GCP

STUDENT

GCP STUDENT LIVING PLC

Half-yearly report and condensed consolidated financial statements for the six months ended 31 December 2018

Gravis

CONTENTS

1 At a glance
Highlights for the period
2 Investment objectives and KPIs
3 Portfolio at a glance
4 Chairman's statement
6 Investment Manager's report
12 Financial review of the period
15 Company performance
16 Interim management report and statement of Directors' responsibilities
17 Independent review report
18 Condensed consolidated statement of comprehensive income
19 Condensed consolidated statement of financial position
20 Condensed consolidated statement of changes in equity
21 Condensed consolidated statement of cash flows
22 Notes to the condensed consolidated financial statements
31 Shareholder information
32 Glossary of key terms
34 Corporate information

Print/Annual Report Gold Winner

Best Report and Accounts (Specialist)

Cover image: Scape Bloomsbury, artwork Peter Judson

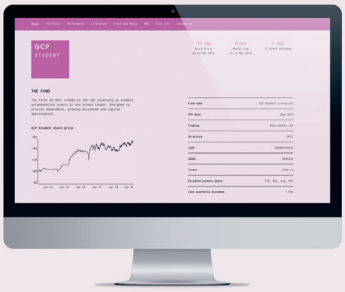
ABOUT US

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

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

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

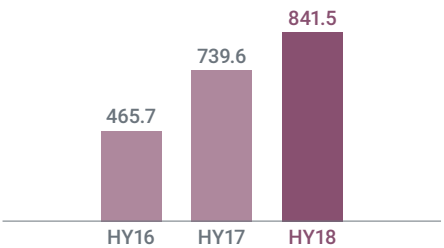
The Company has a premium listing on the Official List of the FCA and trades on the Premium Segment of the Main Market of the London Stock Exchange. The Company had a market capitalisation of c.£610 million at 31 December 2018.



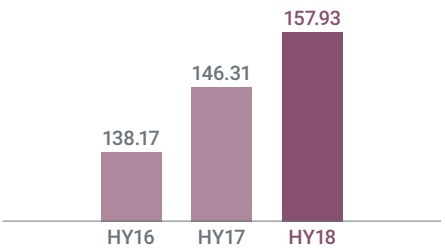
www.gcpstudent.com

AT A GLANCE

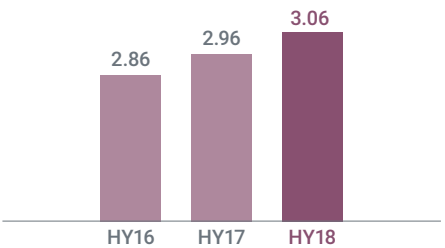
VALUE OF PROPERTY PORTFOLIO £m



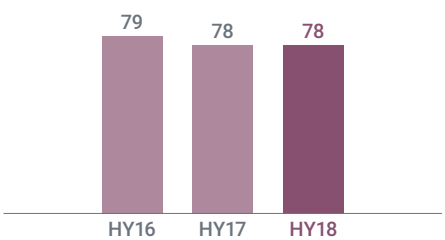
EPRA NAV[1,2] PER SHARE p



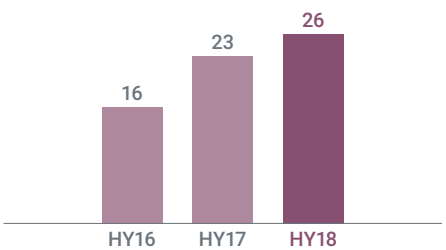
DIVIDENDS PER SHARE p



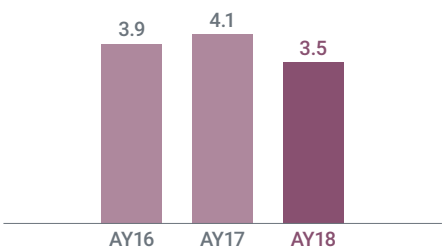
NET OPERATING MARGIN[2] %



LOAN-TO-VALUE %



STUDENT RENTAL GROWTH[2] %



HIGHLIGHTS FOR THE PERIOD[3]

- Annualised shareholder total return since IPO[3] of 11.9%, compared to the Company's target return of 8-10%.
- Dividends of 3.06 pence per share paid in respect of the period.
- EPRA NAV[3] (cum-income) per ordinary share of 157.93 pence and EPRA NAV (ex-income) per ordinary share of 156.40 pence at 31 December 2018.[1]
- Total rental income for the period of £20.9 million.
- Successful equity raise of £38.1 million (before issue costs) through a placing of new ordinary shares.
- New debt facilities for an aggregate amount of up to £100 million with Wells Fargo.
- Entry into a conditional contract to acquire and forward fund Scape Brighton, which is expected to provide c.550 beds for the 2020/21 academic year.
- The Company benefits from a future contractual arrangement to acquire Scape Canalside, a new-build asset located adjacent to Queen Mary University of London.
- High-quality portfolio of ten assets with c.3,600 beds located primarily in and around London, with a valuation of £841.5 million at 31 December 2018. The Company's properties continue to benefit from the supply/demand imbalances for modern student facilities, with the portfolio fully occupied and rental growth of 3.5% for the 2018/19 academic year.
- Completion of the refurbishment of Scape Bloomsbury ahead of schedule, for the 2018/19 academic year, providing 432 beds in London WC1.
- Construction of the forward-funded project Circus Street, Brighton continues in line with expectations and is expected to complete for the 2019/20 academic year, providing c.450 beds.

1. EPRA NAV is equivalent to the NAV calculated under IFRS for the year.
2. APM – see glossary for definitions and calculation methodology.
3. The Company's financial statements are prepared in accordance with IFRS. The financial highlights above include performance measures based on EPRA best practice recommendations, which are designed to enhance transparency and comparability across the European real estate sector. See glossary for definitions.

INVESTMENT OBJECTIVES AND KPIs

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

TOTAL RETURN

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

PORTFOLIO QUALITY

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

DIVERSIFICATION

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

KEY PERFORMANCE INDICATORS

The Company has generated an annualised shareholder total return since IPO[1] of 11.9%.

3.06p
Dividends paid or declared for the period

11.9%
Annualised shareholder total return since IPO[1]

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

FULL
Occupancy[1] for the 2018/19 academic year

3.5%
Student rental growth[1]

At 31 December 2018, the Company's property portfolio comprised ten high-quality, modern student accommodation assets.

3,561
Number of beds at 31 December 2018

10
Number of assets

Further information on Company performance can be found on page 15.

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

PORTFOLIO AT A GLANCE

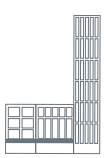
At 31 December 2018, the Company's portfolio comprised ten assets with c.3,600 beds, providing high-quality, modern student accommodation.

