptional finance costs	**—**	(7,635)
Profit before tax for the period	**10,886**	17,009

Dividends

The Company has paid dividends of 2.86 pence in respect of the period, increasing the dividend in line with RPI on an annualised basis. The full dividend of 2.86 pence per ordinary share was paid as a PID in respect of the Group's tax-exempt property rental business.

Debt financing

The Company has continued to use its debt facility in the period. The facility is a £130 million, fixed-rate loan with a term of nine years financed by Pricoa at a rate of 3.07%, with a remaining term of 7.5 years. At 31 December 2016, total bank borrowings of the Group were £130 million, producing a loan-to-value of 25%.

Property acquisitions

During the period, the Company completed on the site acquisition in respect of the forward-funded development at Scape Wembley, and commenced forward funding the construction of the property. The property is expected to be operational for the 2017/18 academic year and will provide high-specification, purpose-built private student accommodation with c.580 modern studios and beds with communal areas.

Post period end, the Company successfully exchanged on the acquisition of Woburn Place, London. Given the prime central London location of the asset, and its proximity to c.100,000 students, it is expected that this asset will further support the Company's rental growth prospects over the long term.

Admission to the Main Market

In September 2016, the Company received confirmation that it was eligible for migration to a premium listing on the Official List of the UKLA. Accordingly, the Company made applications for listing on the Official List and a transfer to trading to the Premium Segment of the Main Market of the LSE.

The Premium Segment of the Main Market is an established market which is accessible to a broad range of investors. Accordingly, the Company's migration is expected to result in a broader investor base over the longer term and better position for the Company to meet the liquidity requirements of a wider audience of investors, which the Investment Manager believes may enhance the liquidity of its shares in the secondary market to the benefit of all shareholders.

Asset performance

The Company has experienced 3.9% year-on-year rental growth for the 2016/17 academic year. The valuation of the Company's property portfolio has increased by £6.3 million or 1.5% in the period. The portfolio is fully occupied for the 2016/17 academic year.

There are 75 HEIs represented across the student population for the 2016/17 academic year, with the largest attendance at QMUL.

NAV and share price performance

Net assets attributable to equity holders at 31 December 2016 were £384.4 million, up from £358.5 million at 30 June 2016. The EPRA NAV has increased from 136.93 pence as at 30 June 2016 to 138.17 pence per ordinary share, a 1% increase for the six-month period to 31 December 2016.

The Company's ordinary shares have traded at an average premium of 4.7% since IPO, with an average premium over the period of 4.5%. The Company's share price hit an all-time high of 150.25 pence per ordinary share on 21 December 2016. The Company's ordinary shares have persistently traded at a premium to their NAV since IPO in 2013. As at 31 December 2016, the Company's ordinary shares traded at a 6.6% premium to NAV.

Cash flow generation

The Company held cash and cash equivalents of £54.7 million at the end of the financial period under review. Operating cash flows of £6.9 million were generated by the Company's student accommodation portfolio. The Company invested £31.6 million in the acquisition of assets, financed by way of a share issue in the period. Total dividends paid in the period were £7.4 million, with remaining cash outflows utilised in servicing the Company's debt facility.

Ongoing charges percentage

The Company's ongoing charges ratio for the twelve months to 31 December 2016, based on the AIC's methodology, excluding direct property costs, was 1.27%.

Financial performance

Net assets

	As at 31 December 2016 £'000	As at 30 June 2016 £'000
Investment property	**465,697**	424,787
Receivables	**10,027**	7,682
Cash and cash equivalents	**54,710**	66,337
Total assets	**530,434**	498,806
Liabilities		
Payables	**(7,423)**	(6,929)
Deferred income	**(10,289)**	(5,235)
Senior loan	**(128,298)**	(128,174)
Total liabilities	**(146,010)**	(140,338)
Net assets	**384,424**	358,468
Number of shares	**278,223,587**	261,795,015
EPRA NAV per share (cum-income) (pps)	**138.17**	136.93
EPRA NAV per share (ex-income) (pps)	**136.74**	135.50

Interim management report and Directors' responsibility statement

Interim management report

The important events that have occurred during the period under review, the key factors influencing the consolidated financial statements and the principal factors that could impact the remaining six months of the financial year are set out in the Chairman's statement and the Investment Manager's report on pages 4 to 9.

The Directors consider that the principal risks facing the Company are substantially unchanged since the date of the annual report for the year ended 30 June 2016 and continue to be as set out in that report.

