GCP

STUDENT

GCP STUDENT LIVING PLC

Half-yearly report and condensed consolidated financial statements for the six months ended 31 December 2019

Gravis

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Print/Annual Report Gold Winner

Best Printed Report 2019 Winner

Gold award at IADA Awards 2019

1000 Companies to Inspire Britain 2019

ABOUT THE COMPANY

GCP Student Living plc (the "Company") is a FTSE 250 constituent and was the first REIT 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.

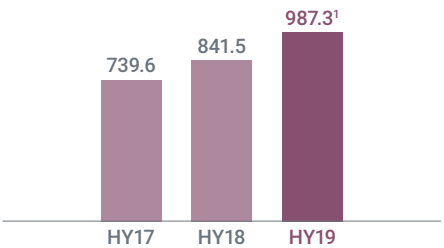
The Company has a premium listing on the Official List of the FCA and trades on the Premium Segment of the Main Market of the London Stock Exchange. The Company had a market capitalisation of c.£901 million at 31 December 2019.

www.gcpstudent.com

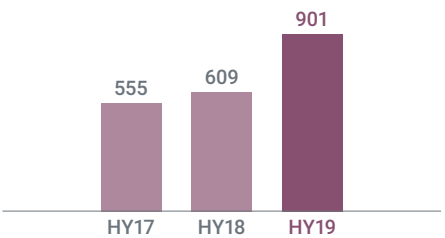
FTSE 250 constituent

AT A GLANCE

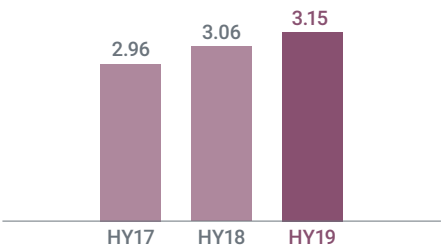
VALUE OF PROPERTY PORTFOLIO £m



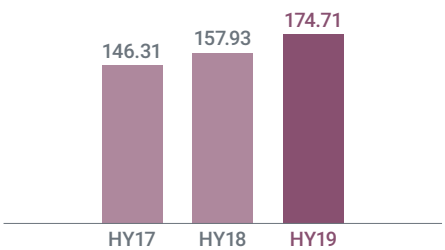
MARKET CAPITALISATION £m



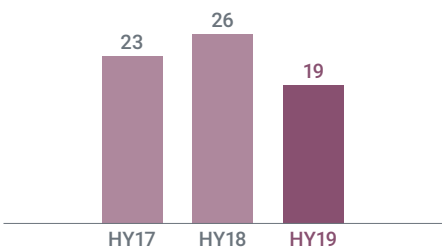
DIVIDENDS PER SHARE p



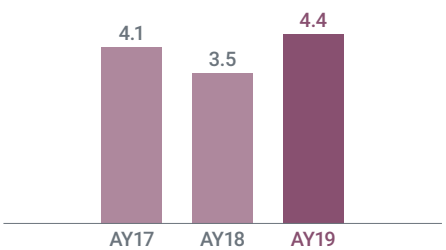
EPRA NAV[2,3] PER SHARE p



LOAN-TO-VALUE[3] %



STUDENT RENTAL GROWTH[3] %



HIGHLIGHTS FOR THE PERIOD[4]

- Total shareholder return[3] of 24.3% for the period. Annualised total shareholder return[3] since IPO of 15.6%, compared to the Company's long-term target return of 8-10%.
- Dividends of 3.15 pence per share in respect of the period.
- EPRA NAV[2, 3] (cum-income) per ordinary share of 174.71 pence and EPRA NAV (ex-income) per ordinary share of 173.13 pence at 31 December 2019.
- Total rental income for the period of £24.6 million.
- Successful equity raise of c.£77 million through a substantially oversubscribed placing of new ordinary shares.
- Inclusion in the FTSE 250 Index from 18 September 2019.
- High-quality portfolio of eleven assets with c.4,100 beds located primarily in and around London, with a valuation of £987.3 million at 31 December 2019.
- Fully occupied portfolio and rental growth of 4.4% for the 2019/20 academic year.
- Net initial yield for the operational portfolio of 4.42%.

1. Includes lease incentives held as receivables.
2. EPRA NAV is equivalent to the NAV calculated under IFRS for the year, adjusted to the fair value of derivatives; refer to note 4.
3. Alternative performance measure ("APM") – see glossary for definitions and calculation methodology.
4. 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 total shareholder return[1] since IPO of 15.6%.

3.15p
Dividends paid or declared for the period

24.3%
Total shareholder return[1] for the period

The Company's investment portfolio has been fully occupied since IPO, with average annual student rental growth[1] of 3.9%.

FULL
Occupancy[1] for the 2019/20 academic year

4.4%
Student rental growth[1] for the academic year 2019/20

At 31 December 2019, the Company's property portfolio comprised eleven high-quality, modern student accommodation assets.

4,116
Number of beds

11
Number of assets

Further information on Company performance can be found on page 13.

1. Alternative performance measure ("APM") – see glossary for definitions and calculation methodology.

PORTFOLIO AT A GLANCE[1]

At 31 December 2019, the Company's portfolio comprised eleven assets with c.4,100 beds, providing high-quality modern student accommodation.

IN AND AROUND LONDON

Location of assets by total capital value

REST OF THE UK

OPERATIONAL PORTFOLIO

NET INITIAL YIELD

4.42%

OCCUPANCY[2]

FULL

KEY

- OPERATIONAL ASSETS
- UNDER CONSTRUCTION

1. Assets are presented in order of total capital value, refer to page 9 for further information on the portfolio.
2. Alternative performance measure ("APM") – see glossary for definitions and calculation methodology.

CHAIRMAN'S STATEMENT

On behalf of the Board, I am pleased to report a period of excellent performance.

Robert Peto
Chairman

Introduction

The focus on assets in and around London has delivered another interim period of strong NAV performance, with the NAV per share rising by 5.6% to 174.71 pence since year end. This performance can be attributed to strong year-on-year student rental growth in excess of both inflation and the national average for student accommodation across a fully occupied portfolio of assets. Accordingly, the Company has been able to increase its dividend for the period under review, to a total of 3.15 pence per share.

The Company has delivered a positive total shareholder return[1] for the six-month period to 31 December 2019 of 24.3%, with an annualised total shareholder return[1] since IPO of 15.6%, substantially exceeding the 8-10% long-term target at launch and is more than double the return of the FTSE All-Share Index over that period.

In September 2019, the Company was admitted to the FTSE 250 Index. This has resulted in investment in the Company and a broadening of its investor base. Further to this, the Company successfully raised new equity capital in December 2019 through a substantially oversubscribed placing of ordinary shares supported by existing and new shareholders alike, with a material cornerstone investment from pension funds managed by APG Asset Management N.V., a pleasing endorsement of the Company's investment strategy and long-term performance.

