

GCP STUDENT

GCP STUDENT LIVING PLC
Annual report and consolidated financial statements
for the year ended 30 June 2018

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ABOUT US

GCP Student Living plc 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 RPI 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 UKLA and trades on the Premium Segment of the Main Market of the London Stock Exchange. The Company had a market capitalisation of £566 million at 30 June 2018.



www.gcpstudent.com



**Best Report and
Accounts (Specialist)**

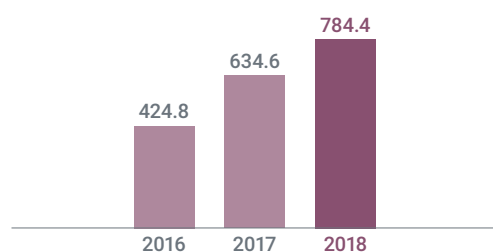
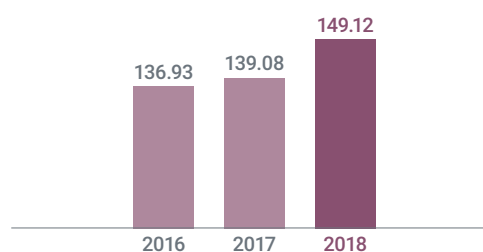


GCP STUDENT LIVING PLC

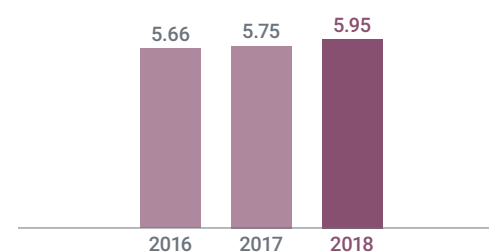
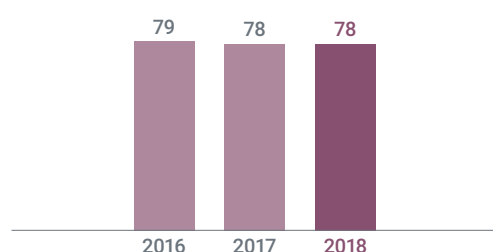
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AT A GLANCE

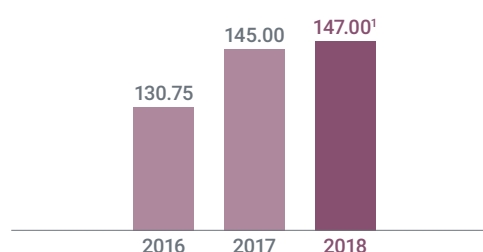
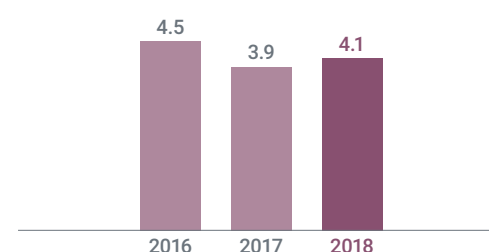
VALUE OF PROPERTY PORTFOLIO £m

EPRA NAV^{2,4} PER ORDINARY SHARE p

DIVIDENDS PER ORDINARY SHARE p

NET OPERATING MARGIN⁴ %

SHARE PRICE PER ORDINARY SHARE p

STUDENT RENTAL GROWTH⁴ %HIGHLIGHTS FOR THE YEAR³

- Annualised shareholder return since IPO⁴ of 12.5%, in excess of the Company's target return of 8-10%.
- Dividends of 5.95 pence per share paid or declared in respect of the year.
- Delivery of a strong set of results, generating total rental income for the year of £35.8 million.
- Successful equity raise of £70 million through a substantially oversubscribed placing of ordinary shares.
- First forward-funded development at Scape Wembley, London, completed on schedule for the 2017/18 academic year, generating a material valuation uplift of c.£12 million at completion and providing a further c.580 modern beds.
- Second forward-funded development asset, Circus Street, Brighton, commenced construction, which is expected to provide 450 beds on completion ahead of the 2019/20 academic year.
- Acquisition of Podium, which offers 178 beds in the same locality as the Company's 'The Pad' asset, together providing c.400 beds adjacent to RHUL.
- EPRA NAV⁴ (cum-income) per ordinary share of 149.12 pence and EPRA NAV (ex-income) per ordinary share of 147.61 pence at 30 June 2018.
- High-quality portfolio of ten assets with c.3,600 beds located primarily in and around London, with a valuation of £784.4 million at 30 June 2018.
- The Company's properties continue to benefit from the supply/demand imbalances for high-quality, modern student facilities, with the portfolio fully occupied and student rental growth⁴ of 4.1% for the 2017/18 academic year.
- Completion of the refurbishment of Scape Bloomsbury in time for the 2018/19 academic year, providing 432 beds.
- Post year end, completion of a redrawable credit facility of £45 million with Wells Fargo & Company and entry into a forward-funding agreement to fund Scape Brighton.