Risks faced by the Group include, but are not limited to:

Investment strategy

- Investment objective

Execution

- Availability of suitable investments
- Due diligence

Portfolio

- General property and investment market conditions
- Property valuation
- Development risk
- Scape Student Living brand
- Concentration risk
- Liquidity
- Rental income
- Occupancy rates

Financial

- Borrowings and interest rate hedging
- Taxation
- Market risk
- Interest rate risk
- Credit risk

Other

- Compliance with laws and regulations
- Reliance on third party service providers
- Operational risk

Responsibility statement

The Directors confirm that to the best of their knowledge:

- the half-yearly report and consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting issued by the IASB;
- the half-yearly report and consolidated financial statements give a true and fair view of the assets, liabilities, financial position and return of the Group; and
- the half-yearly report and consolidated financial statements include a fair review of the information required by:
  - a) 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the consolidated financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - b) 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Group during that period; and any changes in the related party transactions described in the last annual report that could do so.

The half-yearly report and consolidated financial statements were approved by the Board of Directors on 23 March 2017 and the above responsibility statement was signed on its behalf by Robert Peto, Chairman.

Independent review report to GCP Student Living plc

Introduction

We have been engaged by GCP Student Living plc (the "Company") to review the consolidated financial statements in the half-yearly report for the six months ended 31 December 2016 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated cash flow statement, basis of preparation and accounting policies and all related notes (together the "consolidated financial statements"). We have read the other information contained in the half-yearly report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the consolidated financial statements.

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in the basis of preparation and accounting policies, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The consolidated financial statements included in this half-yearly financial report have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting, as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the consolidated financial statements in the half-yearly report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated financial statements in the half-yearly report for the six months ended 31 December 2016 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP
London, United Kingdom

23 March 2017

Consolidated statement of comprehensive income

For the six months ended 31 December 2016

Continuing operations	Notes	**Six months ended 31 December 2016 £'000**	Six months ended 31 December 2015 £'000
Rental income		**13,035**	9,014
Property operating expenses		**(2,742)**	(2,167)
Gross profit		**10,293**	6,847
Administration expenses		**(3,576)**	(2,613)
Operating profit before gains on investment properties		**6,717**	4,234
Fair value gains on investment properties	3	**6,306**	21,699
Operating profit		**13,023**	25,933
Finance income		**18**	72
Finance expenses – ongoing	4	**(2,155)**	(1,361)
Finance expenses – exceptional	4	**—**	(7,635)
Profit before tax		**10,886**	17,009
Tax charge on residual income	5	**(41)**	(8)
Profit for the period		**10,845**	17,001
Other comprehensive income to be reclassified to profit and loss in subsequent periods			
Net gain on cash flow hedges	9	**—**	214
Total comprehensive income for the period		**10,845**	17,215
EPS (basic and diluted) (pps)	7	**4.12**	11.89

The accompanying notes 1 to 14 form an integral part of these financial statements.

Consolidated statement of financial position

As at 31 December 2016

	Notes	31 December 2016 £'000	30 June 2016 £'000
Assets			
Non-current assets			
Investment property	3	**465,697**	424,787
Retention account		**308**	815
		466,005	425,602
Current assets			
Cash and cash equivalents		**54,710**	66,337
Trade and other receivables		**9,719**	6,867
		64,429	73,204
Total assets		**530,434**	498,806
Liabilities			
Non-current liabilities			
Interest bearing loans and borrowings	8	**(128,298)**	(128,174)
Retention account		**(308)**	(815)
		(128,606)	(128,989)
Current liabilities			
Trade and other payables		**(7,115)**	(6,114)
Deferred income		**(10,289)**	(5,235)
		(17,404)	(11,349)
Total liabilities		**(146,010)**	(140,338)
Net assets		**384,424**	358,468
Equity			
Share capital	10	**2,782**	2,618
Share premium		**262,088**	239,653
Special reserve		**55,422**	58,371
Retained earnings		**64,132**	57,826
Total equity		**384,424**	358,468
Number of shares in issue		**278,223,587**	261,795,015
EPRA NAV per share (pps)	11	**138.17**	136.93

The accompanying notes 1 to 14 form an integral part of these financial statements.