IN AND AROUND LONDON

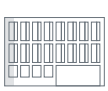
Location of assets by total capital value

4.74%
Blended net initial yield

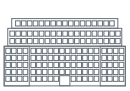
1
SCAPE EAST
MV £149.0m
NIY 4.75%
588



2
SCAPE WEMBLEY
MV £95.0m
NIY 4.90%
578



3
SCAPE SHOREDITCH
MV £200.8m
NIY 4.15%
541



4
SCAPE BLOOMSBURY
MV £180.9m
NIY 4.25%
432

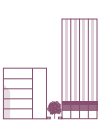
5
SCAPE GREENWICH
MV £56.2m
NIY 4.83%
280

6
THE PAD
MV £33.9m
NIY 5.80%
220

7
PODIUM
MV £30.8m
NIY 5.65%
178

8
SCAPE SURREY
MV £27.3m
NIY 5.15%
141

REST OF UK



9
CIRCUS STREET BRIGHTON
MV £46.5m
NIY N/A
450

10
WATER LANE APARTMENTS BRISTOL
MV £21.1m
NIY 5.40%
153

PENDING
SCAPE BRIGHTON[1]
MV N/A
NIY N/A
550

● OPERATIONAL ASSETS
● UNDER CONSTRUCTION
MV MARKET VALUATION
NIY NET INITIAL YIELD
NUMBER OF BEDS

1. The Company has entered into a forward-funding agreement which has gone unconditional. The Company expects to complete the acquisition in the coming months.

CHAIRMAN'S STATEMENT

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

Robert Peto
Chairman

Introduction

On behalf of the Board, I am pleased to report a period of strong performance for the Company. The focus on assets in and around London has delivered the Company's strongest NAV performance for an interim period since 2015, with the NAV per share rising by 5.9% to 157.93 pence per share.

It is also encouraging to note the Company's shareholder total return performance over the period of 3.0%. Over the same period, the FTSE EPRA NAREIT Index declined by 13.8%, with the Company one of only a handful of UK REITs to deliver positive total returns to investors.

Against a backdrop of concerns over weakening valuations and cash flows for the wider UK commercial property sector, the Company has reported strong NAV performance. This has been underpinned by rental growth of 3.5% achieved for the current academic year from a fully occupied portfolio of private student accommodation assets.

Accordingly, the Company has been able to increase its dividend during the period, paying a total of 3.06 pence per share. Since IPO in 2013, the Company has generated annualised shareholder total returns of 11.9%.

Investment activity

During the period, the Company entered into a conditional contract to acquire and forward fund the construction of Scape Brighton, its second asset in Brighton. The property is expected to provide c.550 beds and extensive communal areas for students for the 2020/21 academic year. The Company benefits from licensing fees which provide a 5.5% coupon per annum throughout the construction phase. Scape Brighton will add to the Company's presence in the Brighton market, with the construction of Circus Street, Brighton expected to complete ahead of the upcoming 2019/20 academic year.

Financial results

The Company has generated a strong set of results in both absolute and relative terms. The Company's investment portfolio delivered rental income of £20.9 million over the period. Its NAV per share increased from 149.12 pence at the financial year end, 30 June 2018, to 157.93 pence at 31 December 2018.

Dividends

The Company has paid dividends in respect of the six-month period ended 31 December 2018 of 3.06 pence per share.

The Board is pleased to report the substantial improvement to the Company's dividend cover, which has been driven by Scape Bloomsbury opening to students in September 2018 and the Company's reduced cash balances as Circus Street, Brighton nears completion of its construction.

Financing

On 25 September 2018, the Company raised £38.1 million by way of a non pre-emptive placing of new ordinary shares which will be used, together with the Company's debt facilities, to fund the development of Scape Brighton and Circus Street, Brighton.

On 20 December 2018, the Company entered into an agreement with Wells Fargo in respect of a development facility for an amount of up to £55 million. The development facility is intended to be drawn over time, partly to fund the construction of Scape Brighton. The development facility has a margin during the construction phase of 3.1% per annum above LIBOR (reducing to 2% per annum above LIBOR once the asset is operational and stabilised). It is repayable on 21 December 2021 with an option to extend by a further twelve months (at the Company's discretion, subject to certain conditions being met) and will be solely secured against Scape Brighton.

Accordingly, the Group's available banking facilities total £335 million. These facilities include the drawn fixed interest rate term facilities with PGIM for an aggregate amount of £235 million, which are secured against certain of the Group's operational assets, and have a weighted average term of seven years. In addition, the Group has £100 million of floating rate borrowing facilities with Wells Fargo (which were undrawn as at 31 December 2018) comprising the development facility detailed above and a £45 million redrawable credit facility.

At 31 December 2018, the Group's current blended cost of borrowing on its drawn debt was 2.96% with an average weighted maturity of seven years. The loan-to-value of the Group at that date was 26%.

Outlook

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

Since the EU referendum in 2016, the Board has repeatedly noted that the future risks of Brexit remain unknown and difficult to quantify. At the time of writing, there remains considerable uncertainty as to the possible outcomes for Brexit. Notwithstanding, the attraction of the UK, and London in particular, for domestic and global students alike remains evident. The UK has some of the highest-ranking universities in the world, with three in the top ten institutions in 2017/18.[1] Further, education remains a core sector for the UK economy, generating £95 billion and supporting nearly one million jobs across the nation.[2]

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

The Company has been highly successful in securing new, modern properties through future contractual arrangements secured by the Investment Manager. As detailed in the Company's announcement on 3 October 2017, the Company benefits from a conditional forward purchase agreement to acquire Scape Canalside, a high-specification, new-build asset located immediately adjacent to Queen Mary University of London. With the property expected to open to students for the 2019/20 academic year, the Board and Investment Manager are considering the optimum way to finance its acquisition ahead of acquiring the property.

Robert Peto
Chairman

19 March 2019

FOR MORE INFORMATION, PLEASE REFER TO THE INVESTMENT MANAGER'S REPORT ON PAGES 6 TO 11.

1. Times Higher Education World University Rankings 2018.
2. The Impact of Universities on the UK Economy, Universities UK.

INVESTMENT MANAGER'S REPORT

The Investment Manager continues to believe that the location of assets is fundamental to their ability to support long-term returns to shareholders.

Scape Bloomsbury

Acceptances from both EU and non-EU students have increased, with the former continuing to remain above the levels seen prior to the EU referendum.