1. Share price at 29 June 2018.

2. EPRA NAV is equivalent to the NAV calculated under IFRS for the year.

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.

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

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 and teaching facilities primarily in and around London.

DIVERSIFICATION

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

KEY PERFORMANCE INDICATORS

The Company has generated an annualised shareholder total return since IPO¹ of 12.5%.

5.95p

Dividends paid or declared for the year

12.5%

Annualised shareholder total return since IPO¹

The Company's investment portfolio has been fully occupied since IPO, with average annualised rental growth¹ of 3.9%.

FULL

Occupancy¹ for 2017/18 academic year

4.1%

Student rental growth¹ for the year

The Company's property portfolio comprises eight modern standing student accommodation buildings, one development asset and one refurbishment.

3,561

Number of beds at 30 June 2018

10

Number of assets at 30 June 2018

Further information on Company performance can be found on page 21.

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

PORTFOLIO AT A GLANCE

At 30 June 2018, the Company’s portfolio comprised ten assets with c.3,600 beds, providing high-quality, modern student accommodation.

IN AND AROUND LONDON

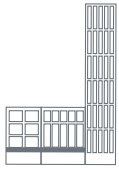


Location of assets by total capital value

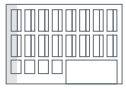
5.04%
Blended net initial yield



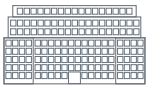
1
SCAPE EAST
MV £139.0m
NIY 4.90%
└ 588



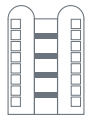
2
SCAPE WEMBLEY
MV £90.4m
NIY 5.25%
└ 578



3
SCAPE SHOREDITCH
MV £193.0m
NIY 4.45%
└ 541



4
SCAPE BLOOMSBURY
MV £166.0m
NIY N/A
└ 432



5
SCAPE GREENWICH
MV £55.4m
NIY 4.80%
└ 280



6
THE PAD
MV £35.3m
NIY 5.75%
└ 220



7
PODIUM
MV £30.1m
NIY 5.75%
└ 178



8
SCAPE SURREY
MV £25.2m
NIY 5.50%
└ 141

REST OF UK



9
CIRCUS STREET BRIGHTON
MV £30.5m
NIY N/A
└ 450



10
WATER LANE APARTMENTS BRISTOL
MV £19.5m
NIY 5.75%
└ 153



11
SCAPE BRIGHTON
MV N/A
NIY N/A
└ 550

- OPERATIONAL ASSETS
- UNDER CONSTRUCTION
- UNDER REFURBISHMENT
- POST YEAR END
- MV MARKET VALUATION
- NIY NET INITIAL YIELD
- └ NUMBER OF BEDS

CHAIRMAN'S STATEMENT

Full occupancy, above RPI rental growth and valuation uplifts have all contributed to another year of strong results for the Company.



Robert Peto
Chairman

Introduction

On behalf of the Board, I am pleased to report another year of strong operational results for the Company. The focus on assets in and around London has delivered robust NAV and income performance for the year. The Company delivered a positive shareholder total return¹ of 5.7% over the year and 12.5% annualised since IPO.

The Company's performance during the year has been driven by a combination of key factors. Operationally, the Company has benefited from a fifth consecutive year of full occupancy and year-on-year rental growth which has delivered dividend growth for shareholders. Further, the Company's portfolio has benefited from valuation gains on all of its assets partly as a result of yield compression arising from competitive market activity for private student accommodation assets.

This year marks the fifth anniversary since the Company's £70 million IPO as a REIT in May 2013. During that period, its EPRA NAV¹ per ordinary share has grown from 97.00 pence to 149.12 pence and its annual dividend has increased from 5.5 pence per ordinary share to 5.95 pence per ordinary share. The Company has delivered an annualised shareholder total return since IPO² of 12.5%, exceeding its target of 8-10% per annum and almost twice the return of the FTSE All-Share index over that period. At 30 June 2018, its market capitalisation was £566 million.