Consolidated statement of changes in equity

For the six months ended 31 December 2016

	Share capital £'000	Share premium £'000	Hedging reserve £'000	Retained earnings £'000	Special reserve £'000	Total £'000
Balance at 1 July 2016	**2,618**	**239,653**	**—**	**57,826**	**58,371**	**358,468**
Total comprehensive income	**—**	**—**	**—**	**10,845**	**—**	**10,845**
Ordinary shares issued	**164**	**22,836**	**—**	**—**	**—**	**23,000**
Share issue costs	**—**	**(401)**	**—**	**—**	**—**	**(401)**
Dividends paid in respect of the previous period	**—**	**—**	**—**	**(2,445)**	**(1,299)**	**(3,744)**
Dividends paid in respect of the current period	**—**	**—**	**—**	**(2,094)**	**(1,650)**	**(3,744)**
Balance at 31 December 2016	**2,782**	**262,088**	**—**	**64,132**	**55,422**	**384,424**

The accompanying notes 1 to 14 form an integral part of these financial statements.

Consolidated statement of changes in equity

For the six months ended 31 December 2015

	Share capital £'000	Share premium £'000	Hedging reserve £'000	Retained earnings £'000	Special reserve £'000	Total £'000
Balance at 1 July 2015	1,099	39,946	(214)	31,675	65,223	137,729
Profit for the period	—	—	—	17,001	—	17,001
Other comprehensive income that may be reclassified subsequently to profit and loss						
Net gains on cash flow hedges	—	—	214	—	—	214
Total comprehensive income	—	—	214	17,001	—	17,215
Ordinary shares issued	937	122,833	—	—	—	123,770
Share issue costs	—	(4)	—	—	—	(4)
Dividends paid in respect of the previous period	—	—	—	(1,005)	(534)	(1,539)
Dividends paid in respect of the current period	—	—	—	—	(1,549)	(1,549)
Balance at 31 December 2015	2,036	162,775	—	47,671	63,140	275,622

The accompanying notes 1 to 14 form an integral part of these financial statements.

Consolidated statement of cash flows

For the six months ended 31 December 2016

	Six months ended 31 December 2016 £'000	Six months ended 31 December 2015 £'000
Cash flows from operating activities		
Operating profit	**13,023**	25,933
Adjustments to reconcile profit for the period to net cash flows:		
Gain from change in fair value of investment properties	**(6,306)**	(21,699)
Corporation tax (payments)/refunds	**(39)**	18
Increase in other receivables and prepayments	**(4,851)**	(2,424)
Increase/(decrease) in other payables and accrued expenses	**5,030**	(212)
Net cash flow generated from operating activities	**6,857**	1,616
Cash flows from investing activities		
Acquisition of investment properties	**(31,641)**	(35,495)
Acquisition of subsidiaries net of cash acquired	**—**	(156,092)
Net cash used in investing activities	**(31,641)**	(191,587)
Cash flows from financing activities		
Proceeds from issue of ordinary shares	**23,000**	—
Share issue costs	**(401)**	2
Proceeds from issue of C shares	**—**	16,195
C share issue costs	**—**	(2,490)
Bank loan drawn	**—**	130,000
Repayment of bank loan	**—**	(40,000)
Finance income	**18**	72
Finance expenses	**(2,019)**	(3,953)
Dividends paid in the period	**(7,441)**	(3,281)
Net cash flow generated from financing activities	**13,157**	96,545
Net decrease in cash and cash equivalents	**(11,627)**	(93,426)
Cash and cash equivalents at start of period	**66,337**	106,292
Cash and cash equivalents at end of the period	**54,710**	12,866

The accompanying notes 1 to 14 form an integral part of these financial statements.

Notes to the consolidated financial statements

For the six months ended 31 December 2016

1. General information

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

2. Basis of preparation

The consolidated financial statements for the six months ended 31 December 2016 have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all financial information required for full annual financial statements and have been prepared using the accounting policies adopted in the audited financial statements for the year ended 30 June 2016. The audited financial statements were prepared in accordance with IFRS issued by the IASB as adopted by the EU.

The financial information contained within this half-yearly report does not constitute full statutory accounts as defined in the Companies Act 2006. The financial information for the six months ended 31 December 2016 has been reviewed by the Company's Auditor, Ernst & Young LLP, in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and was approved for issue on 23 March 2017. The latest published audited financial statements for the year ended 30 June 2016 have been delivered to the Registrar of Companies; the report of the independent Auditor thereon was unqualified and did not contain a statement under section 498 of the Companies Act 2006. The financial information for the year ended 30 June 2016 is an extract from those financial statements.