Investment activity

The Company benefits from a conditional forward purchase agreement to acquire Scape Guildford 2, a high specification, purpose-built, private student accommodation residence in the same location as its Scape Guildford asset. The property is expected to be completed for the 2020/21 academic year, providing 403 beds. If acquired, this property will form part of an enlarged Scape Guildford asset, providing 544 beds in the same locality as the University of Surrey and offering the potential for the Group to benefit from operational economies of scale. The Company's Scape Guildford asset has been fully occupied each year since its acquisition and has generated annual rental growth in excess of the portfolio average.

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 £24.6 million over the six-month period to 31 December 2019. Its EPRA NAV[1] per share increased from 165.52 pence at the financial year end, 30 June 2019, to 174.71 pence at 31 December 2019, representing growth over the period of 5.6%.

Dividends

The Company has paid or declared dividends in respect of the six-month period ended 31 December 2019 of 3.15 pence per share. The dividends were paid as 2.91 pence per share as PID and 0.24 pence per share as non-PID.

1. Alternative performance measure ("APM") – see glossary for definitions and calculation methodology.

Scape Bloomsbury opened to students in September 2018 and has therefore been operational for the entirety of the interim period under review. Accordingly, the Company's dividend cover ratio[1] on an adjusted earnings basis (refer to note 3) has improved from 81% in the comparable six-month period to 31 December 2018 to 92% for the six months to 31 December 2019.

Financing

On 27 December 2019, the Company raised gross proceeds of approximately £77 million by way of a substantially oversubscribed non pre-emptive placing of new ordinary shares. The placing was NAV-accretive for existing shareholders, with the new shares issued at a premium of 10.4% to the then prevailing NAV (ex-income), representing an uplift of 1.3 pence per share.

At 31 December 2019, the Group's available banking facilities totalled £335 million, of which £248.8 million was drawn. At that date, the Group's current blended cost of borrowing on its drawn debt was 3.01% with an average weighted maturity of six years. The loan-to-value of the Group at the period end was 19%.

Further details of the Group's borrowing facilities are set out in note 10 to the financial statements.

Sustainability

The Company aims to operate a sustainable business model with a low carbon footprint for all its stakeholders. The Company has been awarded an 'A' rating in the MSCI ESG ratings and was listed in the LSE's 1000 Companies to Inspire Britain 2019 publication.

The Company is in the process of obtaining a GRESB assessment on its approach to sustainability, which will be published in H2 2020. The Investment Manager is a signatory to the UN Principles for Responsible Investment ("UNPRI") and has established a dedicated sustainability committee to assess ESG issues and integrate sustainability across its business.

Outlook

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

The period under review has seen the UK elect a majority government and, post period end, the UK departed the EU on 31 January 2020. Whilst the wheels have been set in motion for the implementation of Brexit, its potential impact on the Company remains unknown and difficult to quantify. Notwithstanding this, the attraction of the UK, and London in particular, for domestic and global students alike remains evident. The UK has some of the highest-ranking universities in the world, with three of the top ten institutions in 2020.[2] Furthermore, education remains a core sector for the UK economy, contributing £95 billion and supporting nearly one million jobs.[3]

The Board and the Investment Manager continue to monitor global events as they relate to student numbers, including relations between the US, the UK and China which may impact the global mobility of Chinese students as well as their choice of destination.

Further, the Board and the Investment Manager are monitoring the potential impact of the coronavirus (Covid-19) outbreak both in terms of the ability of students to attend their universities, and therefore occupy student rooms, and in terms of the wellbeing of the residents in the Company's buildings. The Board notes that, at the date of publication, bookings for the forthcoming academic year are in line with 2019/20 and residents for the current academic year continue to occupy their rooms. Student applications for full time higher education for the 2020/21 academic year have increased by 1.2%[4] year-on-year.

The Board is mindful of the benefits that scale can bring to shareholders, including through operational efficiencies, portfolio diversification, reduced cost ratios and enhanced secondary market liquidity in the Company's shares.

To date, the Company has built its portfolio through the acquisition of individual assets, often by means of future contractual arrangements. As the Company has grown, so too have the opportunities for it to participate in bids for large-scale portfolios of assets and opportunistic individual acquisitions, which the Company reviews on an ad hoc basis. The Company further benefits from a future contractual arrangement in respect of Scape Guildford 2, as noted on page 4.

Robert Peto
Chairman

5 March 2020

FOR MORE INFORMATION, PLEASE REFER TO THE INVESTMENT MANAGER'S REPORT ON PAGES 6 TO 9.

1. Alternative performance measure ("APM") – see glossary for definitions and calculation methodology.
2. The Times Higher Education World University Rankings 2020.
3. The Economic Impact of Universities in 2014 – 2015, October 2017.
4. UCAS.

INVESTMENT MANAGER'S REPORT

The Investment Manager remains positive regarding the outlook for the student accommodation sector.

Acceptance rates for full-time courses in the UK are at record levels.

The UK student accommodation market

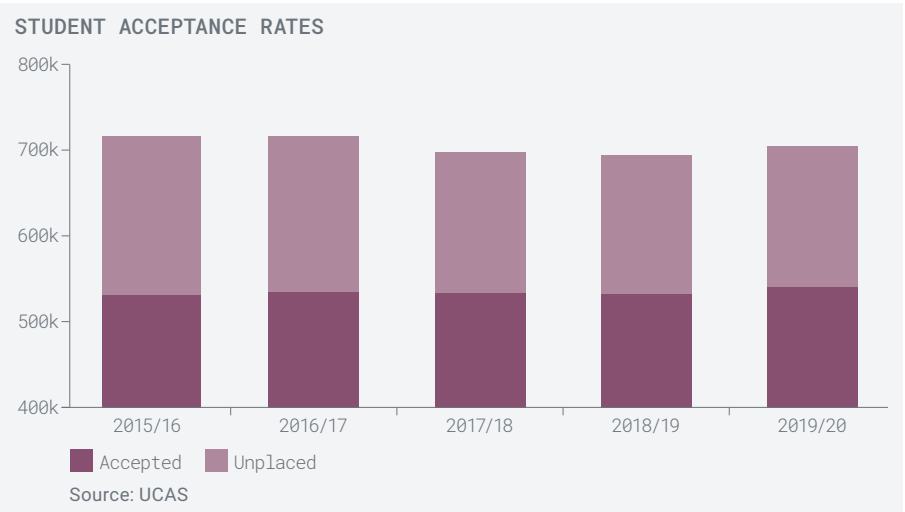
The Investment Manager believes that the location of assets is fundamental to their ability to support long-term returns to shareholders. It remains positive regarding the outlook for the student accommodation sector in the Company's 'core' markets which continue to benefit from attractive demand characteristics supported by constrained supply.