Portfolio

At 30 June 2018, the portfolio comprised ten assets providing c.3,600 beds which were either fully operational or expected to complete construction or refurbishment over the next two academic years. At that date, the property portfolio was valued at £784.4 million, with 94% by value located in and around London, representing a like-for-like uplift in value over the year of 7.3%.

The valuation uplift has been driven by full occupancy, rental growth and yield compression. The blended net initial yield of the operational portfolio at 30 June 2018 was 5.04%.

In September 2017, Scape Wembley opened its doors to students. The property was the Company's first forward-funded development asset, acquired in September 2016, and benefited from a material valuation uplift during the year. This success evidences the potential for forward-funded developments to enhance the total return profile of the portfolio.

At the year end, the portfolio included two assets which were under construction or refurbishment. Construction of the Company's second forward-funded development at Circus Street, Brighton, remains on track for completion in September 2019. Similarly, the Board is pleased to note that the substantial refurbishment of Scape Bloomsbury, located in the heart of London WC1, will be completed following the year end, with the property opening to students in mid-September 2018.

The portfolio continues to deliver strong operational performance, having achieved full occupancy for the 2017/18 academic year and generating rental income of £35.8 million. The Company achieved year-on-year student rental growth¹ of 4.1% across its operational assets, substantially ahead of the national average for private student accommodation of 2.9%.² Bookings for accommodation in respect of the 2018/19 academic year currently remain in line with expectations.

Acquisitions

During the year, the Company completed the acquisitions of Circus Street, Brighton, and Podium, Egham. Circus Street is the Company's second forward-funded development asset, following on from the successful completion of construction of Scape Wembley. It is expected to provide 450 beds and 30,000 square feet of commercial office space in a prime Brighton location ahead of, and during, the 2019/20 academic year respectively.

In December 2017, the Company acquired Podium, which offers 178 beds, in the same locality as the Company's 'The Pad' asset, together providing c.400 beds adjacent to RHUL. Podium, which is operational, was acquired through a conditional forward purchase agreement which was entered into in April 2016.

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

2. Cushman & Wakefield, UK Student Accommodation report, December 2017.

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In October 2017, the Company entered into a similar arrangement to acquire Scape Canalside which is adjacent to QMUL, in the same locality as the Company's 588-bed Scape East asset. If acquired, Scape Canalside will provide 410 beds for the 2019/20 academic year. The aggregation of beds in the same locality should benefit the Company through greater operational efficiencies over the longer term, particularly relative to smaller offerings.

As with forward-funded developments, the use of forward-purchase agreements to acquire assets enables the Company to secure attractively located assets in areas with few existing properties and scarce development opportunities.

Post year end, the Company announced that it had entered into a conditional agreement to acquire and forward-fund the construction of Scape Brighton which will provide c.550 beds and extensive communal areas with c.1,500 sq ft of retail space. The property is located on the primary campus of University of Brighton and is currently expected to be operational in September 2020.

Scape Brighton will be the Company's second asset in Brighton. The Directors are of the view that Brighton demonstrates strong supply and demand imbalances for private student residential accommodation which the Group believes is essential to maximise shareholder returns from this asset class. Its acquisition will provide further portfolio diversification and allow the Company to partner with a wider range of HEIs and benefit from the significant demand from international students.

The costs of the land acquisition for Scape Brighton have been funded by the Company's redrawable credit facility ("RCF") and its available cash resources. The costs of funding its construction will be initially partly funded by the RCF and the Company's available cash resources, supplemented by additional debt and, if appropriate, new equity.

Financial results

The EPRA NAV¹ per ordinary share has increased by 7.2% during the year from 139.08 pence to 149.12 pence at 30 June 2018. The Company's property portfolio generated £35.8 million of rental income, delivering profit (including valuation gains) of £61.1 million (£13.5 million excluding valuation gains).

3. Refer to note 14.

4. Information set out above is for illustrative purposes only and is not intended to be, and should not be, taken as a profit forecast or estimate.

Dividends

The Company has paid or declared dividends in respect of the year ended 30 June 2018 of 5.95 pence per share. The dividends were paid or declared as 4.02 pence per share as a PID and 1.93 pence per share as a non-PID. The Company increased its dividend by 3.5% year-on-year, in line with RPI.