The consolidated financial statements have been prepared under the historical cost convention, except for investment property, that has been measured at fair value. The financial statements are presented in Pound Sterling and all values are rounded to the nearest thousand pounds (£'000), except when otherwise indicated.

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.

The consolidated interim financial information includes the financial statements of the Company and its wholly-owned subsidiaries for the six months ended 31 December 2016.

2.1 Significant accounting policies

Accounting policies are consistent with those of the annual report for the year ended 30 June 2016. In addition, the following accounting policies have been adopted:

Investment properties under construction

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 impairment until the fair value becomes reliably determinable or construction is completed, whichever is earlier.

Licence fees receivable

Where licence fee income is receivable from a developer in respect of a forward-funding agreement, this is deducted from the cost of investment and shown as a receivable until settled.

2.2 Segmental reporting

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

2.3 Significant accounting judgements and estimates

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

Judgements

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

Valuation of property

The valuations of the Group's investment property are at fair value as determined by the external valuer on the basis of market value in accordance with the internationally accepted RICS Valuation – Professional Standards January 2014 (incorporating the International Valuation Standards) and in accordance with IFRS 13. Refer to note 12 for further details.

Operating lease commitments – Group as lessor

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

Going concern

The Directors have made an assessment of the Group's ability to continue as a going concern and are satisfied that the Company has the resources to continue in business for the foreseeable future, for a period of not less than twelve months from the date of this report. Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements have been prepared on a going concern basis.

3. UK investment property

	Properties under development £'000	Investment property £'000	Total £'000
As at 1 July 2016	**—**	**424,787**	**424,787**
Additional expenditure on properties	**—**	**939**	**939**
Land and development costs	**33,665**	**—**	**33,665**
Fair value gains on revaluation of investment property	**965**	**5,341**	**6,306**
As at 31 December 2016	**34,630**	**431,067**	**465,697**
As at 1 July 2015	—	177,220	177,220
Acquisitions arising from business combinations	—	166,100	166,100
Acquisition of property	—	54,311	54,311
Fair value gains on revaluation of investment property	—	27,156	27,156
As at 30 June 2016	—	424,787	424,787
As at 1 July 2015	—	177,220	177,220
Acquisitions arising from business combinations	—	166,100	166,100
Acquisition of property	—	35,451	35,451
Fair value gains on revaluation of investment property	—	21,699	21,699
As at 31 December 2015	—	400,470	400,470

During the period, the Group commenced construction of a forward-funded development, Scape Wembley. Due to the early stage of development, this property has been measured at cost which is assessed to be equivalent to its fair value at this stage.

Notes to the consolidated financial statements continued

For the six months ended 31 December 2016

4. Finance expenses

Ongoing charges	Six months ended 31 December 2016 £'000	Six months ended 31 December 2015 £'000
Bank charges	**2**	3
Swap interest	**—**	10
Loan interest	**2,029**	1,277
Loan non-utilisation fee	**—**	15
Loan arrangement fees amortised	**124**	56
Total	**2,155**	1,361

Exceptional charges	Six months ended 31 December 2016 £'000	Six months ended 31 December 2015 £'000
Amortisation of loan arrangement fees	**—**	431
Swap break fees	**—**	255
Loan cancellation fees	**—**	610
Amortisation of C share issue costs	**—**	2,536
Return on C shares	**—**	3,803
Total	**—**	7,635

In the period ended 31 December 2015, exceptional finance charges arose from two items:

1. The Group entered into significantly improved new financing arrangements. The total costs of repaying the original bank borrowings and breaking the Company's interest rate swap were £1,296,000.
2. Finance costs of £6,339,000 arising in the period, which represent:
   i. issue costs of £2,536,000, which were treated as a finance cost rather than a reduction to equity due to the C shares being recognised as debt; and
   ii. the C shares issued during the year ended 30 June 2015, represented contracts for conversion into a variable number of ordinary shares and therefore the C shares were classified as liabilities under IFRS. The return on the C shares of £3,803,000 represented an increase in the assets attributable to the C shares over and above the funds raised from their issue.

5. Taxation

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 the REIT regulations. Non-qualifying profits and gains of the Group (the residual income) continue to be subject to corporation tax.