The UK student accommodation market

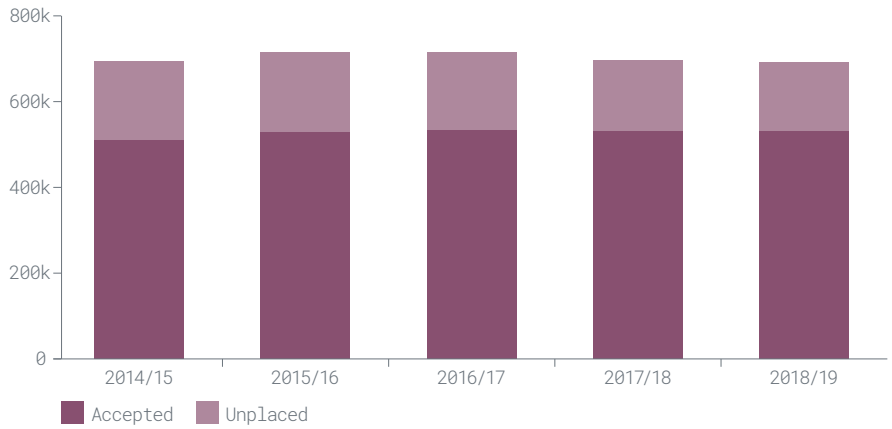
The Investment Manager remains positive regarding the outlook for the student accommodation sector in the UK, particularly in relation to the Company's 'core' markets (including London, Brighton and Bristol) which continue to benefit from attractive demand characteristics supported by constrained supply. The Investment Manager continues to believe that the location of assets is fundamental to their ability to support long-term returns to shareholders.

Student numbers supportive of occupancy and growth

UCAS data for the 2018/19 academic year shows year-on-year growth of 4.4% in the number of international students accepted onto full-time courses in the UK, a sixth consecutive year of growth. Acceptances from both EU and non-EU students have increased, with the former continuing to remain above the levels seen prior to the EU referendum.

Whilst total acceptances to full-time higher education in the UK for the 2018/19 academic year remain broadly consistent with prior years, a combination of the cost of tuition and the removal of student number controls continues to benefit the top ranked universities most, (as shown in the graph on page 8), suggesting a flight to quality as students increasingly view their choice of university in terms of expected future earnings.

STUDENT ACCEPTANCE RATES



Source: UCAS

GROWTH IN STUDENT ACCEPTANCES

Source: UCAS

INVESTMENT MANAGER'S REPORT CONTINUED

Student numbers supportive of occupancy and growth continued

Demand for full-time higher education courses in London remains strong relative to the rest of the UK. London is home to 23 universities, with more universities ranked in the top 40 by The Times Higher Education World University Rankings than any other city in the world. Approximately one-third of the 2.3 million students in the UK study in London and the South East. International students in particular favour London as a destination for higher education given its continued reputation as a global centre of academic excellence; a quarter of all international students in the UK choose to study in London.

With 92% of the Company's portfolio located in and around London and 77% of the tenants being international students, current market dynamics are strongly supportive of the Company's investment objective and underpin its continued ability to deliver fully occupied assets with long-term rental growth prospects.

Strong supply-side barriers

The supply of private student accommodation varies substantially across the UK with increasing divergence of returns between cities with an undersupply of student housing and those with less restrictive planning regulations. The Investment Manager targets markets which suffer from a structural undersupply of such assets. High land values and the difficult planning environment, which prioritises social housing and residential schemes over student accommodation, has seen the London market remain severely undersupplied. Brighton, like London, also remains severely undersupplied, as shown in the graph below.

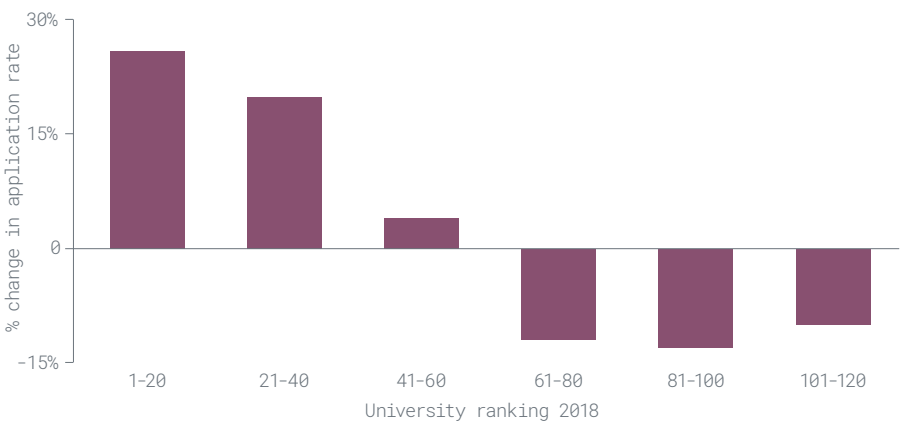
The beneficial impact of these supply-side barriers on the Company's portfolio, coupled with strong demand for accommodation in its assets, is reflected by the valuation increases and rental growth achieved since its IPO in 2013.

Transactional activity

Investment volumes in 2018 exceeded £3.2 billion in 2018. At the date of this report, we estimate that there is a further £1.4 billion of stock on the market. Overseas buyers continue to dominate the market for UK student residential assets.

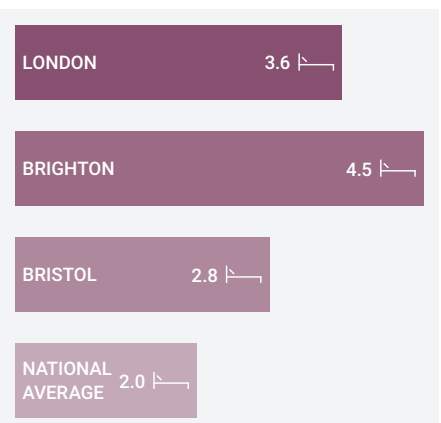
Of particular note was the acquisition by Allianz of a £350 million holding in the £1.5 billion Chapter portfolio, comprising c.5,100 beds in and around London. The Investment Manager estimates the Chapter portfolio traded at a yield just above 4%. Such investment activity, combined with the anticipated impact of the London Plan (which may create additional barriers to the development of student schemes and drive increased demand for existing assets), continues to drive yield compression across the London market. This is reflected in the increased valuation of the Company's portfolio over the period under review.

CHANGE IN STUDENT APPLICATION RATE BY UNIVERSITY RANKING 2012-2018



Source: UCAS, Complete University Guide.

STUDENTS PER BED RATIO



Source: HESA.

WHERE, WHAT AND HOW

THE THREE FUNDAMENTALS

WHERE THE ASSETS ARE LOCATED

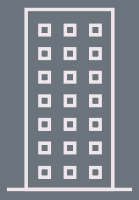
Primary focus in and around London

Proximity to HEI and/or major transport hub

High supply-side barriers

WHAT THE COMPANY BUYS

Intelligent design to optimise long-term returns



Large-scale assets benefiting from operating efficiencies

Modern purpose-built accommodation

HOW THE COMPANY OPERATES

High-specification facilities

Hotel level service

Competitive pricing

INVESTMENT MANAGER'S REPORT CONTINUED

Portfolio performance update

The key drivers of the Company's returns are based on the three fundamentals shown on page 9, which form the basis of how the Investment Manager seeks to add value over the long term.

