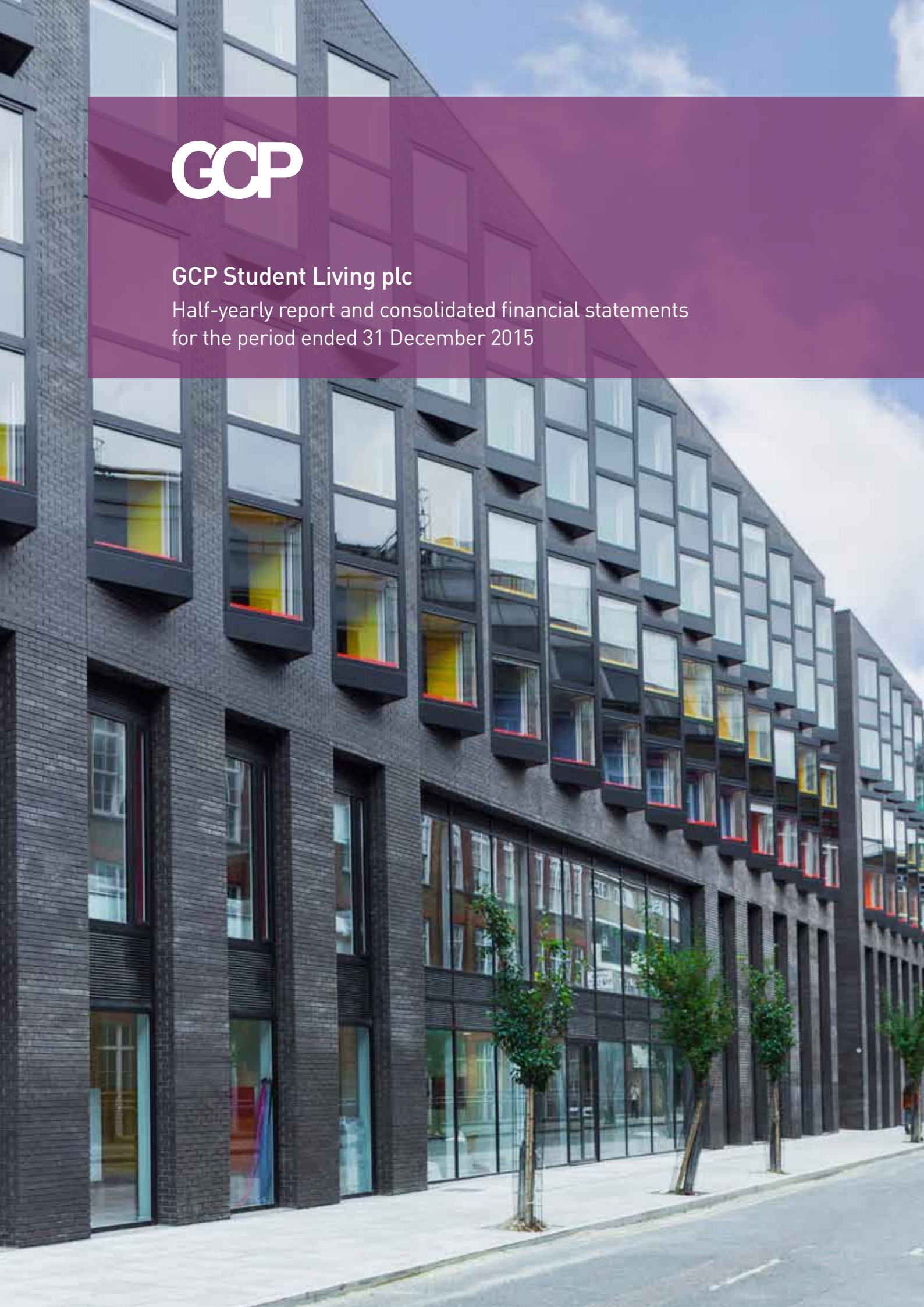

GCP Student Living plc

Half-yearly report and consolidated financial statements
for the period ended 31 December 2015

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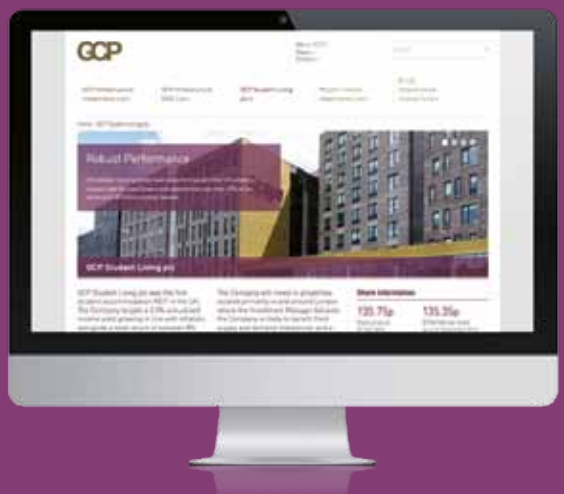
About us

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.

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

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

The Company is a closed-ended investment company incorporated in England and Wales, and its shares trade on the SFM.



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

At a glance

£9m
Revenue for the period

31 December 2014 – £5.6m

76%
Net operating margin

31 December 2014 – 78%

4.5%
Rental growth

31 December 2014 – 3.6%

7.8%
Total shareholder return for the period

31 December 2014 – 10%

2.82p
Dividends for the period

31 December 2014 – 2.80p

135.35p
EPRA NAV per ordinary share

30 June 2015 – 125.51p

136.50p
Share price per ordinary share

30 June 2015 – 129.25p

£400.5m
Value of investments

30 June 2015 – £177.2m

32%
Loan-to-value

30 June 2015 – 22.6%

Highlights for the period

- The Company delivered a strong set of results, generating total rental income for the period of £9 million.
- The Company successfully deployed £120 million raised by way of an issue of C shares to finance the acquisition of Scape Surrey, The Pad 2 (located adjacent to The Pad) and Scape Shoreditch.
- The Company drew down £130 million at a fixed rate of 3.07% under a new loan facility agreement with Pricoa Mortgage Capital, which is set to mature in September 2024. This facility replaced all existing short-term debt.
- Total shareholder return for the six month period to 31 December 2015 of 7.8%.
- The Company's properties continue to benefit from the supply/demand imbalance for high-quality, modern student facilities, with all properties fully occupied and rental growth of 4.5% for the 2015/16 academic year.
- Dividends of 2.82 pence per share paid or declared in the period in line with target.
- EPRA NAV (cum-income) per ordinary share of 135.35 pence and EPRA NAV (ex-income) per ordinary share of 133.94 pence at 31 December 2015.
- Broad student mix with students from 102 countries studying at 57 HEIs.
- High-quality portfolio of five purpose-built properties with c.1,800 beds located in and around London with a valuation of £400.5 million.
- Net debt-to-property value at 31 December 2015 of 32%.
- Post period-end, the Company acquired Water Lane Apartments, a modern, private, student accommodation residence in Bristol.