Corporation tax has arisen as follows:

	Six months ended 31 December 2016 £'000	Six months ended 31 December 2015 £'000
Corporation tax on residual income for the current period	**—**	8
Corporation tax on residual income for prior periods	**41**	—
Total	**41**	8

6. Dividends

	Six months ended 31 December 2016		Six months ended 31 December 2015	
	Pence per share	**£'000**	Pence per share	£'000
First interim dividend paid 5 December 2016	**1.43**	**3,744**	1.41	1,549
Second interim dividend paid 6 March 2017	**1.43**	**3,978**	1.41	2,871
Total	**2.86**	**7,722**	2.82	4,420
Fourth interim dividend paid 5 September 2016	**1.43**	**3,744**	1.40	1,539

As a REIT, the Company is required to pay PIDs equal to at least 90% of the property rental profits of the Group. All dividends for the current period were paid in full as PIDs.

Notes to the consolidated financial statements continued

For the six months ended 31 December 2016

7. Earnings per share

Basic EPS is calculated by dividing profit for the period attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares during the period. 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:

	Six months ended 31 December 2016 £'000	Six months ended 31 December 2015 £'000
Group earnings for EPS	**10,845**	17,001
Fair value gains on investment properties	**(6,306)**	(21,699)
Group earnings for EPRA EPS	**4,539**	(4,698)
Group specific adjustments:		
Exceptional finance costs per note 4	**—**	7,635
Other exceptional items	**867**	—
Group specific adjusted earnings	**5,406**	2,937

	Six months ended 31 December 2016 Pence per share	Six months ended 31 December 2015 Pence per share
Basic Group EPS	**4.12**	11.89
Basic Group EPRA EPS	**1.72**	(3.28)
Diluted Group EPS	**4.12**	11.89
Diluted Group EPRA EPS	**1.72**	(3.28)
Group specific adjusted EPS	**2.05**	2.05

	31 December 2016 Number of shares	31 December 2015 Number of shares
Weighted average number of shares	**263,295,015**	143,019,902

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

1. For the period ended 31 December 2016:
   i. share issue costs relating to committed costs of the issue of new ordinary shares through the 2017 placing programme of £473,000; and
   ii. migration costs relating to the Main Market of the London Stock Exchange of £394,000.
2. For the period ended 31 December 2015:
   i. costs of repaying and breaking the original bank borrowings and interest rate swap totalling £1,296,000; and
   ii. finance costs of £6,339,000 arising from the accounting treatment of the C shares. For further details, please refer to note 4.

8. Interest bearing loans and borrowings

	31 December 2016 New facility £'000	30 June 2016 New facility £'000	30 June 2016 Previous facility £'000
Loan drawn down at the start of the period	**130,000**	—	40,000
Loan repaid	**—**	—	(40,000)
Loan drawn down	**—**	130,000	—
Total loan drawn down	**130,000**	130,000	—
Loan arrangement fees in the period	**—**	(1,997)	—
Unamortised loan arrangement fees at the start of the period	**(1,826)**	—	(431)
Amortised in the period	**124**	171	431
Unamortised loan arrangement fees at the end of the period	**(1,702)**	(1,826)	—
Loan balance less unamortised loan arrangement fees	**128,298**	128,174	—

During the year ended 30 June 2016, the Group's £40 million loan with Barclays was repaid and the Company entered into new financing arrangements with a new lender, Pricoa Mortgage Capital. The Group has secured a facility for up to £130 million of borrowings at a fixed rate of 3.07% which is set to mature in September 2024. On 30 September 2015, the Group drew down £130 million under the new facility to finance the acquisition of Scape Shoreditch and refinance the existing assets and Barclays facility.

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

The debt facility covenant includes loan-to-value and interest cover ratios that are measured at a Group level. The Group has maintained significant headroom against all measures throughout the financial period and is in full compliance with all debt facility covenants at 31 December 2016.

9. Financial derivatives and hedging

	Hedged amount £'000	Maturity	31 December 2016 £'000	30 June 2016 £'000
Interest rate swap at fair value	20,000	2 May 2017		
Fair value at the start of period			**—**	(214)
Termination of swap contract			**—**	214
Fair value of financial derivatives			**—**	—