The dividends were 67% covered by adjusted EPS³ of 4.01 pence. The dividends paid by the Company are expected to be fully covered by earnings when the Company's portfolio is fully operational.

Financing

The Company conducted an oversubscribed equity capital raise in July 2017, raising gross proceeds of £70 million, which have been used to fund the acquisition and construction of Circus Street, Brighton.

Post year end, the Company entered into a three-year RCF with Wells Fargo & Company for an aggregate amount of up to £45 million. The new facility has a prevailing margin of 1.85% above three-month LIBOR. It is currently intended that the RCF will be used partly to fund the acquisition and initial construction costs of Scape Brighton and complete the construction of Circus Street, Brighton, as well as for general corporate purposes.

The Board

The Board is delighted to welcome Gillian Day who was appointed as a non-executive Director of the Company on 23 February 2018.

Peter Dunscombe will be retiring from the Board at the annual general meeting of the Company this year. Mr Dunscombe has served as a non-executive Director since the Company's IPO. The Board thanks him for his substantial contribution to the Company over the past five years and wishes him well for the future.

Continuation vote

The Company's articles of association include provisions for a continuation vote to be held at its fifth annual general meeting, which will be held in November 2018, and at each third annual general meeting thereafter.

In light of the Company's performance since IPO, the quality of its investment portfolio and the ongoing support from shareholders as a whole, the Board recommends that shareholders vote in favour of resolution 10 in respect of the continuation of the Company, as set out in the notice of the annual general meeting circulated along with this annual report.

Outlook

The Company provides shareholders with a property portfolio which continues to benefit from supply and demand imbalances for student residential accommodation. The Company's focus on assets located in and around London has demonstrably benefited shareholders since its IPO five years ago. The Board and the Investment Manager also see London-like characteristics in a handful of other locations, including Bristol and Brighton, whilst remaining cautious of markets with a greater risk of oversupply and/or weak demand.

The attraction of London for owners of private student residential accommodation remains evident, as illustrated not only by the occupancy levels and rental growth achieved by the Company, but also by market transactional activity. Recent notable deals include two large London portfolios where reported pricing indicates that yields are continuing to tighten, driven by investor demand and restrictive planning approvals for such assets in the capital. In this respect, the ability of the Company effectively to deliver its own pipeline through forward-purchase agreements and forward-funded construction projects has been a key factor in its success since IPO.

The risks of Brexit remain unknown and, accordingly, are difficult to quantify. Notwithstanding this, in the period since the UK referendum, the number of international students in the UK, a substantial number of whom attend HEIs in and around London, has continued to rise. Education remains one of the UK's most valuable exports and London remains a cosmopolitan, global centre of academic excellence.

The Company continues to operate through uncertain political and macroeconomic times and has, to date, delivered on its stated objectives. The Board remains confident that the Company's portfolio should continue to deliver stable performance and is encouraged by the Investment Manager's ability to secure attractive assets in locations which it believes will support the Company's long-term total return prospects.