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 or declared a total of 2.82 pence per ordinary share in the period, increasing the Company's dividend on an annualised basis in line with RPI.

Key performance highlights

2.82p

Dividends paid/declared in the period

1.1%

Annualised dividend growth

Capital appreciation

To provide modest capital appreciation over the long term.

The valuation of the Company's property portfolio has increased by 5.7% over the period driven by a combination of yield compression and increasing rental rates.

Key performance highlights

5.7%

Capital appreciation

£400.5m

External valuation of investments

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 2015, the Company's property portfolio comprised five high-specification, modern, purpose-built student residential accommodation buildings in and around London.

Key performance highlights

100%

Occupancy as at 31 December 2015

57

Number of HEIs

Portfolio at a glance

The Company's portfolio comprises high-quality, modern student accommodation.

Scape East

Location: London

Beds: 588

Scape Shoreditch

Location: London

Beds: 541

Scape Greenwich

Location: London

Beds: 280

The Pad[1]

Location: Egham

Beds: 220

Scape Surrey

Location: Guildford

Beds: 141

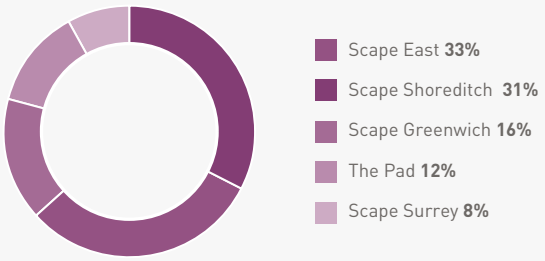
Post period-end acquisition

Water Lane Apartments

Location: Bristol

Beds: 153

Portfolio by number of beds[2]



Value of investments

£400.5m

30 June 2015 – £177.2m

1) The Pad and Pad 2.
2) At 31 December 2015.

Chairman's statement

Robert Peto
Chairman

I am pleased to report a period of strong performance and significant growth for the Company.

Introduction

On behalf of the Board, I am pleased to report a period of strong performance and significant growth for the Company with the acquisition of three further high-quality properties in September 2015, doubling the size of the Company's investment portfolio. High occupancy, rental growth and yield compression have been the drivers of this period's strong performance, with the Company paying dividends of 2.82 pence per share and delivering a total shareholder return for the six month period of 7.8%. The investment market has also continued to be buoyant, with an increasing number and range of investors seeking exposure to the sector, with c.£5 billion of transactions in the sector during the course of 2015.

Company update

In June 2015, the Company raised £120 million by way of an open offer, placing and offer for subscription of C shares. The proceeds of the issue were fully deployed in September 2015, to finance the acquisition of three high-specification, purpose-built student accommodation assets, Scape Surrey, The Pad 2 (located adjacent to The Pad) and Scape Shoreditch for the 2015/16 academic year. The acquisitions increased the number of beds in the Group's portfolio from c.1,000 to c.1,800. All three properties were acquired with the proceeds of the C share issue and the Company's new debt facility.

Post period-end, the Company acquired Water Lane Apartments, a modern, private student residential accommodation asset in a prime city centre location in Bristol. The acquisition was funded by way of a £19 million placing of ordinary shares. The asset is fully occupied on 51-week lettings for the 2015/16 academic year and represents approximately 4% of the Company's overall portfolio.

Property portfolio

The Company's property portfolio has achieved full occupancy for the 2015/16 academic year, generating revenue of £9.0 million for the period, and has experienced average rental growth of 4.5% year-on-year. The external market valuation of the Company's property portfolio was £400.5 million, which represents a valuation uplift of £21.7 million or 5.7% in the six month period to 31 December 2015. The valuation increase has been driven by gains at acquisition, rental growth and the high levels of demand for student accommodation driving upward pressure on asset prices impacting yields across the sector. The Company experienced yield compression of 26 bps across the portfolio, giving an average yield of 5.04%.

Financial results

The Company has generated operating profit before valuation gains of £4.2 million and total profit including valuation gains of £17.0 million for the

The Company's property portfolio has achieved full occupancy for the 2015/16 academic year and has experienced average rental growth of 4.5% year-on-year.

financial period to 31 December 2015. The Company's basic EPS for the period was 11.9 pence and adjusted EPS was 2.05 pence. Total net assets have increased from £137.7 million at 30 June 2015 to £275.6 million, increasing EPRA NAV per ordinary share by 9.8 pence to 135.35 pence at 31 December 2015.

Debt facility

The Company successfully secured replacement finance with Pricoa Mortgage Capital in September 2015 to refinance the existing short-term debt facility in addition to part-funding the acquisition of Scape Shoreditch, The Pad 2 and Scape Surrey. The facility is a fixed-rate facility for a term of nine years, which reduces any short-term refinancing risk whilst locking in low rates for the long term, thereby providing the Company with greater financial security in the forthcoming years.

Dividends

The Company has paid dividends in respect of the financial period ended 31 December 2015 of 2.82 pence per ordinary share. 2.47 pence per ordinary share was paid as a REIT property income distribution in respect of the Group's tax-exempt property rental business and 0.35 pence per ordinary share was paid as an ordinary UK dividend.

Outlook

The student accommodation sector experienced a record year in 2015. Circa £5 billion was transacted over the course of the year, which is over one quarter of the total privately-owned UK purpose-built student accommodation stock. These assets were traded to a broad range of investors, many of which are expected to hold their assets long term. Investment into the sector is forecast to continue through 2016, but at a lower volume as fewer portfolio deals are envisaged.

The removal of the student cap for the 2015/16 academic year has contributed to increasing further the supply/demand imbalance in the sector. UCAS undergraduate acceptances increased 3% year-on-year to c.532,000, with EU acceptances up 11% and international students up 2%.

There continues to be an undersupply of modern, purpose-built student residential accommodation in London and other key markets across the UK. On the supply side, the Directors (as advised by the Investment Manager) do not expect to see substantial volumes of new accommodation arising in the Company's core markets in the near term.