The Company's portfolio continues to perform in line with the Investment Manager's expectations. The operational properties are fully occupied with respect to the 2018/19 academic year. The portfolio generated rental income of £20.9 million for the six-month period to 31 December 2018 and average rental growth of 3.5% year-on-year. The Company is able to achieve strong rental growth through its focus on markets benefiting from strong supply and demand imbalances and the location of its assets, all of which are within a 10-minute walk of an HEI or major transport links.

Over the period under review, the Company has achieved strong NAV growth driven by a like-for-like portfolio valuation uplift of 4.8%. The external market valuation of the portfolio was £841.5 million at 31 December 2018. The valuation uplift has been driven by rental growth, full occupancy and yield compression across its portfolio, with notable valuation uplifts on Scape Bloomsbury of £9.9 million, Scape Shoreditch of £7.7 million and Scape East of £10.0 million. The blended net initial yield of the Company's operational portfolio at 31 December 2018 was 4.74%.

London continues to attract the attention of institutional and sovereign wealth fund investors, with competitive market activity for private student accommodation assets further driving yield compression, which has positively impacted the valuation of the Company's assets. As detailed on page 3, 92% of the Company's portfolio by value is located in and around London.

During the period under review, the comprehensive refurbishment of Scape Bloomsbury was completed ahead of schedule with the property open to students for the beginning of the current academic year, providing 432 beds in London WC1. The asset is currently fully occupied.

The forward-funded construction of Circus Street, Brighton continues in line with the Investment Manager's expectations. The asset is expected to complete for the 2019/20 academic year and will provide a further 450 beds in addition to c.30,000 sq ft of commercial office space, which will complete by March 2020. The student accommodation will be let on a 21-year lease, with annual uplifts of RPI plus 50 basis points, capped at 5% and floored at 2% to a subsidiary guaranteed by Kaplan Inc, a global education provider. The Company has benefited from a licensing fee providing a 5.5% coupon on drawn funding through the construction phase.

In July 2018, the Company entered into a conditional contract to acquire and forward fund Scape Brighton. Scape Brighton will provide c.550 beds, extensive communal areas and c.1,500 sq ft of retail space. It is currently expected that Scape Brighton will be operational for the 2020/21 academic year.

Outlook

The Company provides shareholders with a property portfolio which continues to benefit from supply and demand imbalances for student residential accommodation in its core markets. The attraction of these core markets for owners of private student residential accommodation remains evident, as demonstrated by the occupancy levels, rental growth and yield compression seen across the Company's portfolio.
The Investment Manager believes investment demand is increasingly selective, with the weight of institutional capital focusing on the supply of 'core' locations. This is illustrated by the substantial yield differential between private student residential accommodation assets in and around London and in super-prime regional locations as compared to those located in secondary and tertiary regional locations.

Notwithstanding the ongoing uncertainties surrounding Brexit and weakness in the wider real estate markets, international student numbers and institutional demand for assets in London both remain resilient.

Looking ahead, the Investment Manager believes the Company remains well positioned to benefit from the supply and demand imbalances in core markets, with institutional investment demand and restrictive planning regimes in the markets in which it operates. The UK, and London in particular, remains a global centre of education and the Investment Manager believes that this is set to continue, particularly given the importance of the education sector to the UK economy.

The Investment Manager has been highly successful in securing new, modern properties through future contractual arrangements which have enabled the Company to create its own pipeline of assets in attractive locations where existing properties may not have otherwise been available. Forward purchase agreements, through which the Company has committed to acquire assets under development once they become operational, have been used for the acquisition of its Scape Surrey, The Pad 2 and Podium assets. The Company has benefited from valuation gains since acquisition of, in aggregate, £12.2 million on these properties, representing an average valuation uplift on purchase prices of c.19%.

On 3 October 2017, the Company announced that it had entered into a conditional forward purchase agreement to acquire Scape Canalside, a high-specification, new-build asset located immediately adjacent to Queen Mary University of London, and in the same locality as the Group's existing c.590-bed Scape East asset. The property is on track to open to students for the 2019/20 academic year, providing approximately 410 beds. If the conditional contract is completed, the Company's portfolio will include c.1,000 beds in the same locality as Queen Mary University of London, providing the opportunity to take advantage of operational economies of scale.

The Investment Manager believes the acquisition of Scape Canalside should enable the Company to secure a new asset in a highly attractive London location and which is expected to provide rental and earnings growth for the Company over the long term. Based on current market conditions and the terms of the forward purchase agreement the Investment Manager currently anticipates that, if acquired, the Company will benefit from an uplift in the valuation of Scape Canalside at the time of its first full independent valuation at 30 September 2019. Accordingly, the Investment Manager believes that Scape Canalside represents an attractive opportunity for the Company.

FINANCIAL REVIEW OF THE PERIOD

The Company generated rental income of £20.9 million, paid dividends of 3.06 pence per share and generated an annualised shareholder total return of 11.9%.

Scape Bloomsbury

Financial results

The Company has delivered robust results for the six-month period to 31 December 2018, with average rental growth of 3.5% across the portfolio for the 2018/19 academic year and generating total rental income for the period of £20.9 million. Profit before tax and fair value gains on investment properties of £9.0 million was generated in the period. The increase in profitability year-on-year is due to scale, with a further asset becoming operational in the period, increasing gross profit, with administration and finance expenses remaining broadly consistent year-on-year.

Property expenditure

The Company's net operating margin has remained stable at c.78% with the continued efficient management of costs by the Company's Asset and Facilities Managers. Property expenditure of £4.5 million was incurred during the period, which is in line with expectations.

Administration expenditure

Total administration expenses of £4.0 million comprise fund running costs, including the Investment Manager's fee and other third party service provider costs in the period in line with the Company's service provider contracts.

Dividends and earnings

The Company increased its dividend, paying a dividend of 3.06 pence per share for the period. The dividend was 81% covered by adjusted EPS[1] of 2.49 pence. Whilst the Company targets a fully-covered dividend over the longer term, where assets in its portfolio are being refurbished or are under development (as is the case with development projects such as Circus Street and the recently completed Scape Bloomsbury), cover may be adversely affected over the short term.

The dividends were paid as 2.35 pence per ordinary share as PID in respect of the Group's tax exempt property rental business and 0.71 pence per ordinary share as ordinary dividends.

Ongoing charges

The Company's ongoing charges ratio for the twelve months to 31 December 2018, based on the AIC's methodology, excluding direct property costs, was 1.27%.