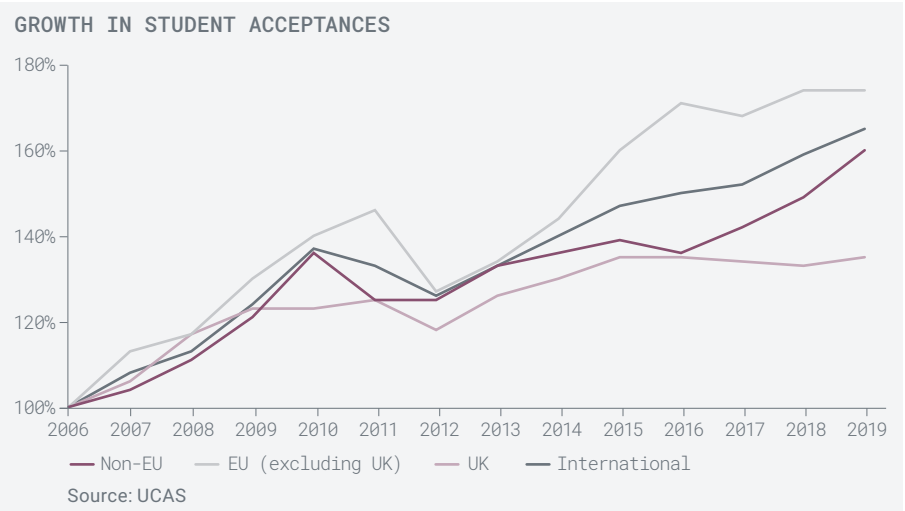
Student numbers supportive of occupancy and growth

The UK remains a global leader in the provision of higher education, with some of the highest-ranking universities in the world, including three in the top ten in 2020[1], making it attractive to both domestic and international students.

UCAS data for the 2019/20 academic year showed a record level of almost 550,000 students accepted onto full-time courses in the UK, with year-on-year growth from domestic (1.1%) and non-EU international students (6.9%) and a reduction in EU students (-0.3%). Non-EU student acceptances are at record levels, with acceptances from EU students remaining above those seen prior to the EU referendum. Further, the total number of acceptances for domestic 18 year-olds increased by 1.3% year-on-year, notwithstanding the decline in the wider UK population of this age.

Whilst total acceptances continue to rise, 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), illustrating a flight to quality as students assess their choice of university in terms of potential future earnings and other value indicators.





1. The Times Higher Education World University Rankings 2020.

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 (four) ranked in the top 40 by The Times Higher Education World University Rankings than any other city in the world. Approximately 30% of the 2.4 million students in the UK study in London and the South East.[1] 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.

Approximately 85% of the Company's portfolio is located in and around London, with 82% of the occupants being international students (EU and non-EU).

Strong supply-side barriers

There remains significant divergence of returns from student accommodation between cities in the UK with an undersupply of student housing and those with less restrictive planning regulations, with the Investment Manager targeting markets and micro-locations which it believes demonstrate a structural undersupply of private student accommodation. London and Brighton both remain severely undersupplied as a result of a combination of high land values and challenging planning restrictions. Further, modern student accommodation is in short supply, as illustrated by existing university stock in London, of which an estimated two-thirds is almost 20 years old.[2]

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

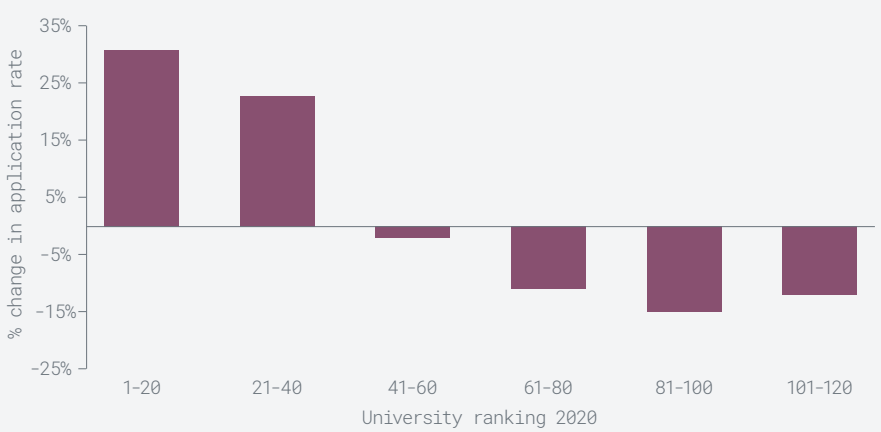
Transactional activity

Investment volumes of student assets exceeded £5.2 billion in 2019, the highest level of transactional activity in the UK since 2015. Post period end, Blackstone Group agreed to buy the iQ student portfolio from Goldman Sachs and the Wellcome Trust for £4.7 billion. The portfolio of 67 assets comprises c.28,000 beds in 27 UK cities and represents the UK's largest ever private real estate transaction.

Another transaction of note during the period was the acquisition by Unite plc of the Liberty Living Group plc, which constituted a portfolio of purpose-built student accommodation comprising c.24,000 beds located across the UK for a total consideration of c.£1.4 billion.

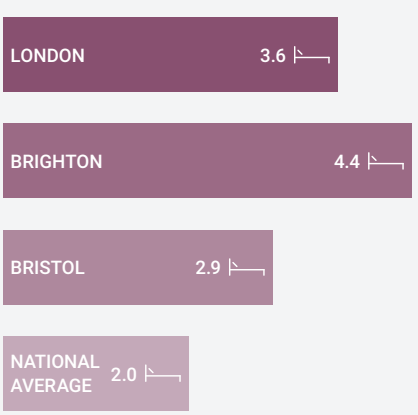
Such investment activity, combined with the above-average rental growth, continues to drive yield compression across the London market. This is reflected in the increased valuation on a like-for-like basis of the Company's portfolio during the period under review.

CHANGE IN STUDENT APPLICATION RATE BY UNIVERSITY RANKING 2012-2019



Source: UCAS, Complete University Guide.

STUDENTS PER BED RATIO



Source: HESA, Knight Frank.

1. HESA.
2. JLL Student Housing 2017 Report.

Portfolio performance update

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 2019/20 academic year.

The portfolio generated rental income of £24.6 million for the six-month period to 31 December 2019 and average rental growth of 4.4% year-on-year, exceeding both RPI growth of 2.9% and the national average net rental growth for student accommodation of 2.6%[1]. 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 ten minute walk of an HEI or major transport links.