Robert Peto

Chairman

5 September 2018

FIVE YEARS OF GCP STUDENT

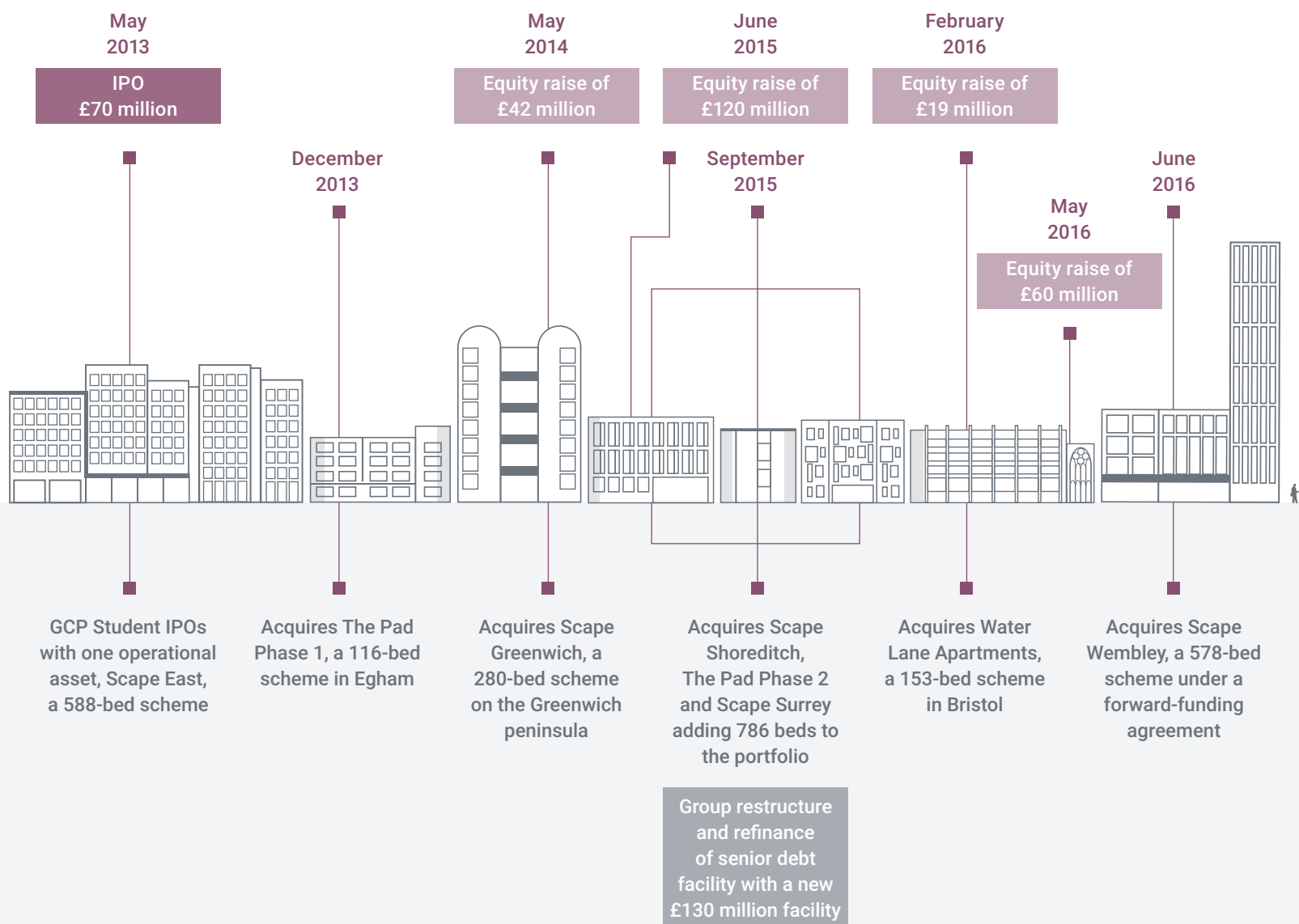
The Company was launched in May 2013 as the first real estate investment trust in the UK to focus on student residential assets.