Financial performance

Summary profit and loss

	Six months ended 31 December 2018 £'000	Six months ended 31 December 2017 £'000
Rental income	**20,868**	17,317
Operating expenses	**(4,517)**	(3,860)
Gross profit (net operating income)	**16,351**	13,457
Net operating margin	**78%**	78%
Administration expenses	**(3,959)**	(3,614)
Net finance costs	**(3,430)**	(3,354)
Profit before tax and fair value gains on investment properties	**8,962**	6,489
Fair value gains on investment properties	**39,898**	32,357
Profit before tax for the period	**48,860**	38,846

1. Refer to note 7.

FINANCIAL REVIEW OF THE PERIOD CONTINUED

Valuation

The valuation of the Company's property portfolio has increased to £841.5 million. Total gains on investment properties through revaluation of the Company's investment portfolio were £39.9 million for the period ended 31 December 2018. The portfolio is fully occupied for the 2018/19 academic year.

Debt financing

The Company has continued to utilise its debt facilities during the period. The four facilities amount to £335 million, including two fixed interest rate term facilities for an aggregate amount of £235 million which are secured against certain of the Group's operational assets. In addition, the Group has £100 million of floating rate borrowing facilities with Wells Fargo (undrawn at 31 December 2018) comprising a £55 million development facility and a £45 million redrawable credit facility.

The Group's current blended cost of borrowing on its drawn debt at the period end is 2.96% with an average weighted maturity of seven years. The loan-to-value of the Group is 26%.

Lifecycle reserve

The Company's lifecycle cash reserves were £1.7 million at the period end. The reserves are held for future expenditure to ensure the properties are maintained at the level needed to sustain the current rents and any assumed future rental growth.

EPRA NAV[1]

Net assets attributable to equity holders at 31 December 2018 were £648.4 million, up from £563.4 million as at 31 December 2017. The EPRA NAV has increased from 149.12 pence as at 30 June 2018 to 157.93 pence per ordinary share, a 5.9% increase for the six-month period to 31 December 2018, primarily driven by increases in portfolio valuations due to strong rental growth, gains at completion and yield compression.

Cash flow generation

The Company held cash and cash equivalents of £19.8 million at the end of the financial period under review. Operating cash flows of £10.5 million were generated by the Company's student accommodation portfolio. Total equity capital raised in the year amounted to £38.1 million, which was used in part to fund the development of Scape Brighton and Circus Street, Brighton. The remaining cash outflows relate to the cost of servicing the Company's debt facilities in addition to the payment of dividends, resulting in a net decrease in cash and cash equivalents at the period end.

Financial performance

Summary balance sheet

	As at 31 December 2018 £'000	As at 31 December 2017 £'000
Investment property[2]	**838,964**	739,585
Trade and other receivables	**47,011**	16,731
Cash and cash equivalents	**19,781**	61,943
Total assets	**905,756**	818,259
Liabilities		
Trade and other payables	**(7,068)**	(8,212)
Deferred income	**(18,574)**	(14,057)
Interest-bearing loans and borrowings	**(231,679)**	(232,594)
Total liabilities	**(257,321)**	(254,863)
Net assets	**648,435**	563,396
Number of shares	**410,576,707**	385,064,556
EPRA NAV[1] per share (cum-income) (pps)	**157.93**	146.31
EPRA NAV[1] per share (ex-income) (pps)	**156.40**	144.83

1. EPRA NAV is equivalent to the NAV calculated under IFRS for the period. See glossary for definitions.
2. Net of lease incentives held as receivables.

COMPANY PERFORMANCE

The Company continues to deliver strong performance.

Annualised shareholder total return since IPO[1]

11.9% HY 2018

12.0% HY 2017

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

Adjusted earnings per ordinary share[1]

2.49p HY 2018

1.92p HY 2017

Relevance to strategy: Adjusted earnings per share reflects the Company's ability to generate earnings from its portfolio.

Dividends per ordinary share for the period

3.06p HY 2018

2.96p HY 2017

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

Occupancy[1]

FULL HY 2018

FULL HY 2017

Relevance to strategy: Occupancy is a key measure of portfolio quality and ability to drive rental growth.

Loan-to-value[1]

26% HY 2018

23% HY 2017

Relevance to strategy: The LTV ratio measures the level of gearing and the Company's cost of debt.

Student rental growth[1] (like-for-like)

3.5% AY 2018

4.1% AY 2017

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

EPRA performance measures[2]

The data below include performance measures based on EPRA best practice recommendations which are designed to enhance transparency and comparability across the European real estate sector.

EPRA earnings[1]

£9.0m HY 2018

£6.5m HY 2017

Purpose: A key measure of the Company's underlying operating results and an indication of the extent to which the current dividend payments are supported by earnings.

EPRA NAV[1]

157.93p HY 2018

146.31p HY 2017

Purpose: Makes adjustments to the IFRS NAV to provide stakeholders with the most relevant information on the fair value of the assets and liabilities within a true real estate investment company.

EPRA net initial yield[1]

4.74% HY 2018

5.04% HY 2017

Purpose: A comparable measure for portfolio valuations. This measure increases the comparability of two portfolios.

1. APM – see glossary for definitions and calculation methodology.
2. In respect of the operational portfolio in line with EPRA Best Practice Recommendation Guidelines.

INTERIM MANAGEMENT REPORT AND STATEMENT OF DIRECTORS' RESPONSIBILITIES

Interim management report

The important events that have occurred during the period under review, the key factors influencing the condensed 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 11.

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 2018 and continue to be as set out in that report.

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

Operational risk:

- reliance on the Investment Manager and third party service providers;
- due diligence;
- concentration risk;
- net income and capital values;
- property valuation and liquidity; and
- compliance with laws and regulations.

Market risk:

- UK property market conditions; and
- government policy and Brexit.

Financial risk:

- breach of loan covenants and gearing limits.

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 condensed 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 condensed consolidated financial statements were approved by the Board of Directors and the above responsibility statement was signed on its behalf by:

Robert Peto
Chairman

19 March 2019

INDEPENDENT REVIEW REPORT

To the members of 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 financial report for the six months ended 31 December 2018, which comprise the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows, basis of preparation and accounting policies and all related notes (together the "condensed 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 condensed consolidated financial statements.

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) '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 ("IFRS") as adopted by the European Union. The consolidated financial statements included in this half-yearly report have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as adopted by the European Union.