Whilst sound student occupational markets continue both to underpin our existing income and provide the basis for further income growth, the capital markets have entered into a period of increased uncertainty and therefore volatility. Looking forward with any degree of confidence is undermined by an unfortunate confluence of geopolitical events combined with a further bout of distrust in the stability of the banking system. In the UK, this is all compounded by the drama of the European referendum.

In this context, it is difficult to determine the direction of capital value change in the real estate world. However, the Directors are confident that investor interest in the student accommodation sector will continue because of its defensive income qualities as well as the prospect for continued income growth. The Board therefore remains heavily focused on driving rental income to ensure that the Company continues to deliver an attractive return and grow its dividend. Our ability to do this has been enhanced by the increased scale and diversification of the portfolio resulting from the acquisition of three further high-quality student accommodation assets in the period and one post period-end.

Robert Peto
Chairman
8 March 2016

Investment Manager's report

2015 saw record levels of investment activity in the UK student accommodation market.

UK student accommodation market

Overview

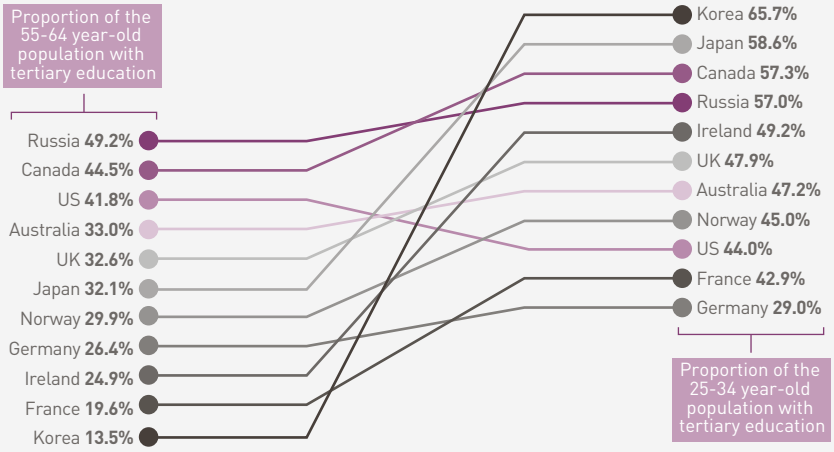
The UK has some of the highest ranking universities in the world, with three in the top 10 and seven in the top 50 in 2015/16[1]. The UK higher education sector is a significant contributor to the UK's economy. Total income across the sector in 2013/14 was £30.7 billion and total expenditure was £29.4 billion[2].

Students have become increasingly globally mobile with, according to the OECD, over 4.5 million students studying abroad in 2012, up from 2 million in 2000. This figure is forecast to reach 8 million by 2025.

China, India, the Republic of Korea, Germany and Saudi Arabia are the top five countries with students going abroad, with c.500,000 Chinese students going abroad in 2014, an increase of 11% over 2013.

The world's population is increasingly becoming more educated. Many of the world's largest established economies now have nearly half of their 25-34 year-olds with tertiary education. A stark contrast to that of the population of 55-64 year-olds, where the proportion is much lower[3].

Growth in high level skills in the adult population 2013



Source: OECD Education at a Glance 2014, A1-3

1) Times Higher Education World University rankings 2015/16.
2) Universities UK: Patterns and trends in UK higher education 2015.
3) OECD Education at a Glance 2014. A1-3.

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 74% of the student body, up from 62% at the start of the decade, and under-25s now make up three quarters of all undergraduates and a third of postgraduates[1].

As well as changes in the age of students and their mode of study, the student body has become more cosmopolitan over the decade. In 2004/05, 4% of students came from the EU and 9% from outside the EU. By 2014/15, the numbers had increased to 6% and 14% respectively[2].

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[3].

Investment market

2015 saw record levels of investment activity in the UK student accommodation market. The year was marked by a number of large portfolios being traded which combined, totalled over £3.4 billion in six portfolios. The portfolios were acquired by a number of new entrants to the market including sovereign wealth funds, US multi-family specialist investors, institutional funds and some opportunity and private equity funds.

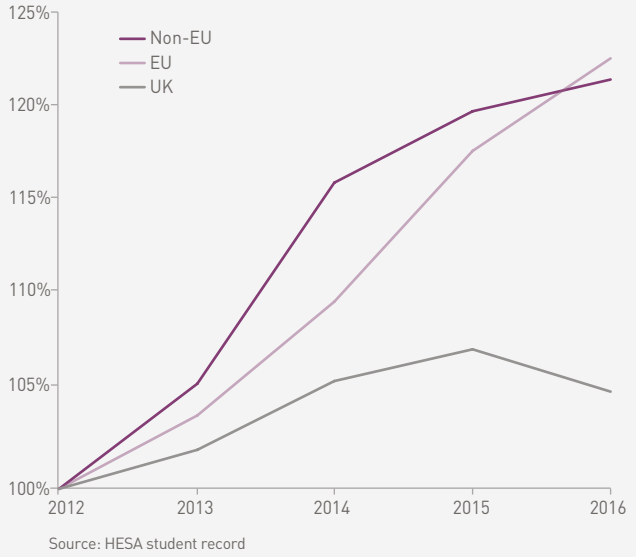
In addition to the portfolios, a number of individual asset transactions took place with purchasers including UK institutional investors, international investors and listed companies. Three individual assets in London each traded for in excess of £100 million.

HEI acceptance and applicant rates

The 2015/16 academic cycle broke last year's record, with the intake of undergraduates entering UK higher education totalling c.532,000.

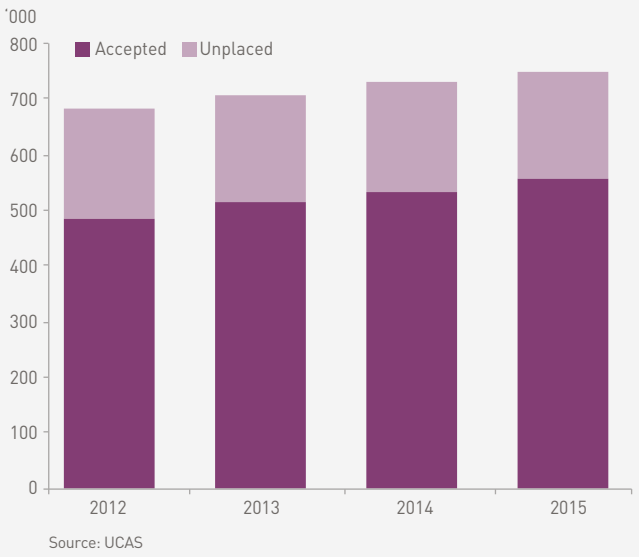
On 4 February 2016, UCAS published application statistics for the January deadline, which showed that applicants from the EU are up 6% and non-EU students up 1% (at the equivalent point in the 2015/16 cycle).