In the period under review, the Company has achieved strong NAV growth driven by a like-for-like portfolio valuation uplift of 4.4%. The external market valuation of the portfolio was £987.3 million at 31 December 2019. The valuation uplift has been driven by rental growth, full occupancy and yield compression across its portfolio, with notable valuation uplifts on Scape Mile End of £10.7 million, Scape Wembley of £9.7 million and Scape Bloomsbury of £6.9 million.

The net initial yield of the Company's operational portfolio at 31 December 2019 was 4.42%.

During the period under review, the forward-funded construction of the student building at Circus Street, Brighton was completed on time and in line with the Investment Manager's expectations. Circus Street provides 450 beds in addition to c.29,000 sq ft of commercial office space which is expected to complete in summer 2020. The student accommodation is contracted on a 21-year lease, with annual uplifts of RPI plus 50 basis points, capped at 5% and floored at 2%, to a subsidiary of Kaplan Inc, a global education provider. Scape Brighton, the Company's second asset in the city, remains on track to complete construction for the 2020/21 academic year. The Company benefits from licensing fees which provide a 5.5% p.a. coupon through the construction phase. Scape Brighton will provide 555 beds once operational.

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, as evidenced by the occupancy levels, rental growth and yield compression seen across the Company's portfolio in the period under review.

Private student residential accommodation assets in and around London and in super prime regional locations such as Brighton continue to benefit from a substantial yield differential when compared to those located in other regional locations. This is underpinned by a growing demand for student accommodation and high barriers to entry for further development.

It is the Investment Manager's belief that this trend is likely to continue, particularly in London where local government policy may further limit the development in the future of private student accommodation and where demand from students for access to London's universities continues to grow. The combination of increasing demand for higher education in the locations in which the Group's assets are located and ongoing supply constraints should continue to support occupancy, rental growth and property valuations across the Company's portfolio.

PORTFOLIO AT A GLANCE

PROPERTY	VALUATION	NIY	NUMBER OF BEDS	% OF PORTFOLIO
1 SCAPE SHOREDITCH	£213.3M	4.24%	541	22%
2 SCAPE BLOOMSBURY	£196.5M	4.00%	432	20%
3 SCAPE MILE END	£165.2M	4.45%	588	17%
4 SCAPE WEMBLEY	£107.0M	4.65%	578	11%
5 CIRCUS STREET, BRIGHTON	£74.2M	3.94%	450	8%
6 SCAPE GREENWICH	£60.8M	4.55%	280	6%
7 SCAPE BRIGHTON	£52.7M	N/A	555	5%
8 THE PAD, EGHAM	£34.4M	5.80%	220	3%
9 PODIUM, EGHAM	£31.8M	5.65%	178	3%
10 SCAPE GUILDFORD	£28.7M	5.15%	141	3%
11 WATER LANE APARTMENTS, BRISTOL	£22.7M	5.25%	153	2%
TOTAL	£987.3M	4.42%	4,116	100%

1. CBRE Student Accommodation Index 2019.

FINANCIAL REVIEW OF THE PERIOD

The Company generated rental income of £24.6 million, paid or declared dividends of 3.15 pence per share and generated a total shareholder return[2] for the period of 24.3%.

Financial results

The Group has delivered strong results for the six-month period to 31 December 2019, with average rental growth of 4.4% across the portfolio for the 2019/20 academic year and generating total rental income for the period of £24.6 million. Profit before tax and fair value gains on investment properties and financial assets of £9.8 million was generated in the period up from £9.0 million in the prior period.

The Company's profit before tax year-on-year has decreased due to lower fair value gains recognised in the current period and an increase in finance costs associated with amounts drawn and repaid on the Company's redrawable credit facility and development loan. Administration expenses have increased in line with NAV.

Operating expenses

The Company's net operating margin has remained stable at c.79% for the period, with the continued efficient management of costs by the Company's Asset and Facilities Managers. Operating expenditure of £5.2 million was incurred during the period, which is in line with expectations.

Administration expenditure

Total administration expenses of £4.7 million in the period comprise fund running costs, including the Investment Manager's fee and other third party service provider costs, in line with the Company's service provider contracts.

Dividends and earnings

The Company increased its dividend, paying or declaring dividends in respect of the period of 3.15 pence per share. The dividends will be paid as 2.91 pence per ordinary share as PID in respect of the Group's tax exempt property rental business and 0.24 pence per ordinary share as ordinary dividends.

The dividend was 92% covered by adjusted EPS[1] of 2.90 pence (refer to note 3).
The Board is pleased to report the substantial improvement to the Company's dividend cover, which has been driven predominantly by Scape Bloomsbury opening to students in September 2018.

The Company targets a fully covered dividend over the longer term, noting that where assets in its portfolio are being refurbished or are under development, or where cash is held pending investment, there may be periods where cover is adversely affected over the short term.

Ongoing charges percentage

The Company's ongoing charges ratio[1] for the twelve months to 31 December 2019, based on the AIC's methodology, excluding direct property costs, was 1.32%.

Financial performance

Condensed profit and loss

	Six months ended 31 December 2019 £'000	Six months ended 31 December 2018 £'000
Rental income	**24,587**	20,868
Property operating expenses	**(5,236)**	(4,517)
Gross profit (net operating income)	**19,351**	16,351
Net operating margin[1]	**79%**	78%
Administration expenses	**(4,738)**	(3,959)
Net finance costs	**(4,856)**	(3,430)
Profit before tax and fair value gains on investment properties and financial assets	**9,757**	8,962
Fair value gains on investment properties	**37,987**	39,898
Fair value gains on financial assets	**22**	—
Profit before tax for the period	**47,766**	48,860

1. Alternative performance measure ("APM") – see glossary for definitions and calculation methodology.

FINANCIAL REVIEW OF THE PERIOD CONTINUED

Valuation

The valuation of the Company's property portfolio has increased to £987.3 million. Total gains on investment properties through revaluation of the Company's investment portfolio were £38.0 million for the period ended 31 December 2019. The portfolio is fully occupied for the 2019/20 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 comprising a £55 million (£13.8 million drawn at 31 December 2019) development facility and a £45 million redrawable credit facility of which £28.2 million was drawn and repaid during the period.

The Group's blended cost of borrowing on its drawn debt at the period end is 3.01% with an average weighted maturity of six years. The loan-to-value[3] of the Group at that date was 19%.

Lifecycle reserves

The Company's lifecycle cash reserves were £2.0 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 2019 were £795.0 million, up from £648.4 million at 31 December 2018. The EPRA NAV has increased from 165.52 pence at the year end to 174.71 pence per ordinary share, a 5.6% increase for the six-month period to 31 December 2019, primarily driven by increases in portfolio valuation due to strong rental growth and yield compression.