Our responsibilities

Our responsibility is to express to the Company a conclusion on the condensed 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 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 condensed consolidated financial statements in the half-yearly report for the six months ended 31 December 2018 is not prepared, in all material respects, in accordance with 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

19 March 2019

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2018

Continuing operations	Notes	**Six months ended 31 December 2018 £'000**	Six months ended 31 December 2017 £'000
Rental income		**20,868**	17,317
Property operating expenses		**(4,517)**	(3,860)
Gross profit		**16,351**	13,457
Administration expenses		**(3,959)**	(3,614)
Operating profit before gains on investment properties		**12,392**	9,843
Fair value gains on investment properties	3	**39,898**	32,357
Operating profit		**52,290**	42,200
Finance income		**531**	255
Finance expenses	4	**(3,961)**	(3,609)
Profit before tax		**48,860**	38,846
Tax charge on residual income	5	**—**	—
Total comprehensive income for the period		**48,860**	38,846
EPS (basic and diluted) (pps)	7	**12.26**	10.13

The accompanying notes 1 to 12 form an integral part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Notes	31 December 2018 £'000	30 June 2018 £'000
Assets			
Non-current assets			
Investment property	3	**838,964**	784,424
Deposits for investment property		**2,648**	2,648
Retention account		**308**	308
		841,920	787,380
Current assets			
Cash and cash equivalents		**19,781**	29,213
Trade and other receivables		**19,877**	9,005
Loans receivable	12	**24,178**	—
		63,836	38,218
Total assets		**905,756**	825,598
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	8	**(231,679)**	(232,771)
Retention account		**(308)**	(308)
		(231,987)	(233,079)
Current liabilities			
Trade and other payables		**(6,760)**	(8,183)
Deferred income		**(18,574)**	(10,126)
		(25,334)	(18,309)
Total liabilities		**(257,321)**	(251,388)
Net assets		**648,435**	574,210
Equity			
Share capital	9	**4,106**	3,851
Share premium		**445,824**	408,617
Special reserve		**41,362**	44,497
Retained earnings		**157,143**	117,245
Total equity		**648,435**	574,210
Number of shares in issue		**410,576,707**	385,064,556
EPRA NAV per share (pps)	10	**157.93**	149.12

The accompanying notes 1 to 12 form an integral part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 31 December 2018

	Share capital £'000	Share premium £'000	Special reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 July 2018	**3,851**	**408,617**	**44,497**	**117,245**	**574,210**
Total comprehensive income	**—**	**—**	**—**	**48,860**	**48,860**
Ordinary shares issued	**255**	**37,886**	**—**	**—**	**38,141**
Share issue costs	**—**	**(679)**	**—**	**—**	**(679)**
Dividends paid in respect of the previous period	**—**	**—**	**(2,509)**	**(3,306)**	**(5,815)**
Dividends paid in respect of the current period	**—**	**—**	**(626)**	**(5,656)**	**(6,282)**
Balance at 31 December 2018	**4,106**	**445,824**	**41,362**	**157,143**	**648,435**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 31 December 2017

	Share capital £'000	Share premium £'000	Special reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 July 2017	3,358	340,233	53,576	69,827	466,994
Total comprehensive income	—	—	—	38,846	38,846
Ordinary shares issued	493	69,507	—	—	70,000
Share issue costs	—	(1,123)	—	—	(1,123)
Dividends paid in respect of the previous period	—	—	(3,076)	(2,546)	(5,622)
Dividends paid in respect of the current period	—	—	(1,609)	(4,090)	(5,699)
Balance at 31 December 2017	3,851	408,617	48,891	102,037	563,396

The accompanying notes 1 to 12 form an integral part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 31 December 2018

	Six months ended 31 December 2018 £'000	Six months ended 31 December 2017 £'000
Cash flows from operating activities		
Operating profit	**52,290**	42,200
Adjustments to reconcile profit for the period to net operating cash flows:		
Gains from change in fair value of investment properties	**(39,898)**	(32,357)
Decrease in other receivables and prepayments	**8,338**	6,201
Decrease in other payables and accrued expenses	**(10,252)**	(6,052)
Net cash flow generated from operating activities	**10,478**	9,992
Cash flows from investing activities		
Acquisition of investment properties	**—**	(29,532)
Capital expenditure on investment properties	**(16,010)**	(42,646)
Increase in loans receivable	**(24,178)**	—
Net cash used in investing activities	**(40,188)**	(72,178)
Cash flows from financing activities		
Proceeds from issue of ordinary shares	**38,141**	70,000
Share issue costs	**(679)**	(1,123)
Proceeds from interest-bearing loans and borrowings	**17,470**	15,000
Repayment of interest-bearing loans and borrowings	**(17,470)**	—
Finance income	**20**	20
Finance expenses	**(5,196)**	(3,587)
Dividends paid in the period	**(12,008)**	(11,291)
Net cash flow generated from financing activities	**20,278**	69,019
Net (decrease)/increase in cash and cash equivalents	**(9,432)**	6,833
Cash and cash equivalents at start of the period	**29,213**	55,110
Cash and cash equivalents at end of the period	**19,781**	61,943

The accompanying notes 1 to 12 form an integral part of these financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 31 December 2018

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

2. Basis of preparation
The condensed consolidated financial statements for the six months ended 31 December 2018 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 2018. The audited financial statements were prepared in accordance with IFRS issued by the IASB as adopted by the European Union.

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 2018 has been reviewed by the Company's Auditor, Ernst & Young LLP, in accordance with International Standard on Review Engagements 2410 (UK and Ireland) 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' and were approved for issue on 19 March 2019. The latest published audited financial statements for the year ended 30 June 2018 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 2018 is an extract from those financial statements.

The condensed consolidated interim financial statements have been prepared under the historical cost convention, except for investment property, which 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 condensed consolidated interim financial information includes the financial statements of the Company and its wholly-owned subsidiaries for the six months ended 31 December 2018.

2.1 Significant accounting policies
Accounting policies are consistent with those of the annual report for the year ended 30 June 2018.

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

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.

IFRS 9 Financial Instruments came into effect for periods beginning on or after 1 January 2018. This has not had a material effect on the Company or its operations.

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 – Global Standards 2017 and in accordance with IFRS 13. Refer to note 11 for further details of the judgements and estimates made in determining the valuation of property.

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

3. UK investment property

	Properties under development £'000	Leasehold £'000	Freehold £'000	Total £'000
As at 1 July 2018	**30,490**	**248,460**	**505,474**	**784,424**
Expenditure on properties	**—**	**27**	**4,962**	**4,989**
Land and development costs	**9,653**	**—**	**—**	**9,653**
Fair value gains on investment properties	**6,327**	**5,987**	**27,584**	**39,898**
As at 31 December 2018	**46,470**	**254,474**	**538,020**	**838,964**
As at 1 July 2017	59,100	229,460	346,080	634,640
Acquisition of investment property	—	—	29,532	29,532
Expenditure on properties	—	—	4,362	4,362
Land and development costs	38,694	—	—	38,694
Transfer between properties under development and freehold properties	(79,030)	—	79,030	—
Fair value gains on investment properties	746	13,270	18,341	32,357
As at 31 December 2017	19,510	242,730	477,345	739,585
As at 1 July 2017	59,100	229,460	346,080	634,640
Acquisition of investment property	—	—	29,536	29,536
Expenditure on properties	—	33	23,544	23,577
Land and development costs	49,106	—	—	49,106
Transfer between properties under development and freehold properties	(79,030)	—	79,030	—
Fair value gains on investment properties	1,314	18,967	27,284	47,565
As at 30 June 2018	30,490	248,460	505,474	784,424

During the period, the Group continued construction of Circus Street, Brighton.