% growth in full time student numbers



Source: HESA student record

Student acceptance rates



Source: UCAS

1) HESA student record.
2) OECD Education at a Glance 2014. A1-3.
3) Savills: Spotlight, World Student Housing 2015/16.

Investment Manager's report continued

Financial results

The Company has achieved average rental growth of 4.5% across the portfolio for the 2015/16 academic year, producing a strong set of results, with total rental income for the period ended 31 December 2015 of £9 million generated from the Company's enlarged property portfolio following the acquisition of Scape Shoreditch, Scape Surrey and The Pad 2.

Total gains on investment properties through revaluation of the Company's investment portfolio were £21.7 million as at 31 December 2015, positively impacting operating profit and generating earnings per share of 11.9 pence. The adjusted earnings per share for the period was 2.05 pence (excluding one-off finance costs relating to the C share issue).

Total administration expenses of £2.6 million comprise fund running costs, including the Investment Manager's fee and other service provider costs in the period.

Ongoing finance charges of £1.3 million in the period comprise loan and swap interest associated with the Company's financing arrangements.

Exceptional finance costs relate to the C share issue. In accordance with IFRS, the costs of the C share issue and property valuation gains for the period the C shares were in issue are amortised through finance costs. The amortisation charge is fully offset by a corresponding increase in equity upon conversion, which has positively impacted the net assets of the Company.

The Company generated total profit before tax for the period of £17 million.

Financial performance

Income statement

	For the period ended 31 December 2015 £'000	For the period ended 31 December 2014 £'000
Rental income	**9,014**	5,578
Operating expenses	**(2,167)**	(1,236)
Gross profit (net operating income)	**6,847**	4,342
Net operating margin	**76%**	78%
Administration expenses	**(2,613)**	(813)
Gains on investment properties	**21,699**	9,090
Operating profit	**25,933**	12,619
Ongoing net finance costs	**(1,289)**	(685)
Exceptional finance costs	**(7,635)**	—
Profit before tax for the period	**17,009**	11,934

Dividends

The Company has paid dividends of 2.82 pence for the period, increasing the dividend in line with RPI on an annualised basis. 2.47 pence per ordinary share was paid as a REIT property income distribution in respect of the Group's tax-exempt property rental business and 0.35 pence per ordinary share was paid as an ordinary UK dividend.

Debt financing

The Group entered into significantly improved new financing arrangements with a new lender, Pricoa Mortgage Capital, in September 2015, which, on completion of the acquisition of Scape Shoreditch, replaced the Company's previous facility with Barclays. The new facility is a £130 million, fixed-rate loan with a term of nine years financed by Pricoa at a rate of 3.07%. At 31 December 2015, total bank borrowings of the Group are £130 million, producing a loan-to-gross asset value of c.32%.

Property acquisitions

In September 2015, the proceeds of the C share issue were used to finance the acquisition of Scape Surrey, a purpose-built, private student accommodation residence completed for the 2015/16 academic year with 141 beds and c.2,000 sq ft of communal space, for a purchase price of £18.9 million. The property is fully occupied for the 2015/16 academic year.

The Pad 2 was also purchased in September 2015 and was fully financed with the proceeds of the C share issue, for a purchase price of £16.1 million. The Pad 2 is a purpose-built, private student accommodation residence completed for the 2015/16 academic year with 104 studios and associated communal areas, study spaces and lounge facilities. The building is joined to The Pad, which was completed in September 2013 with 116 studios (and which was acquired by the Company in December 2013), and shares a reception, common grounds and parking spaces.

In September 2015, the Company also acquired Scape Shoreditch, a purpose-built, private student accommodation residence completed for the 2015/16 academic year located at a prime London location in Shoreditch. Scape Shoreditch is within a 15 minute walk to The City University (c.18,000 students) and CASS Business School. The building comprises 541 studio bedrooms and c.10,000 sq ft of communal areas including a gym, dance studio, study lounge, games room, cinema, communal kitchen, sun terrace and BBQ terrace.

The building also includes c.49,000 sq ft of commercial facilities for which an agreement has been entered into for a 15-year fully repairing and insuring lease which it is expected will generate c.25% of total revenues for Scape Shoreditch after expiry of the tenant's incentives.

The purchase price for Scape Shoreditch was £166.1 million. At 31 December 2015, the property was fully occupied on 51-week lettings. The acquisition of Scape Shoreditch was funded from the proceeds of the C share issue and the new banking facility.

Scape Surrey and The Pad 2 were both acquired pursuant to forward purchase agreements, enabling the Company to lock in a purchase price based on the yield at the time of signing the agreement, prior to completion of the property. Following signing, yields compressed which translated into an attractive acquisition price for shareholders on both assets. Scape Shoreditch was acquired by way of a corporate acquisition and was negotiated with the vendor in an off-market transaction.

The Company continues to benefit from the Investment Manager's ability to identify and negotiate attractive off-market deals through its relationships with property developers, offering good value to shareholders.

Post period-end, the Company acquired Water Lane Apartments, a modern, private student residential accommodation asset in a prime city centre location in Bristol. The acquisition was funded by way of a £19 million placing of ordinary shares. The asset is fully occupied on 51-week lettings for the 2015/16 academic year and represents approximately 4% of the Company's enlarged portfolio.

C share conversion

On 27 October 2015, the Company announced the conversion of the C shares in accordance with the prospectus issued on 29 May 2015. The C shares were converted into ordinary shares at a conversion ratio of 1: 0.781044 ordinary shares. An application was made for 93,725,280 new ordinary shares to be admitted to trading on the Specialist Fund Market of the London Stock Exchange from 28 October 2015.

Asset performance

The Company has experienced 4.5% year-on-year rental growth for the 2015/16 academic year and yield compression of c.26 bps across the portfolio. The valuation of the Company's property portfolio has increased by £21.7 million or 5.7% in the period. The portfolio is 100% occupied for the 2015/16 academic year, all on 51-week tenancies.

There are 57 HEIs represented across the student population for the 2015/16 academic year, with the largest attendance at QMUL.

Investment Manager's report continued

Net assets

Net assets attributable to equity holders at 31 December 2015 were £275.6 million, up from £137.7 million at 30 June 2015. The increase in net assets has been driven by the acquisition of three new assets and increases in the valuation of the Company's property portfolio.

Net asset value and share price performance

The Company's ordinary shares have traded at a premium to the latest published prevailing NAV since IPO, with an average premium over the financial year of 6.2%.