Cash flow generation

The Company held cash and cash equivalents of £59.3 million at the end of the period under review. Operating cash flows of £12.7 million were generated by the Company's student accommodation portfolio. Total equity capital raised in the period amounted to £76.9 million, which was used in part to repay the Company's redrawable credit facility. 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 increase in cash and cash equivalents at the period end.

Financial performance

Condensed balance sheet

	As at 31 December 2019 £'000	As at 31 December 2018 £'000
Investment property[2]	**996,283**	838,964
Trade and other receivables	**26,694**	47,011
Cash and cash equivalents	**59,277**	19,781
Total assets	**1,082,254**	905,756
Liabilities		
Trade and other payables	**(9,747)**	(7,068)
Deferred income	**(19,777)**	(18,574)
Lease liability	**(11,610)**	—
Interest-bearing loans and borrowings	**(246,135)**	(231,679)
Total liabilities	**(287,269)**	(257,321)
Net assets	**794,985**	648,435
Number of shares	**455,019,030**	410,576,707
EPRA NAV[1,3] per share (cum-income) (pps)	**174.71**	157.93
EPRA NAV[1,3] per share (ex-income) (pps)	**173.13**	156.40

1. EPRA NAV is equivalent to the NAV calculated under IFRS for the period less an adjustment for derivatives, refer to note 4. See glossary for definitions.
2. Includes lease incentives held as receivables.
3. Alternative performance measure ("APM") – see glossary for definitions and calculation methodology.

COMPANY PERFORMANCE

The Company continues to deliver strong performance.

Annualised total shareholder return[1] since IPO

15.6%
HY 2019

11.9%
HY 2018

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

Adjusted earnings[1] per share

2.9p
HY 2019

2.49p
HY 2018

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

Dividends per share for the period

3.15p
HY 2019

3.06p
HY 2018

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 2019

FULL
HY 2018

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

Loan-to-value[1]

19%
HY 2019

26%
HY 2018

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)

4.4%
AY19

3.5%
AY18

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

EPRA performance measures[2]

The data below includes performance measures based on EPRA 'Best Practice Recommendations Guidelines', which are designed to enhance transparency and comparability across the European real estate sector.

EPRA earnings[1]

£9.8m
HY 2019

£9.0m
HY 2018

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]

174.71p
HY 2019

157.93p
HY 2018

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 real estate investment company.

EPRA net initial yield[1]

4.42%
HY 2019

4.74%
HY 2018

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

1. Alternative performance measure ("APM") – see glossary for definitions and calculation methodology.
2. In respect of the operational portfolio in line with EPRA 'Best Practices Recommendations 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 9.

With the exception of broader uncertainties around coronavirus (Covid-19) as set out in the outlook section of the Chairman's statement on page 5, the Directors consider that the principal risks and uncertainties facing the Company are substantially unchanged since the date of the annual report for the year ended 30 June 2019 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 condensed consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting issued by the IASB;
- the half-yearly report and condensed 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 condensed 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

5 March 2020

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 condensed consolidated set of financial statements in the half-yearly financial report for the six months ended 31 December 2019, which comprises the condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows, basis of preparation and accounting policies and all related notes (together the "condensed consolidated set of financial statements"). We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated set of 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 financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial 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 IFRS as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial 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 set of financial statements in the half-yearly financial report for the six months ended 31 December 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP
London, United Kingdom

5 March 2020

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2019

Continuing operations	Notes	**Six months ended 31 December 2019 £'000**	Six months ended 31 December 2018 £'000
Rental income		**24,587**	20,868
Property operating expenses		**(5,236)**	(4,517)
Gross profit		**19,351**	16,351
Administration expenses		**(4,738)**	(3,959)
Operating profit before gains on investment properties and financial assets		**14,613**	12,392
Fair value gains on investment properties	7	**37,987**	39,898
Fair value gains on financial assets		**22**	—
Operating profit		**52,622**	52,290
Finance income		**21**	531
Finance expenses	9	**(4,877)**	(3,961)
Profit before tax		**47,766**	48,860
Tax charge on residual income	5	**—**	—
Total comprehensive income for the period		**47,766**	48,860
EPS (basic and diluted) (pps)	3	**11.52**	12.26

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Notes	31 December 2019 £'000	30 June 2019 £'000
Assets			
Non-current assets			
Investment property	7	**996,283**	919,203
Retention account		**308**	308
Other financial assets		**22**	—
Total non-current assets		**996,613**	919,511
Current assets			
Cash and cash equivalents		**59,277**	15,509
Deposit for investment property		**2,648**	2,648
Trade and other receivables		**23,716**	14,594
Total current assets		**85,641**	32,751
Total assets		**1,082,254**	952,262
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	10	**(246,135)**	(249,111)
Retention account		**(308)**	(308)
Lease liability		**(11,266)**	—
Total non-current liabilities		**(257,709)**	(249,419)
Current liabilities			
Trade and other payables		**(9,439)**	(5,887)
Deferred income		**(19,777)**	(12,293)
Lease liability		**(344)**	—
Total current liabilities		**(29,560)**	(18,180)
Total liabilities		**(287,269)**	(267,599)
Net assets		**794,985**	684,663
Equity			
Share capital	11	**4,550**	4,137
Share premium		**525,748**	450,658
Special reserve		**35,569**	38,759
Retained earnings		**229,118**	191,109
Total equity		**794,985**	684,663
Number of shares in issue		**455,019,030**	413,653,630
EPRA NAV per share (pps)	4	**174.71**	165.52

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 2019

	Share capital £'000	Share premium £'000	Special reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 July 2019	**4,137**	**450,658**	**38,759**	**191,109**	**684,663**
Total comprehensive income	**—**	**—**	**—**	**47,766**	**47,766**
Ordinary shares issued	**413**	**76,526**	**—**	**—**	**76,939**
Share issue costs	**—**	**(1,436)**	**—**	**—**	**(1,436)**
Dividends paid in respect of the previous period	**—**	**—**	**(2,344)**	**(4,109)**	**(6,453)**
Dividends paid in respect of the current period	**—**	**—**	**(846)**	**(5,648)**	**(6,494)**
Balance at 31 December 2019	**4,550**	**525,748**	**35,569**	**229,118**	**794,985**