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

4. Finance expenses

	Six months ended 31 December 2018 £'000	Six months ended 31 December 2017 £'000
Bank charges	**4**	4
Agency fees	**12**	—
Loan interest	**3,588**	3,413
Commitment fees	**138**	—
Loan arrangement fees amortised	**219**	177
Other expenses	**—**	15
Total	**3,961**	3,609

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
For the six months ended 31 December 2018

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 (residual income) continue to be subject to corporation tax.

Corporation tax has arisen as follows:

	Six months ended 31 December 2018 £'000	Six months ended 31 December 2017 £'000
Corporation tax on residual income	**—**	—
Total	**—**	—

6. Dividends

		Six months ended 31 December 2018				Six months ended 31 December 2017			
	Dividend	**Total pence**	**PID**	**Ordinary dividend**	**£'000**	Total pence	PID	Ordinary dividend	£'000
Current period dividends									
31 December 2018[1]	Second interim dividend	**1.53**	**1.22**	**0.31**	**—**	1.48	1.09	0.39	—
30 September 2018	First interim dividend	**1.53**	**1.13**	**0.40**	**6,282**	1.48	1.07	0.41	5,699
Total		**3.06**	**2.35**	**0.71**	**6,282**	2.96	2.16	0.80	5,699
Prior period dividends									
30 June 2018	Fourth interim dividend	**1.51**	**0.94**	**0.57**	**5,815**	1.46	0.95	0.51	5,622
Total		**1.51**	**0.94**	**0.57**	**5,815**	1.46	0.95	0.51	5,622
Dividends in statement of changes in equity					**12,097**				11,321
Movement in withholding tax accrual					**(89)**				(30)
Dividends in statement of cash flows					**12,008**				11,291

1. The current second interim dividend was declared after the period ended and therefore not accrued for as a provision in the financial statements.

On 5 February 2019, the Company declared a second interim dividend of 1.53 pence per ordinary share amounting to £6.3 million. The dividend was paid to shareholders on the register at close of business on 11 March 2019.

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

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 2018 £'000	Six months ended 31 December 2017 £'000
Group earnings for basic and diluted EPS	**48,860**	38,846
Fair value gains on investment properties	**(39,898)**	(32,357)
Group earnings for basic and diluted EPRA EPS	**8,962**	6,489
Group specific adjustments:		
Licence fees on forward-funded developments	**976**	876
Group specific adjusted earnings	**9,938**	7,365

	Six months ended 31 December 2018 Pence per share	Six months ended 31 December 2017 Pence per share
Basic Group EPS	**12.26**	10.13
Basic Group EPRA EPS	**2.25**	1.69
Diluted Group EPS	**12.26**	10.13
Diluted Group EPRA EPS	**2.25**	1.69
Group specific adjusted EPS	**2.49**	1.92

	31 December 2018 Number of shares	31 December 2017 Number of shares
Weighted average number of shares in issue	**398,652,549**	383,457,085

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

1. For the period ended 31 December 2018:
   i. licence fees from the developer of Circus Street in respect of a forward-funding agreement of £976,000.
2. For the period ended 31 December 2017:
   i. licence fees from the developer of Circus Street in respect of a forward-funding agreement of £46,000; and
   ii. licence fees from the developer of Scape Wembley in respect of a forward-funding agreement of £830,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
For the six months ended 31 December 2018

8. Interest-bearing loans and borrowings

	31 December 2018 £'000	30 June 2018 £'000
Borrowings at the start of the period	**235,000**	220,000
Borrowings drawn down in the period	**17,470**	15,000
Borrowings repaid in the period	**(17,470)**	—
Borrowings at the end of the period	**235,000**	235,000
Unamortised loan arrangement fees brought forward	**(2,229)**	(2,531)
Amortised in the period	**219**	355
Loan arrangement fees incurred in the period	**(1,311)**	(53)
Unamortised loan arrangement fees carried forward	**(3,321)**	(2,229)
Borrowings less unamortised loan arrangement fees	**231,679**	232,771

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

Secured fixed rate credit facilities totalling £235 million with PGIM:

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

Secured credit facilities totalling £100 million with Wells Fargo:

Amount	Facility	Interest rate %	Maturity
£45,000,000	Redrawable credit facility	LIBOR +1.85%	July 2021
£55,000,000	Development loan	LIBOR +3.1%	December 2021 + 1 year

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

The debt facilities include gearing and interest cover covenants that are measured in accordance with the respective facility agreement. The Group has maintained significant headroom against all measures throughout the financial period and is in full compliance with all loan covenants at 31 December 2018.

9. Share capital

	Number of shares	Issued share price	**31 December 2018 £'000**	30 June 2018 £'000
Issued and fully paid:				
At the start of the period			**3,851**	3,358
Shares issued on 7 July 2017	49,295,774	142.00p	**—**	493
Shares issued on 25 September 2018	25,512,151	149.50p	**255**	—
Balance at the end of the period			**4,106**	3,851

10. 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 NAV per share computations:

	31 December 2018	30 June 2018
EPRA NAV (pps)	**157.93**	149.12

The EPRA NAV may be calculated as:

	31 December 2018 £'000	30 June 2018 £'000
Net assets attributable to ordinary shareholders	**648,435**	574,210
Net assets for calculation of EPRA NAV	**648,435**	574,210
Number of ordinary shares in issue	**410,576,707**	385,064,556

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
For the six months ended 31 December 2018

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

The 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, Global Standards 2017 and in accordance with IFRS 13.

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

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

	31 December 2018			
Assets and liabilities measured at fair value	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Investment properties	**—**	**—**	**841,470**	**841,470**
	—	**—**	**841,470**	**841,470**

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

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

There have been no transfers between Level 1, Level 2 or Level 3 during the period or the comparative period.

Valuation techniques and significant inputs within the valuation of investment properties

The following table analyses:

— the fair value measurements at the end of the reporting period;

— a description of the valuation techniques applied;

— the inputs used in the fair value measurement, including the ranges of rent charged to different units within the same building; and

— for Level 3 fair value measurements, quantitative information about significant unobservable inputs used in the fair value measurement.