At 31 December 2015, there were 203,635,708 ordinary shares in issue, giving an EPRA NAV (cum-income) per ordinary share of 135.35 pence and an EPRA NAV (ex-income) per share of 133.94 pence.

EPRA NAV has increased from 125.51 pence as at 30 June 2015 to 135.35 pence per ordinary share, an 8% increase for the six month period to 31 December 2015. Dividends of 2.82 pence per ordinary share were paid to shareholders. At the Group level, the total return for the six month period to 31 December 2015 was 7.8%.

Financial performance
Net assets

	As at 31 December 2015 £'000	As at 30 June 2015 £'000
Property	**400,470**	177,220
Receivables	**7,774**	18,991
Cash and cash equivalents	**12,866**	106,292
Total assets	**421,110**	302,503
Liabilities		
Payables	**(12,249)**	(5,341)
Deferred income	**(5,179)**	(2,442)
Senior loan	**(128,060)**	(39,569)
Financial liabilities at amortised cost	**—**	(117,422)
Total liabilities	**(145,488)**	(164,774)
Net assets	**275,622**	137,729
Number of shares	**203,635,708**	109,910,428
EPRA NAV per share (cum-income)	**135.35p**	125.51p
EPRA NAV per share (ex-income)	**133.94p**	124.11p

Cash flow generation

The Company held cash and cash equivalents of £12.9 million at the end of the financial period. Operating activities generated a total of £1.6 million net cash flows in relation to the Company's student accommodation portfolio. The Company invested £191.6 million (net of cash acquired), in the acquisition of assets, financed by way of the C share issue and the Company's new debt facility. Total dividends paid in the period were £3.3 million, with remaining cash flows relating to cost of the C share issue (borne by the C shareholders) and the cost of servicing the Company's debt facility.

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 10.

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 2015 and continue to be as set out in that report.

Risks faced by the Group include, but are not limited to, investment and strategy, general property and investment market conditions, property valuation, portfolio performance, dividends, borrowings and hedging, taxation, compliance with laws and regulations, operational risk, market risk, interest rate risk, credit risk and liquidity 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 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 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 8 March 2016 and the above responsibility statement was signed on its behalf by Robert Peto, Chairman.

Consolidated income statement

For the six months ended 31 December 2015

Continuing operations	Notes	Six months ended 31 December 2015 £'000	Six months ended 31 December 2014 £'000
Revenue		**9,014**	5,578
Property operating expenses		**(2,167)**	(1,236)
Gross profit		**6,847**	4,342
Administration expenses		**(2,613)**	(813)
Operating profit before gains on investment properties		**4,234**	3,529
Fair value gains on investment properties	3	**21,699**	9,090
Operating profit		**25,933**	12,619
Finance income		**72**	5
Finance expenses – ongoing	4	**(1,361)**	(690)
Finance expenses – exceptional	4	**(7,635)**	—
Profit before tax		**17,009**	11,934
Tax charge on residual income	5	**(8)**	—
Profit for the period		**17,001**	11,934
EPS (basic and diluted) (pps)	7	**11.89**	10.86

The accompanying notes 1 to 18 form an integral part of these financial statements.

Consolidated statement of comprehensive income

For the six months ended 31 December 2015

	Notes	Six months ended 31 December 2015 £'000	Six months ended 31 December 2014 £'000
Profit for the period		**17,001**	11,934
Other comprehensive income to be reclassified to profit and loss in subsequent periods			
Net gains/(losses) on cash flow hedges	9	**214**	(331)
Total comprehensive income for the period		**17,215**	11,603

The accompanying notes 1 to 18 form an integral part of these financial statements.

Consolidated statement of financial position

As at 31 December 2015

Assets	Notes	31 December 2015 £'000	30 June 2015 £'000
Non-current assets			
Investment property	3	**400,470**	177,220
Retention account		**1,322**	308
		401,792	177,528
Current assets			
Cash and cash equivalents		**12,866**	106,292
Trade and other receivables		**6,452**	18,683
		19,318	124,975
Total assets		**421,110**	302,503
Liabilities			
Non-current liabilities			
Interest bearing loans and borrowings	8	**(128,060)**	(39,569)
Derivative financial instruments	9	**—**	(214)
Retention account		**(1,322)**	(308)
		(129,382)	(40,091)
Current liabilities			
Trade and other payables		**(10,927)**	(4,819)
Deferred income		**(5,179)**	(2,442)
Financial liabilities at amortised cost	10	**—**	(117,422)
		(16,106)	(124,683)
Total liabilities		**(145,488)**	(164,774)
Net assets		**275,622**	137,729
Equity			
Share capital	11	**2,036**	1,099
Share premium		**162,775**	39,946
Hedging reserve		**—**	(214)
Retained earnings		**110,811**	96,898
Total equity		**275,622**	137,729
Number of shares in issue		**203,635,708**	109,910,428
EPRA NNNAV per share (pps)	12	**135.35**	125.31
EPRA NAV per share (pps)	12	**135.35**	125.51

The accompanying notes 1 to 18 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	Total £'000
Balance at 1 July 2015	**1,099**	**39,946**	**(214)**	**96,898**	**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	**—**	**—**	**—**	**(3,088)**	**(3,088)**
Balance at 31 December 2015	**2,036**	**162,775**	**—**	**110,811**	**275,622**

The accompanying notes 1 to 18 form an integral part of these financial statements.

Consolidated statement of changes in equity

For the six months ended 31 December 2014

	Share capital £'000	Share premium £'000	Hedging reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 July 2014	1,099	39,937	47	71,772	112,855
Profit for the period	—	—	—	11,934	11,934
Other comprehensive income that may be reclassified subsequently to profit and loss					
Net losses on cash flow hedges	—	—	(331)	—	(331)
Total comprehensive income	—	—	(331)	11,934	11,603
Share issue cost adjustments	—	88	—	—	88
Dividends	—	—	—	(3,078)	(3,078)
Balance at 31 December 2014	1,099	40,025	(284)	80,628	121,468

The accompanying notes 1 to 18 form an integral part of these financial statements.