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

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 2019

	Notes	**Six months ended 31 December 2019 £'000**	Six months ended 31 December 2018 £'000
Cash flows from operating activities			
Operating profit		**52,622**	52,290
Adjustments to reconcile profit for the period to net operating cash flows:			
Gains from change in fair value of investment properties	7	**(37,987)**	(39,898)
Gains from change in fair value of financial assets		**(22)**	—
(Increase)/decrease in other receivables and prepayments		**(9,546)**	8,338
Increase/(decrease) in other payables and accrued expenses		**7,665**	(10,252)
Net cash flow generated from operating activities		**12,732**	10,478
Cash flows from investing activities			
Land and development expenditure on properties under construction		**(24,064)**	—
Capital expenditure on investment properties		**(141)**	(16,010)
Increase in loans receivable		**—**	(24,178)
Net cash used in investing activities		**(24,205)**	(40,188)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**76,939**	38,141
Share issue costs		**(1,180)**	(679)
Proceeds from interest-bearing loans and borrowings		**24,655**	17,470
Repayment of interest-bearing loans and borrowings	10	**(28,220)**	(17,470)
Loan arrangement fees		**(42)**	(1,429)
Finance income		**13**	20
Finance expenses		**(4,186)**	(3,767)
Dividends paid in the period		**(12,738)**	(12,008)
Net cash flow generated from financing activities		**55,241**	20,278
Net increase/(decrease) in cash and cash equivalents		**43,768**	(9,432)
Cash and cash equivalents at start of the period		**15,509**	29,213
Cash and cash equivalents at end of the period		**59,277**	19,781

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 2019

Part 1. Basis of preparation

This section includes the Company's accounting policies applied to the financial statements in accordance with IFRS.

1. General information

GCP Student Living plc is a REIT incorporated in England and Wales on 26 February 2013. The registered office of the Company is located at 51 New North Road, Exeter EX4 4EP. The Company has a premium listing on the Official List of the FCA and trades on the Premium Segment of the Main Market of the London Stock Exchange. The Company had a market capitalisation of c.£901 million at 31 December 2019.

2. Basis of preparation

The condensed consolidated financial statements for the six months ended 31 December 2019 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 2019, with the exception of IFRS 16 Leases which has been adopted for the first time and is detailed in note 2.2. 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 2019 has been reviewed by the Company's Auditor, Ernst & Young LLP, in accordance with International Standard on Review Engagements 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' and was approved for issue on 5 March 2020. The latest published audited financial statements for the year ended 30 June 2019 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 2019 is an extract from those financial statements.

The condensed consolidated financial statements have been prepared under the historical cost convention, except for investment property and derivative financial assets, which have 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 NAV and earnings, which are presented alongside the IFRS measures where applicable.

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 2019.

2.1 Significant accounting policies

Accounting policies are consistent with those of the annual report for the year ended 30 June 2019 with the exception of IFRS 16 Leases explained below.

2.2 New accounting standard – IFRS 16

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

There is no impact to the consolidated statement of comprehensive income as a result of implementing IFRS 16.

2.3 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.

2.4 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 condensed consolidated financial statements:

Operating lease commitments – Group as lessor

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

Going concern

The Directors have made an assessment of the Group's ability to continue as a going concern and are satisfied that the 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 the going concern basis.

Estimates

Valuation of property

The Group's investment properties are valued at fair value as determined by the external valuer in accordance with the RICS Valuation Global Standards 2017 and IFRS 13. Refer to note 8 for further details of the judgements and estimates made in determining the valuation of property.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
For the six months ended 31 December 2019

Part 2. Review of the financial period

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

3. EPRA earnings[1]

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 and EPRA EPS[1] and Group-specific adjusted EPS[1] computations.

	Six months ended 31 December 2019 £'000	Six months ended 31 December 2018 £'000
Group earnings for EPS and diluted EPS	**47,766**	48,860
Fair value gains on investment properties	**(37,987)**	(39,898)
Fair value gains on financial assets	**(22)**	—
Group earnings for basic and diluted EPRA EPS[1]	**9,757**	8,962
Group-specific adjustments:		
Licence fees receivable on forward-funded developments	**2,281**	976
Group-specific adjusted earnings[1]	**12,038**	9,938

	Six months ended 31 December 2019 Pence per share	Six months ended 31 December 2018 Pence per share
Basic Group EPS	**11.52**	12.26
Basic Group EPRA EPS[1]	**2.35**	2.25
Diluted Group EPS	**11.52**	12.26
Diluted Group EPRA EPS[1]	**2.35**	2.25
Group-specific adjusted EPS[1]	**2.90**	2.49
Total dividends	**3.15**	3.06
Dividend cover ratio[1]	**92%**	81%

	31 December 2019 Number of shares	31 December 2018 Number of shares
Weighted average number of shares in issue	**414,777,690**	398,652,549

1. Alternative performance measure ("APM") – see glossary for definitions and calculation methodology.

A Group-specific adjusted EPS[1] has been calculated on page 22 to show EPRA earnings[1] adding licence fees on forward-funding agreements which are treated as capital items in the financial statements. The capital items have arisen from the following:

1. For the period ended 31 December 2019:
   i. licence fees of £787,000 from the developer of Circus Street, Brighton in respect of a forward-funding agreement; and
   ii. licence fees of £1,494,000 from the developer of Scape Brighton in respect of a forward-funding agreement.
2. For the period ended 31 December 2018:
   i. licence fees of £976,000 from the developer of Circus Street, Brighton in respect of a forward-funding agreement.

4. EPRA NAV

Basic NAV per share amounts are calculated by dividing net assets in the statement of financial position attributable to ordinary equity holders of the Company by the number of ordinary shares outstanding at the end of the period. As there are no dilutive instruments in issue, basic and diluted NAV per share are identical. The following reflects the net asset and share data used in the basic and diluted NAV per share and EPRA NAV[1] per share computations:

	31 December 2019 Pence per share	30 June 2019 Pence per share
EPRA NAV[1] (pps)	**174.71**	165.52

The EPRA NAV may be calculated as:

	31 December 2019 £'000	30 June 2019 £'000
Net assets attributable to ordinary shareholders	**794,985**	684,663
Fair value of financial assets	**(22)**	—
Net assets for calculation of EPRA NAV[1]	**794,963**	684,663
Number of ordinary shares in issue	**455,019,030**	413,653,630

1. Alternative performance measure ("APM") – see glossary for definitions and calculation methodology.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
For the six months ended 31 December 2019

Part 2. Review of the financial period continued

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 2019 £'000	Six months ended 31 December 2018 £'000
Corporation tax on residual income	**—**	—
Total	**—**	—

6. Dividends

		Six months ended 31 December 2019				Six months ended 31 December 2018			
	Dividend	**Total pence[2]**	**PID[2]**	**Ordinary dividend[2]**	**£'000**	Total pence[2]	PID[2]	Ordinary dividend[2]	£'000
Current period dividends									
31 December 2019/2018	Second interim[1]	**1.58**	**1.42**	**0.16**	**—**	1.53	1.22	0.31	—
30 September 2019/2018	First interim	**1.57**	**1.49**	**0.08**	**6,494**	1.53	1.13	0.40	6,282
Total		**3.15**	**2.91**	**0.24**	**6,494**	3.06	2.35	0.71	6,282
Prior period dividends									
30 June 2019/2018	Fourth interim	**1.56**	**1.08**	**0.48**	**6,453**	1.51	0.94	0.57	5,815
Total		**1.56**	**1.08**	**0.48**	**6,453**	1.51	0.94	0.57	5,815
Dividends in statement of changes in equity					**12,947**				12,097
Movement in withholding tax accrual					**(209)**				(89)
Dividends in statement of cash flows					**12,738**				12,008

1. The second interim dividend was declared after the period ended and therefore not accrued for as a provision in the financial statements.
2. Amounts are shown as pence per share.