Cash flow hedges

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

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

Notes to the consolidated financial statements continued

For the six months ended 31 December 2016

10. Share capital

	31 December 2016		
	Number of ordinary shares	**£'000**	30 June 2016 £'000
Issued and fully paid:			
At the start of the period	**261,795,015**	**2,618**	1,099
Shares issued on conversion of C shares 93,725,280 ordinary shares of £0.01 each	**—**	**—**	937
Shares issued on 15 February 2016 14,074,075 ordinary shares of £0.01 each	**—**	**—**	141
Shares issued on 24 May 2016 44,085,232 ordinary shares of £0.01 each	**—**	**—**	441
Shares issued on 20 December 2016 16,428,572 ordinary shares of £0.01 each	**16,428,572**	**164**	—
Balance at the end of the period	**278,223,587**	**2,782**	2,618

11. Net asset value per ordinary share

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

	31 December 2016 Pence per share	30 June 2016 Pence per share
EPRA NAV (pps)	**138.17**	136.93

The EPRA NAV may be calculated as:

	31 December 2016 £'000	30 June 2016 £'000
Net assets attributable to ordinary shareholders	**384,424**	358,468
Net assets for calculation of EPRA NAV	**384,424**	358,468
Number of ordinary shares in issue	**278,223,587**	261,795,015

12. Fair value

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

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

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

Quarterly valuations of investment property is 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, the valuations are the ultimate responsibility of the Directors however, who appraise these quarterly.

The valuation of the Company's investment property at fair value is determined by the external valuer on the basis of market value in accordance with the internationally accepted RICS Valuation – Professional Standards January 2014 (incorporating the International Valuation Standards).

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

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

	31 December 2016			
Assets and liabilities measured at fair value	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Investment properties	**—**	**—**	**465,697**	**465,697**
	—	**—**	**465,697**	**465,697**

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

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

Notes to the consolidated financial statements continued

For the six months ended 31 December 2016

12. 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
Student property 31 December 2016	**£431,067,000**	**Income capitalisation**	**ERV 2016/17**	**£164 – £450 per week**
			Rental growth	**2.5% – 3%**
			Tenancy period	**51 weeks**
			Sundry income	**£50 – £100 per bed p.a.**
			Facilities management cost	**£1,950 – £2,150 per bed p.a.**
			Initial yield	**4.75% – 5.75% blended (4.75% – 7.5%)**
Student property 30 June 2016	£424,787,000	Income capitalisation	ERV 2015/16	£164.50 – £430 per week
			Rental growth	2.5% – 3%
			Tenancy period	51 weeks
			Sundry income	£50 – £100 per bed p.a.
			Facilities management cost	£1,950 – £2,150 per bed p.a.
			Initial yield	4.75% – 5.75% blended (4.75% – 7.5%)

The fair value of student property as at 31 December 2016 (£431,067,000) above excludes Scape Wembley. Due to the early stage of development, the property has been valued at land plus development costs (£34,630,000) which is assessed to be equivalent to fair value at this stage.

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

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

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

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

Gains and losses recorded in profit or loss for recurring fair value measurements categorised within Level 3 of the fair value hierarchy amount to £6,306,000 (30 June 2016: £27,156,000) and are presented in the consolidated statement of comprehensive income in line item 'fair value gains on investment properties'.

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

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

13. Related party transactions

Directors

The Directors (all non-executive) of the Company and its subsidiaries are considered to be the key management personnel of the Group. Directors' remuneration for the six months totalled £85,000 (six months ended 31 December 2015: £61,000) and at 31 December 2016, a balance of £20,000 (2015: £15,000) was outstanding.

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 their respective investment objectives and policies, subject to the overall supervision and direction of the Board of Directors.

For its services to the Company, the Investment Manager receives an annual fee at the rate of 1% of the net asset value of the Company (or such lesser amount as may be demanded by the Investment Manager at its own absolute discretion).

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

The Investment Manager receives an annual fee of £22,500 in relation to its role as the Company's AIFM.

During the six months, the Group incurred £1,946,000 (six months ended 31 December 2015: £1,388,000) in respect of investment management fees, AIFM fee and transaction management and document services. A total of £1,877,000 is included within administration expenses in the consolidated income statement and £69,000 is included within share issue costs relating to shares issued during the period; at 31 December 2016, £896,000 (2015: £700,000) was outstanding.

14. Events after the reporting period

On 22 February 2017, the Company announced that it had raised gross proceeds of c.£80.6 million through the 2017 placing programme and an initial issue of new ordinary shares. The initial issue was conducted by way of an offer for subscription and initial placing of new ordinary shares. The placing price was 140 pence per share and 57,545,195 shares were issued.