Consolidated statement of cash flows

For the six months ended 31 December 2015

	Six months ended 31 December 2015 £'000	Six months ended 31 December 2014 £'000
Cash flows from operating activities		
Operating profit	**25,933**	12,619
Adjustments to reconcile profit for the period to net cash flows:		
Gain from change in fair value of investment properties	**(21,699)**	(9,090)
Corporation tax refunds	**18**	—
(Increase)/decrease in other receivables and prepayments	**(2,424)**	183
Decrease in other payables and accrued expenses	**(212)**	(376)
Net cash flow generated from operating activities	**1,616**	3,336
Cash flows from investing activities		
Acquisition of investment properties	**(35,495)**	—
Acquisition of subsidiaries net of cash acquired	**(156,092)**	—
Net cash used in investing activities	**(191,587)**	—
Cash flows from financing activities		
Share issue costs	**2**	(47)
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	**72**	6
Finance expenses	**(3,953)**	(638)
Dividends paid in the period	**(3,281)**	(3,036)
Net cash flow generated from/(used in) financing activities	**96,545**	(3,715)
Net decrease in cash and cash equivalents	**(93,426)**	(379)
Cash and cash equivalents at start of period	**106,292**	3,629
Cash and cash equivalents at end of the period	**12,866**	3,250

The accompanying notes 1 to 18 form an integral part of these financial statements.

Notes to the consolidated financial statements

For the six months ended 31 December 2015

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 Beaufort House, 51 New North Road, Exeter EX4 4EP. The Company's shares trade on the SFM.

2. Basis of preparation

These consolidated financial statements for the six months ended 31 December 2015 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 2015. Those financial statements were prepared in accordance with IFRS issued by the IASB as adopted by the European Union.

These consolidated financial statements have been prepared under the historical cost convention, except for investment property, investments in subsidiaries and derivative financial instruments that have been measured at fair value.
The financial statements are presented in 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.

The consolidated interim financial information includes the financial statements of the Company and its wholly-owned subsidiaries for the six months ended 31 December 2015.

2.1 Significant accounting policies

Accounting policies are consistent with those of the annual report for the year ended 30 June 2015.

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 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:

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 accounts for the contracts as operating leases.

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.

C share liability

The Directors have considered whether the C share liability should be valued in the financial statements at fair value or stated at amortised cost.

The C shares were traded on the SFM of the London Stock Exchange. The amortised cost value of the C share pool equates to the net asset value of the C shares, which the Directors consider is the most appropriate way to disclose the liability within the financial statements.

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. Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements have been prepared on the going concern basis.

3. UK investment property

	31 December 2015 £'000	30 June 2015 £'000
Valuation at the start of the period	**177,220**	151,560
Acquisitions arising from business combinations	**166,100**	—
Acquisitions of property	**35,451**	—
Fair value gains on revaluation of investment property	**21,699**	25,660
Valuation at the end of the period	**400,470**	177,220

During the period, the Group purchased the property Scape Shoreditch by way of the corporate acquisition of the company Old Street Acquisitions Limited and its subsidiary companies. Details of the corporate acquisition of Old Street Acquisitions Limited are shown in note 13.

The other property acquisitions, Scape Surrey and The Pad 2, were purchased directly by the previously dormant subsidiary companies, GCP SG Limited and GCP RHUL Limited respectively.

4. Finance expenses

Ongoing charges	31 December 2015 £'000	31 December 2014 £'000
Bank charges	**3**	3
Swap interest	**10**	90
Loan interest	**1,277**	529
Loan non-utilisation fee	**15**	11
Loan arrangement fees amortised	**56**	57
Total	**1,361**	690

Exceptional charges	31 December 2015 £'000	31 December 2014 £'000
Unamortised loan arrangement fees written off	**431**	—
Swap break costs	**255**	—
Loan cancellation fees	**610**	—
Amortisation of C share issue costs	**2,536**	—
Amortisation of C share liability	**3,803**	—
Total	**7,635**	—

Notes to the consolidated financial statements continued

For the six months ended 31 December 2015

4. Finance expenses continued

Exceptional finance charges have arisen from two items:

1. During the period, the Group entered into significantly improved new financing arrangements. The total costs of repaying and breaking the original bank borrowings and interest rate swap was £1,296,000.
2. Finance costs of £6,339,000 arising in the period from the accounting treatment of the C shares as debt rather than equity. This represents:
   i. issue costs of £2,536,000 which on an equity raise would be treated as a reduction to equity rather than a finance cost; and
   ii. amortisation of the C share liability, which reflects the uplift in the value of assets attributable to the C shares during the period up to the conversion of the C shares to ordinary shares on 28 October 2015. This uplift is included in the value of the ordinary shares issued on conversion. Therefore, there is increase in equity representing the increase in the assets represented by the C share pool which is over and above the value of the funds raised from the original issue of C shares.

5. Taxation

As a REIT, the Group's UK property rental business (both income and capital gains) is exempt from tax. Any residual income from non-property business is subject to corporation tax. Corporation tax has arisen as follows:

	31 December 2015 £'000	31 December 2014 £'000
Corporation tax on residual income for the current period	**8**	—
	8	—

6. Dividends payable to ordinary shareholders

	31 December 2015		31 December 2014	
	Pence per share	**£'000**	Pence per share	£'000
First interim dividend paid	**1.41**	**1,550**	1.40	1,539
Second interim dividend declared	**1.41**	**2,871**	1.40	1,539
Total	**2.82**	**4,421**	2.80	3,078

On 28 January 2016, the Company declared a second interim dividend of 1.41 pence per share, payable on 4 March 2016 to shareholders on the register on 5 February 2016.

As a REIT, the Company is required to pay PIDs equal to at least 90% of the Group's exempted income after deduction of withholding tax at the basic rate (currently 20%).

7. Earnings per share

Basic (and diluted) EPS amounts are 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 outstanding, basic and diluted EPS are identical.

	31 December 2015 Pence per share	31 December 2014 Pence per share
EPS	**11.89**	10.86
EPRA EPS	**(3.28)**	2.59
Group specific adjusted EPS	**2.05**	2.59

The EPRA EPS may be calculated as:

	31 December 2015 £'000	31 December 2014 £'000
Group earnings for EPS	**17,001**	11,934
Fair value gains on investment properties	**(21,699)**	(9,090)
Group earnings for EPRA EPS	**(4,698)**	2,844
Group specific adjustments:		
Exceptional finance costs per note 4	**7,635**	—
Group specific adjusted earnings	**2,937**	2,844
Weighted average number of shares	**143,019,902**	109,910,428

A third EPS calculation has been made to show EPRA earnings excluding the exceptional one-off finance costs arising in the period. The costs have arisen from two items:

1. costs of repaying and breaking the original bank borrowings and interest rate swap totalling £1,296,000; and
2. 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 2015		
	New facility £'000	Previous facility £'000	30 June 2015 £'000
Loan drawn down at the start of the period	**—**	**40,000**	40,000
Loan repaid	**—**	**(40,000)**	—
Loan drawn down	**130,000**	**—**	—
Total loans drawn down	**130,000**	**—**	40,000
Loan arrangement fees	**(1,997)**	**(655)**	(655)
Amortised at the start of the period	**—**	**224**	111
Amortised in the period	**57**	**431**	113
Unamortised loan arrangement fees	**(1,940)**	**—**	(431)
Loan balance less unamortised loan arrangement fees	**128,060**	**—**	39,569

During the period, 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.