On 4 February 2020, the Company declared a second interim dividend of 1.58 pence per ordinary share amounting to £7.2 million. The dividend will be paid on 9 March 2020 to shareholders on the register at close of business on 14 February 2020.

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

Part 3. Asset management

This section includes information on the Company's investment portfolio, valuation methodology and its performance over the period. The Group's investment properties are valued at fair value as determined by the external valuer in accordance with the RICS Valuation Global Standards 2017 and IFRS 13.

7. UK investment property

	Properties under development £'000	Leasehold £'000	Freehold £'000	Total £'000
Carrying value at 1 July 2019	**97,540**	**264,651**	**557,012**	**919,203**
Capital expenditure on properties	**—**	**24**	**(12)**	**12**
Land and development expenditure on properties under construction	**27,471**	**—**	**—**	**27,471**
Movement between properties under development and leasehold	**(67,350)**	**67,350**	**—**	**—**
Fair value gains on investment property	**1,567**	**7,172**	**29,248**	**37,987**
Adjustment in respect of right-of-use asset recognised on first application of IFRS 16[1]	**—**	**11,610**	**—**	**11,610**
Carrying value at 31 December 2019	**59,228**	**350,807**	**586,248**	**996,283**
Right-of-use asset[1]	**—**	**(11,610)**	**—**	**(11,610)**
Lease incentives	**—**	**2,625**	**—**	**2,625**
Fair value at 31 December 2019	**59,228**	**341,822**	**586,248**	**987,298**
Carrying value at 1 July 2018	30,490	248,460	505,474	784,424
Capital expenditure on properties	—	27	4,962	4,989
Land and development expenditure on properties under construction	9,653	—	—	9,653
Fair value gains on investment property	6,327	5,987	27,584	39,898
Carrying value at 31 December 2018	46,470	254,474	538,020	838,964
Lease incentives	—	2,506	—	2,506
Fair value at 31 December 2018	46,470	256,980	538,020	841,470
Carrying value at 1 July 2018	30,490	248,460	505,474	784,424
Capital expenditure on properties	—	55	4,895	4,950
Land and development expenditure on properties under construction	55,964	—	—	55,964
Fair value gains on investment property	11,086	16,136	46,643	73,865
Carrying value at 30 June 2019	97,540	264,651	557,012	919,203
Lease incentives	—	2,399	—	2,399
Fair value at 30 June 2019	108,626	267,050	603,655	921,602

During the year, the Group continued construction of Scape Brighton and completed construction of the student accommodation element of Circus Street, Brighton.

1. IFRS 16 has been adopted for the first time this year, for further information refer to note 2.2.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
For the six months ended 31 December 2019

Part 3. Asset management continued

8. Fair value

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

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

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

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

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

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 2019			
Assets measured at fair value	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Investment properties	**—**	**—**	**987,298**	**987,298**
Financial assets	**—**	**22**	**—**	**22**
Total	**—**	**22**	**987,298**	**987,320**

	30 June 2019			
Assets measured at fair value	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment properties	—	—	921,602	921,602
Total	—	—	921,602	921,602

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

There have been no transfers between levels during the period.

Valuation techniques and significant inputs within the valuation of investment properties
The following table analyses:

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

Class	Fair value	Valuation technique	Key unobservable inputs	Range
Operational student property 31 December 2019	**£928,070,000**	**Income capitalisation**	**ERV – 2019/20** **Rental growth** **Tenancy period** **Sundry income** **Facilities management cost** **Portfolio initial yield**	**£180 – £651 per bed per week** **2.0% – 2.5%** **17 – 51 weeks** **£50 – £100 per bed per annum** **£2,150 – £2,450 per bed per annum** **4.00% – 5.80% blended** **(4.00% – 7.50%)**
Development student property 31 December 2019	**£59,228,000**	**Income capitalisation/ RLV (plus cost spend to date)**	**RLV** **Build cost spend to date**	**£7,590,000 – £34,710,000** **£6,984,326 – £17,379,247**
Operational student property 30 June 2019	£824,062,000	Income capitalisation	ERV – 2018/19 Rental growth Tenancy period Sundry income Facilities management cost Portfolio initial yield	£165 – £651 per bed per week 2.0% – 3.0% 40/51 weeks £50 – £100 per bed per annum £2,100 – £2,350 per bed per annum 4.10% – 5.80% blended (4.10% – 7.50%)
Development student property 30 June 2019	£97,540,000	Income capitalisation/ RLV (plus cost spend to date)	RLV Build cost spend to date	£19,480,000 – £34,690,000 £6,722,199 – £36,001,755

Sensitivity analysis to significant changes in unobservable inputs within the valuation of investment properties
Significant increases/decreases in the ERV (per sq ft p.a.) and rental growth p.a. in isolation would result in a significantly higher/lower fair value measurement. Significant increases/decreases in the long-term vacancy rate and discount rate (and exit yield) in isolation would result in a significantly lower/higher fair value measurement.

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

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

Gains and losses recorded in profit or loss for recurring fair value measurements categorised within Level 3 of the fair value hierarchy amount to £37,987,000 (31 December 2018: £39,898,000) 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 other 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 2019

Part 4. Borrowings and equity

This section includes information on the Company's interest-bearing loans and borrowings and capital position. The Group manages its capital requirements through a combination of debt and equity.