Class of property	Fair value	Valuation technique	Key unobservable inputs	Range
Operational student property 31 December 2018	**£795,000,000**	**Income capitalisation**	**Estimated rental value – 2018/19** **Rental growth** **Tenancy period** **Sundry income** **Facilities management cost** **Initial yield**	**£165 – £670 per bed per week** **2.5% – 3.0%** **40/51 weeks** **£50 – £100 per bed p.a.** **£2,100 – £2,350 per bed p.a.** **4.15% – 5.80% blended (4.15% – 7.50%)**
Development student property 31 December 2018	**£46,470,000**	**Income capitalisation/ residual land value (plus cost spend to date)**	**Residual land value** **Build cost spend to date**	**£14,720,000** **£31,750,000**
Operational student property 30 June 2018	£753,934,000	Income capitalisation	Estimated rental value – 2017/18 Rental growth Tenancy period Sundry income Facilities management cost Initial yield	£165 – £465 per bed per week 2.5% – 3.0% 40/51 weeks £50 – £100 per bed p.a. £2,050 – £2,250 per bed p.a. 4.5% – 5.75% blended (4.75% – 7.50%)
Development student property 30 June 2018	£30,490,000	Income capitalisation/ residual land value (plus cost spend to date)	Residual land value Build cost spend to date	£8,640,000 £21,850,000

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

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

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

— a 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 £39,898,000 (31 December 2017: £32,357,000) and are presented in the condensed 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
For the six months ended 31 December 2018

12. Related party transactions

Directors

The Directors (all non-executive Directors) of the Company and subsidiaries are considered to be the key management personnel of the Group. Directors' remuneration for the six months totalled £97,000 (six months ended 31 December 2017: £87,500) and as at 31 December 2018, a balance of £nil (2017: £nil) 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 the Company's investment objective and policy, subject to the overall supervision and direction by the Board of Directors. For its services to the Company, the Investment Manager receives an annual fee at the rate of 1% of the NAV 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 has been appointed as the Company's AIFM under the investment management agreement in respect of which it receives an annual fee of £24,000, subject to an annual RPI increase. The Company has provided disclosures on its website incorporating the disclosure requirements of the AIFMD regulations.

During the six months ended 31 December 2018, the Group incurred £3,258,000 (six months ended 31 December 2017: £2,588,000) in respect of investment management fees, AIFM fees and transaction management and document services. A total of £3,144,000 is included within administration expenses in the condensed consolidated statement of comprehensive income and £114,000 is included within share issue costs relating to shares issued during the period; at 31 December 2018, £1,669,000 (31 December 2017: £1,196,000) was outstanding.

The investment management agreement is terminable by the Company on not less than twelve months' written notice to the Investment Manager at any time, such notice to expire no earlier than 21 September 2021, and is terminable by the Investment Manager on not less than twelve months' written notice to the Company at any time, such notice to expire no earlier than 31 October 2025. The investment management agreement can be terminated at any time in the event of the insolvency of the Company or the Investment Manager.

The Company and the Investment Manager entered into the investment management agreement on 12 April 2013. The agreement was novated from Gravis Capital Partners LLP to Gravis Capital Management Limited on 20 April 2017.

On 3 October 2017, the Company entered into a conditional forward purchase agreement to acquire Scape Canalside. With the property on track to open to students for the 2019/20 academic year, the Board and the Investment Manager are considering the optimum way to finance its acquisition ahead of 30 June 2019. The directors of the Investment Manager and their spouses directly or indirectly own, in aggregate approximately 45% of Leopard Guernsey Westway Limited, the vendor of Scape Canalside. If acquired, Scape Canalside will be purchased on the basis of independent valuation and approval by the independent Board of Directors.

On 25 July 2018, the Group entered into a conditional contract with GCP Scaperfield Limited to acquire and forward-fund the construction of Scape Brighton. The directors of the Investment Manager and their spouses directly or indirectly own, in aggregate approximately 80% of Scaperfield Limited, the vendor of Scape Brighton. Scape Brighton is being acquired on the basis of independent valuation and approval by the independent Board of Directors. At 31 December 2018, a loan of £24.2 million was advanced to Scaperfield Limited to fund construction costs and is included within loans receivable in the condensed consolidated statement of financial position. Interest of £474,000 has been accrued on the loan and is included within finance income in the condensed consolidated statement of comprehensive income.

SHAREHOLDER INFORMATION

Electronic communications from the Company

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

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

- by phone: from the UK, call 0871 664 0300, from overseas call +44 (0) 371 664 0300 (calls cost 12 pence per minute plus your phone company's access charge. Calls outside the UK will be charged at the applicable international rate. Link is open between 9:00am – 5:30pm, Monday to Friday excluding public holidays in England and Wales);
- by email: enquiries@linkgroup.co.uk; or
- by post: Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.

Frequency of NAV publication

The Company's NAV is released to the London Stock Exchange via RNS 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
November	Annual general meeting
December	Company's half-year end Payment of first interim dividend

GLOSSARY OF KEY TERMS

Adjusted EPS
EPS adjusted for exceptional items and licence fees receivable on forward-funded developments (refer to note 7)

AIC
Association of Investment Companies

Asset and Facilities Managers
Scape Student Living Limited and Collegiate Accommodation Consulting Limited

AIFM
Alternative Investment Fund Manager

AIFMD
Alternative Investment Fund Managers Directive

APM
Alternative performance measure

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

Average annual rental growth
Average student rental growth since IPO

AY
Academic year

Company
GCP Student Living plc

Cost of borrowing
Cost of borrowing expressed as a percentage weighted according to period

EPRA
European Public Real Estate Association

EPRA earnings
Earnings from operational activities

EPRA EPS
Recurring earnings from core operational activities excluding movements relating to revaluation of investment properties and interest rate swaps and the related tax effects, divided by the number of shares in issue (refer to note 7)

EPRA NAV
Net assets divided by number of shares. Includes all property at market value but excludes the mark to market of interest rate swaps (refer to note 10)

EPRA NAV (cum-income)
Net asset value before deduction of proposed dividend (refer to page 19)

EPRA NAV (ex-income)
Net asset value after deduction of proposed dividend (refer to page 19)

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

EPS
Earnings per share (refer to note 7)

ERV
Estimated rental value (refer to page 29)

EU
European Union

FCA
Financial Conduct Authority

Gearing
Debt expressed as a percentage of gross assets (refer to note 8)

Gross assets
The aggregate value of the total assets of the Company

Group
GCP Student Living plc and its subsidiaries

HEI
Higher education institution

HESA
Higher Education Statistics Agency

HY
Half year

IAS
International Accounting Standard

IASB
International Accounting Standards Board

IFRS
International Financial Reporting Standards

IPO
Initial public offering

LIBOR
London interbank offered rate

Loan-to-value or LTV
A measure of borrowings used by property investment companies calculated as borrowings, net of cash, as a proportion of property value

NAV
Net asset value

Net operating margin
Gross profit expressed as a percentage of rental income (refer to page 13)

NIY
Net initial yield

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

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

PGIM
PGIM Real Estate Finance

PID
Property income distribution

pps
Pence per share

REIT
Real Estate Investment Trust

RICS
Royal Institution of Chartered Surveyors

RNS
Regulatory News Service

RPI
Retail price index

Student rental growth
Annual rental growth measured on a like-for-like basis across the portfolio

Shareholder total return
Share price growth with dividends deemed to be reinvested on the dividend payment date

UCAS
Universities and Colleges Admissions Service

Wells Fargo
Wells Fargo Bank N.A.

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