Notes to the consolidated financial statements continued

For the six months ended 31 December 2015

8. Interest bearing loans and borrowings continued

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 and the Group has maintained significant headroom against all measures throughout the financial period. The Group is in full compliance with the debt facility covenant at 31 December 2015.

9. Financial derivatives and hedging

	Hedged amount £'000	Maturity	**31 December 2015 £'000**	30 June 2015 £'000
Interest rate swap at fair value	20,000	02/05/2017		
Fair value at the start of period			**(214)**	47
Change in valuation			**214**	(261)
Fair value of financial derivatives			**—**	(214)

Cash flow hedges

On 30 September 2015, the Group terminated its interest rate swap contract. Break costs of £255,100 were incurred and have been expensed within finance costs in the income statement.

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

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

10. C shares financial liability

	31 December 2015 £'000	30 June 2015 £'000
Fair value at the start of the period	**117,422**	—
Proceeds from the issue of C shares	**—**	120,000
Issue costs	**9**	(2,575)
Amortisation of issue costs	**2,536**	30
Amortisation of C share liability	**3,803**	(33)
Value of C shares converted to ordinary shares	**(123,770)**	—
Fair value at the end of the period	**—**	117,422

On 25 June 2015, the Company announced the issue of 120,000,000 C shares, issued at £1 per share. The shares were listed on the SFM and dealing commenced on 30 June 2015. The conversion of the C shares to ordinary shares took place on 28 October 2015.

The funds were raised in order to finance a number of property acquisitions.

Under IAS 32 Financial Instruments Presentation, the C shares meet the definition of a financial liability rather than equity and are presented in the financial statements as a liability of the Company carried at amortised cost.

Whilst the C shares were in issue, the results, assets and liabilities attributable to the C shares were accounted for in a separate pool to the results, assets and liabilities of the ordinary shares. A share of fund level expenses for the period the C shares were in issue was allocated to the C shares based on the net assets of each share class pool.

On 28 October 2015, the C shares were converted into ordinary shares at the rate of 0.781044 ordinary shares for every C share. On this basis, a holder of 1,000 C shares received 781 ordinary shares.

The tables below give a summary of the results of the C share pool up to the date of conversion and the value of the C share pool assets on the date of conversion.

For the period from issue to conversion	£'000
Proceeds from the issue of C shares	**120,000**
Issue costs	**(2,566)**
Net rental income	**87**
Administration expenses	**(946)**
Gain on the value of investment properties	**7,879**
Finance income	**64**
Finance expenses	**(735)**
Tax	**(13)**
Value of C shares on conversion	**123,770**

Represented by the following assets and liabilities	£'000
Investment properties	**209,430**
Trade and other receivables	**3,800**
Cash and cash equivalents	**14,342**
Deferred income	**(4,161)**
Trade and other payables	**(10,516)**
Retention liabilities	**(507)**
Borrowings	**(88,618)**
Value of C shares on conversion	**123,770**

11. Share capital

	31 December 2015		
	Number of £0.01 ordinary shares	£'000	30 June 2015 £'000
Issued and fully paid:			
At the start of the period	**109,910,428**	**1,099**	1,099
Upon C share conversion on 28 October 2015	**93,725,280**	**937**	—
Balance at the end of the period	**203,635,708**	**2,036**	1,099

On 28 October 2015, 120,000,000 C shares were converted into 93,725,280 ordinary shares for a consideration of £123,770,000, representing the value of the C share asset pool.

Notes to the consolidated financial statements continued

For the six months ended 31 December 2015

12. 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 by the number of ordinary shares outstanding at the end of the period. As there are no dilutive instruments outstanding, 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 2015 Pence per share	30 June 2015 Pence per share
EPRA NNNAV (pps)	**135.35**	125.31
EPRA NAV (pps)	**135.35**	125.51

The EPRA NAV may be calculated as:

	31 December 2015 £'000	31 December 2014 £'000
Net assets attributable to ordinary shareholders (for calculation of EPRA NNNAV)	**275,622**	137,729
Financial derivative	**—**	214
Adjusted net assets for calculation of EPRA NAV	**275,622**	137,943
Number of ordinary shares in issue	**203,635,708**	109,910,428

At 31 December 2015, there were no C shares in issue. At 30 June 2015, the net asset value of the C shares was £117,422,000, representing 97.85 pence per share.

13. Business combinations

On 30 September 2015, the Group obtained control of Old Street Acquisitions Limited by obtaining 100% of the issued share capital. The principal activity of this company and its subsidiaries is the provision of student accommodation in line with the Group's investment strategy.

The fair value of the identifiable assets and liabilities of Old Street Acquisitions Limited upon acquisition at 30 September 2015 were:

	30 September 2015 £'000
Investment properties	**166,100**
Trade receivables	**1,406**
Cash and cash equivalents	**1,753**
Trade payables	**(8,603)**
Deferred rental income	**(1,539)**
Retention liability	**(507)**
Corporation tax provision	**(2)**
Total identifiable net assets at fair value at time of acquisition	**158,608**
Fair value of further assets identified since acquisition	**112**
Total identifiable net assets at fair value	**158,720**
Analysis of cash flows on acquisition:	
Cash consideration	**79,186**
Less cash and cash equivalents acquired on acquisition	**(2,517)**
Replacement of borrowings with intercompany loans	**79,423**
Net cash flow on acquisition	**156,092**

Old Street Acquisitions Limited contributed £2,310,000 to revenue and £6,931,000 to the Group's profit for the period between the date of acquisition and the statement of financial position date.

Notes to the consolidated financial statements continued

For the six months ended 31 December 2015

14. 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 are approximate to their carrying amounts due to the short-term maturities of these instruments.

Interest bearing loans and borrowings and the liability due to the C share pool are disclosed at amortised cost.

C shares were actively traded on the SFM. At 31 December 2015, there were no C shares in issue. At 30 June 2015, the share price was 105.25 pence per share, the fair value (Level 1 in the fair value hierarchy) of the C shares being £126,300,000 compared to the amortised cost value of £117,422,000. The amortised cost value of the C share pool equates to the net asset value of the C shares which the Directors consider is the most appropriate way to disclose the liability within the financial statements.