9. Finance expenses

	Six months ended 31 December 2019 £'000	Six months ended 31 December 2018 £'000
Bank charges	**6**	4
Loan interest	**3,913**	3,588
Loan arrangement fees amortised	**418**	219
Commitment and other fees[1]	**540**	150
Total	**4,877**	3,961

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

10. Interest-bearing loans and borrowings

	31 December 2019 £'000	30 June 2019 £'000
Borrowings at the start of the period	**252,150**	235,000
Borrowings drawn down in the period	**24,868**	34,620
Borrowings repaid in the period	**(28,220)**	(17,470)
Borrowings at the end of the period	**248,798**	252,150
Unamortised loan arrangement fees at the start of the period	**(3,039)**	(2,229)
Amortised during the period	**418**	619
Loan arrangement fees incurred during the period	**(42)**	(1,429)
Unamortised loan arrangement fees at the end of the period	**(2,663)**	(3,039)
Borrowings less unamortised loan arrangement fees	**246,135**	249,111

At 31 December 2019, the Group had debt facilities of £335 million, comprising the following:

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

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

Secured credit facilities totalling £100 million with Wells Fargo:

Amount	Facility	Interest rate %	Maturity	Drawn
£45,000,000	Redrawable credit facility	LIBOR +1.85	July 2021	—
£55,000,000	Development loan	LIBOR +3.10	December 2021 + 1 year	£13,798,000

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 2019.

11. Share capital

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

The share capital comprises one class of ordinary shares. At general meetings of the Company, ordinary shareholders are entitled to one vote on a show of hands and on a poll for every share held. There are no restrictions on the size of a shareholding or the transfer of shares, except for the UK REIT restrictions.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
For the six months ended 31 December 2019

Part 5. Staff and key management

This section includes information on the Group's employees and related parties transactions, including information pertaining to the Directors and Investment Manager.

12. Related party transactions

Directors

The Directors (all non-executive) of the Company and subsidiaries are considered to be the key management personnel of the Group. Directors' remuneration for the six months totalled £106,000 (six months ended 31 December 2018: £97,000) and at 31 December 2019, a balance of £nil (2018: £nil) was outstanding. The Directors are also the directors of all subsidiaries apart from GCP Operations Limited, where the directors are representatives from the Investment Manager and the Asset and Facilities Manager, Scape.

Investment Manager

The Company is party to an investment management agreement with the Investment Manager, pursuant to which the Company has appointed the Investment Manager to provide investment management services relating to the respective assets on a day-to-day basis in accordance with the Company's investment objective and policy, subject to the overall supervision and direction of the Board of Directors. For its services to the Company, the Investment Manager receives an annual fee at the rate of 1% of the NAV of the Company calculated and paid quarterly in arrears (or such lesser amount as may be demanded by the Investment Manager at its own absolute discretion).

From its investment management fee the Investment Manager is responsible for the payment of annual asset and facilities management fees to Scape. Under the terms of the asset and facilities management agreement, Scape is entitled to a fee which is calculated and paid quarterly in arrears and is one-quarter of the Investment Manager's fee attributable to those assets in the Group's portfolio for which it provides asset and facilities management services. The Investment Manager's fee is further reduced by an amount equal to the asset and facilities management fees payable by the Group to Collegiate in relation to Water Lane Apartments.

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

The Investment Manager also receives a fee of 0.25% 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.

During the six-month period, the Group incurred £3,668,000 (31 December 2018: £3,258,000) in respect of investment management fees, the AIFM fee, and marketing and investor introduction services. A total of £3,607,000 (31 December 2018: £3,144,000) is included within administration expenses in the condensed consolidated statement of comprehensive income and £81,000 (31 December 2018: £114,000) is included within the share issue costs relating to shares issued during the year; at 31 December 2019, £1,842,000 (30 June 2019: £1,707,000) was outstanding.

Transactions with persons connected to the Investment Manager

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

The Group is party to a contract with Scaperfield Limited to acquire and forward-fund the construction of Scape Brighton, which has been ongoing during the period. The directors of the Investment Manager and their family members, directly or indirectly, own in aggregate approximately 80% of Scaperfield Limited.

The Company benefits from a future contractual arrangement to acquire Scape Canalside. The directors of the Investment Manager and their family members, directly or indirectly, owned in aggregate approximately 45% of Leopard Guernsey Westway Limited, the vendor of Scape Canalside.

The Company benefits from a conditional forward purchase agreement with Kernel Court Limited to acquire a high specification, purpose-built, private student accommodation residence in the same locality as its Scape Surrey asset in Guildford. The directors of the Investment Manager and their family members, directly or indirectly, own in aggregate approximately 40% of Kernel Court Limited.

Each of the above assets has been or will be acquired, as appropriate, on the basis of an independent valuation and approval by the independent Board of Directors.

GLOSSARY OF KEY TERMS

Adjusted EPS/adjusted earnings
EPS adjusted for exceptional items and licence fees receivable on forward-funded developments (refer to note 3)

AIC
Association of Investment Companies

AIFM
Alternative Investment Fund Manager

APM
Alternative performance measure

Company or GCP Student
GCP Student Living plc

Cost of borrowing
Cost of borrowing expressed as a percentage weighted according to amount drawn down

Dividend cover ratio
Total dividends per share divided by adjusted EPS expressed as a percentage (refer to note 3)

EPRA
European Public Real Estate Association

EPRA earnings
Recurring earnings from core operational activities excluding movements relating to revaluation of investment properties and financial assets and the related tax effects

EPRA EPS
Recurring earnings from core operational activities excluding movements relating to revaluation of investment properties and financial assets and the related tax effects, divided by the number of shares in issue (refer to note 3)

EPRA NAV
Net assets divided by number of shares. Includes all property at market value but excludes the mark-to-market of financial assets (refer to note 4)

EPRA NAV (cum-income)
Net asset value before deduction of proposed dividend (refer to page 12)

EPRA NAV (ex-income)
Net asset value after deduction of proposed dividend (refer to page 12)

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

EPS
Earnings per share (refer to note 3)

ERV
Estimated rental value (refer to page 27)

EU
European Union

FCA
Financial Conduct Authority

Group
GCP Student Living plc and its subsidiaries

HEI
Higher education institution

HESA
Higher Education Statistics Agency

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 (refer to page 12)

LSE
London Stock Exchange

NAV
Net asset value

Net operating margin
Rental income less property margin operating expenses shown as a percentage of rental income (refer to page 11)

Ongoing charges ratio
Annual percentage reduction in shareholder returns as a result of recurring operational expenses (refer to page 11)

p.a.
Per annum

PGIM
PGIM Real Estate Finance

PID
Property income distribution

pps
Pence per share

QMUL
Queen Mary University of London

REIT
Real estate investment trust

Rental growth
Percentage increase in student rents measured on a like-for-like basis

RICS
Royal Institution of Chartered Surveyors

RLV
Residual land value

RPI
Retail price index

Scape
Scape Student Living Limited – Asset and Facilities Manager for Scape Shoreditch, Scape Mile End, Scape East, Scape Greenwich, Scape Surrey, Scape Wembley, Scape Bloomsbury, Podium and The Pad

Total shareholder return
Share price growth with dividend deemed to be reinvested on the ex dividend date

UCAS
Universities and Colleges Admissions Service

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Cover image: Scape Mile End games area

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