On 8 March 2017, the Company exchanged contracts to secure the acquisition of Woburn Place at a purchase price of approximately £135 million. The property is a private student accommodation asset located at a prime central London position in Bloomsbury. The acquisition, which is expected to complete in April 2017, will be funded through a mixture of the net proceeds of the recently completed offer for subscription and initial placing, as announced by the Company on 22 February 2017, and debt.

Investment objective and key policies

Investment objective

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

Investment policy

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

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

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

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

Borrowing and gearing policy

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

Use of derivatives

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

Investment restrictions

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

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

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

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

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

Business and status of the Company

The Company is registered as a public limited company and is an investment company within the terms of section 833 of the Companies Act 2006. The Company is a REIT for the purposes of Part 12 of the CTA. Notification has been submitted to, and acknowledged by, HMRC for the Company to enter the UK REIT regime. The Company will be treated as a REIT so long as it continues to meet the REIT conditions in relation to any accounting period.

The Company was incorporated on 26 February 2013 and its shares trade on the Premium Segment of the Main Market of the LSE.

Glossary of key terms

Adjusted EPS	Represents EPRA earnings excluding one-off costs for the period
AIC	Association of Investment Companies
AIFM	Alternative Investment Fund Manager
Company	GCP Student Living plc
Cost of borrowing	Cost of borrowing expressed as a percentage weighted according to period drawn down
C shares	Convertible redeemable preference shares of one pence each in the capital of the Company
CTA	Corporation Tax Act 2010
EPRA	European Public Real Estate Association
EPRA EPS	Recurring earnings from core operational activities excluding movements relating to revaluation of investment properties and interest rate swaps and the related tax effects, divided by the number of shares in issue
EPRA NAV per share	EPRA NAV – includes all property at market value but excludes the mark-to-market of interest rate swaps
EPS	Earnings per share
ERV	Estimated rental value
EU	European Union
Group	GCP Student Living plc and its subsidiaries
HEI	Higher education institution
HMRC	HM Revenue & Customs
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IPO	Initial public offering
Loan-to-value	Debt expressed as a percentage of gross assets
LSE	London Stock Exchange
NAV	Net asset value
Net operating margin	Rental income less property operating expenses shown as a percentage of rental income
NIY	Net initial yield
OECD	Organisation for Economic Co-operation and Development
p.a.	Per annum
PID	Property income distribution
pps	Pence per share
QMUL	Queen Mary University of London
REIT	Real estate investment trust
Rental growth	Net operating income measured on a like-for-like basis
RICS	Royal Institution of Chartered Surveyors
RPI	Retail price index
Scape	Scape Student Living Limited – Asset and Facilities Manager for Scape Shoreditch, Scape East, Scape Greenwich, Scape Surrey and The Pad (with effect from 1 September 2016)
SFS	Specialist Fund Segment of the Main Market of the London Stock Exchange (formerly SFM or Specialist Fund Market)
Total return	Share price growth with dividend deemed to be reinvested on the dividend date
UCAS	Universities and Colleges Admissions Service
UKLA	United Kingdom Listing Authority

Corporate information

Directors
Robert Peto (Chairman)
Peter Dunscombe
Malcolm Naish
Marlene Wood

Investment Manager and AIFM
Gravis Capital Partners LLP
53-54 Grosvenor Street
London W1K 3HU
Tel: 020 7518 1490

Secretary and registered office
Capita Company Secretarial Services Limited
Beaufort House
51 New North Road
Exeter EX4 4EP
Tel: 01392 477500
email: gcpstudentliving@capita.co.uk

Administrator
Capita Sinclair Henderson Limited
(trading as Capita Asset Services)
Beaufort House
51 New North Road
Exeter EX4 4EP

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

Valuer
Knight Frank LLP
55 Baker Street
London W1U 8AN

Corporate website
www.gcpuk.com/gcp-student-living-plc

Contact
contact.gcpstudent@gcpuk.com

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

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

Principal banker
Barclays Bank PLC
1 Churchill Place
London E14 5HP

Depositary
Langham Hall UK Depositary LLP
5 Old Bailey
London EC4M 7BA

Registrar
Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
Tel: 0871 664 0300
email: shareholderenquiries@capita.co.uk
www.capitaassetservices.com

Frequency of NAV publication
The Company's NAV is released to the LSE 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, investor reports and further information on the Company can be obtained from the Company's website.

Key dates

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

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GCP Student Living plc
51 New North Road
Exeter EX4 4EP

Company number: 08420243

www.gcpuk.com