The fair values of the derivative interest rate swap contracts are estimated by discounting expected future cash flows using current market interest rates yield curves and performance risk over the remaining term of the instrument.

Valuation 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, however the valuations are the ultimate responsibility of the Directors.

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 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, 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 financial instruments recognised in the statement of financial position by level of the fair value hierarchy*:

	31 December 2015			
Assets and liabilities measured at fair value	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Investment properties	**—**	**—**	**400,470**	**400,470**
Financial derivatives	**—**	**—**	**—**	**—**
	—	**—**	**400,470**	**400,470**

	30 June 2015			
Assets and liabilities measured at fair value	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment properties	—	—	177,220	177,220
Financial derivatives	—	(214)	—	(214)
	—	(214)	177,220	177,006

* 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.

Sensitivity analysis to significant changes in unobservable inputs within Level 3 of the hierarchy

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy of the Group's portfolio of investment property are:

- ERV;
- rental growth;
- tenancy period;
- sundry income;
- facilities management cost; and
- initial yield.

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

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 2015	£400,470,000	Income capitalisation	ERV – 2015/16	£185 – £425 per week
			Rental growth	2.5% – 3.0%
			Tenancy period	51 weeks
			Sundry income	£50 – £100 per bed per annum
			Facilities management cost	£1,900 – £2,100 per bed per annum
			Initial yield	5.12% – 5.75% blended (4.85% – 7.50%)
Student property 30 June 2015	£177,220,000	Income capitalisation	ERV – 2014/15	£180 – £340 per week
			Rental growth	2.5% – 3.0%
			Tenancy period	51 weeks
			Sundry income	£100 per bed per annum
			Facilities management cost	£1,800 – £2,000 per bed per annum
			Initial yield	5.12% – 5.75% blended (4.85% – 7.50%)

Gains and losses recorded in profit or loss for recurring fair value measurements categorised within Level 3 of the fair value hierarchy amount to £21,699,000 (30 June 2015: £25,660,000) and are presented in the income statement in line item 'fair value gains on investment properties'.

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

The carrying amount of the Company's assets and liabilities, except for the liability to the C shareholders, is considered to be the same as their fair value.

Notes to the consolidated financial statements continued

For the six months ended 31 December 2015

15. Financial risk management objectives and policies

The Company's principal financial liabilities are 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 fair values of financial instruments will fluctuate because of changes in market prices. The Company's exposure to the risk of changes in interest rates is minimal as it has taken out a fixed rate bank loan.

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 a fixed rate bank loan.

Credit risk

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

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

The deposit account, cash and cash equivalents and the financial derivatives are held with Barclays which holds an A credit rating.

Liquidity risk

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

16. Related party transactions

As defined by IAS 24 Related Party Disclosures, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Subsidiaries

GCP Student Living plc, as at 31 December 2015, owns a 100% controlling stake in GCP Topco Limited, GCP Holdco Limited, GCP Scape East Limited, Ternion (Danehurst) Limited, GCP Operations Limited, Leopard Guernsey Greenwich JV Limited, Leopard Guernsey Greenwich Limited, Leopard Guernsey Greenwich 2 Limited, GCP RHUL Limited, GCP SG Limited, Old Street Acquisitions Limited, Leopard Guernsey Old Street 2 Limited and Leopard Guernsey Old Street Limited, respectively.

Directors

The Directors (all non-executive Directors) of the Company and subsidiaries are considered to be the key management personnel of the Group. Directors' remuneration for the six months totalled £61,000 (six months ended 31 December 2014: £47,000) and at 31 December 2015, a balance of £15,000 (2014: £12,000) 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). During the six months, the Group incurred £1,388,000 (six months ended 31 December 2014: £603,000) in respect of investment management fees and expenses which is included within administration expenses in the consolidated income statement; at 31 December 2015, £700,000 (2014: £307,000) was outstanding.

17. Events after the reporting period

On 15 February 2016, the Company acquired Water Lane Apartments, a modern, private, student residential accommodation asset in a prime city centre location in Bristol. The asset is fully occupied on 51-week lettings for the 2015/16 academic year and represents approximately 4% of the Company's enlarged portfolio. The acquisition was funded by way of a £19 million placing of ordinary shares. 14,074,075 ordinary shares were issued at 135 pence per share on 12 February 2016.

18. Financial information

The financial information contained within this half-yearly report does not constitute full statutory accounts as defined in section 434 of the Companies Act 2006. The financial information for the periods ended 31 December 2015 and 31 December 2014 have not been audited or reviewed by the Company's Auditor. The latest published audited financial statements for the year ended 30 June 2015 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 2015 is an extract from those financial statements.

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 final 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.

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 investment restrictions:

- the Company will derive its rental income from a portfolio of not less than 500 studios;
- 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. The Company's shares were admitted to trading on the SFM on 20 May 2013.

The Investment Manager

The Company receives investment advice and management services from the Investment Manager, Gravis Capital Partners LLP. The Investment Manager was incorporated in England and Wales on 14 October 2007 under the Limited Liability Partnership Act 2000 and is authorised and regulated by the Financial Conduct Authority.

Gravis Capital Partners LLP currently manages assets with a principal value in excess of £1 billion. It was formed with a view to developing a specialist infrastructure advisory boutique. This business model was amended to focus specifically on fund management, principally on income-generating defensive sectors central to the UK's social and community infrastructure. The Investment Manager has advised on student accommodation and educational assets since its formation and its senior management team have combined experience of over 30 years in the sector.

Glossary of key terms

BARCLAYS	Barclays Bank PLC
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 net asset value – includes all property at market value but excludes the mark to market of interest rate swaps
EPRA NNNAV PER SHARE	As EPRA NAV but includes interest rate swaps carried at market value
EPS	Earnings per share
ERV	Estimated rental value
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	Net debt expressed as a percentage of net assets excluding net debt
NAV	Net asset value
NON-PID	Non-property income distribution
PID	Property income distribution
PPS	Pence per share
QMUL	Queen Mary University of London
REIT	Real estate investment trust
RHUL	Royal Holloway University of London
RICS	Royal Institution of Chartered Surveyors
RPI	Retail price index
SFM	London Stock Exchange (Specialist Fund Market)
TOTAL SHAREHOLDER RETURN	Share price growth with dividend deemed to be reinvested on the dividend date
UCAS	Universities and Colleges Admissions Service

Corporate information

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

Key dates

December	Company's half year end Payment of first interim dividend
March	Half-yearly results announced
March	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

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GCP

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