12.5%

Annualised shareholder total return since IPO¹

3,561

Number of beds as at 30 June 2018



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

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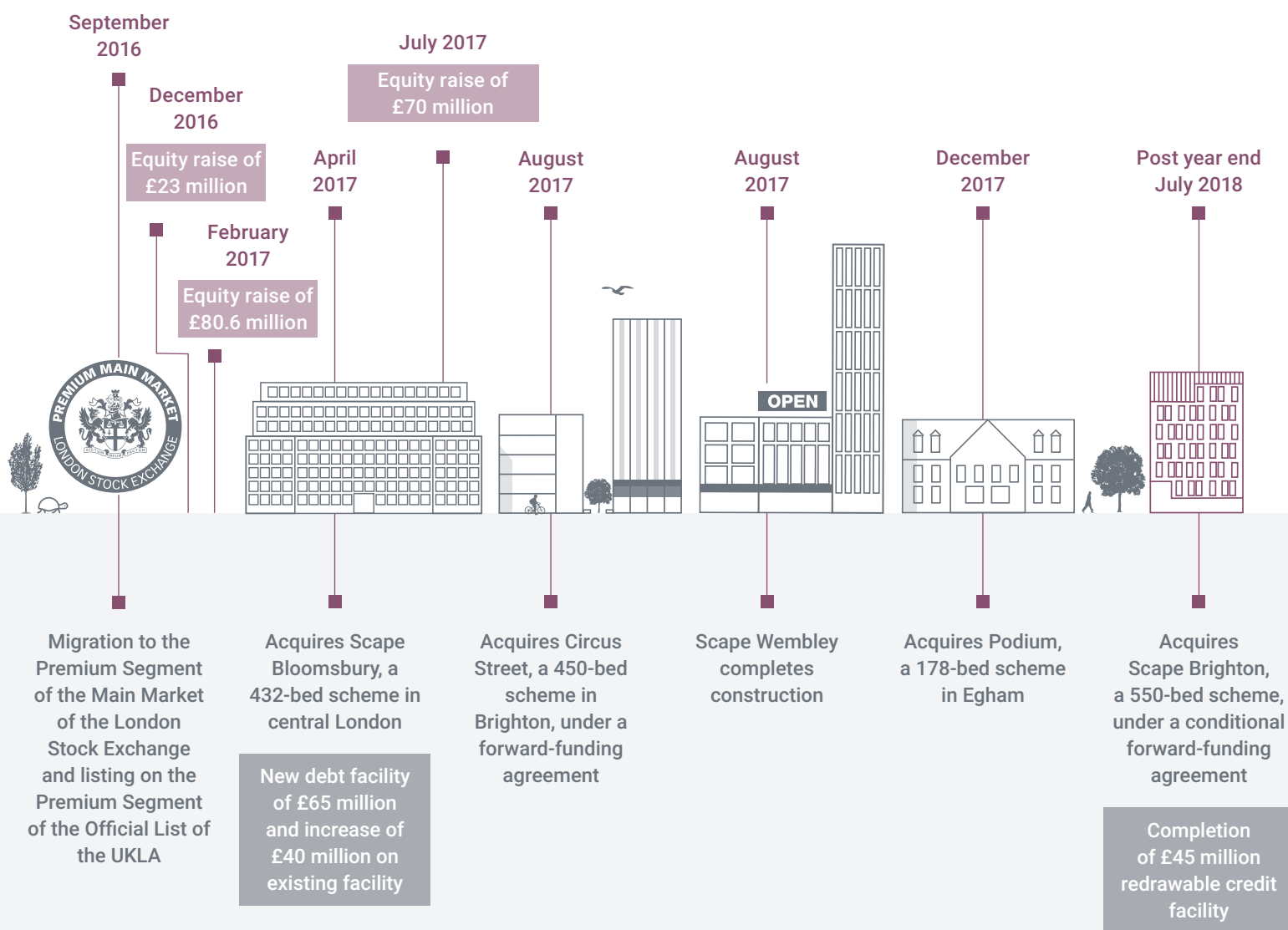
Since launch, the Company has grown to a market capitalisation of £566 million with a property portfolio of ten assets valued at £784.4 million.

3.9%

Average student rental growth¹ since IPO

£566m

Market capitalisation at 30 June 2018



STRATEGIC REPORT

WHAT'S IN THIS SECTION

STRATEGIC OVERVIEW

Find out more on pages 10 and 11

INVESTMENT MANAGER'S REPORT

Find out more on pages 12 to 17

REVIEW OF THE FINANCIAL YEAR

Find out more on pages 18 to 20

COMPANY PERFORMANCE

Find out more on page 21

PROPERTY PORTFOLIO

Find out more on pages 22 to 29

CORPORATE, SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

Find out more on pages 30 to 33

RISK MANAGEMENT

Find out more on pages 34 to 39



STRATEGIC OVERVIEW

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

12.5%

Annualised shareholder total return since IPO¹

5.95p

Dividends paid or declared in respect of the financial year ended 30 June 2018

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

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Business model

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

Investment objective

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

Investment policy

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

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

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

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

Borrowing and gearing policy

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

Use of derivatives

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

Investment restrictions

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

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

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

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

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

Business and status of the Company

The Company is registered as a public limited company and is an investment company within the terms of section 833 of the Companies Act 2006. The Company is a REIT for the purposes of Part 12 of the CTA. The Company will be treated as a REIT so long as it continues to meet the REIT conditions in relation to any accounting period.

The Company was incorporated on 26 February 2013. Its shares trade on the Premium Segment of the Main Market of the London Stock Exchange.

The Company's performance, along with the important events that have occurred during the period under review, the key factors influencing the financial statements and the principal risks and uncertainties for the financial period are set out in the Chairman's statement and on the following pages.

INVESTMENT MANAGER'S REPORT

The Investment Manager, Gravis Capital Management Limited, is responsible for the management of the Company's assets in accordance with its investment policy, subject to the overall supervision of the Board.



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The Company's portfolio has delivered a strong set of results for the year and continues to meet its long-term return objectives.

The UK student accommodation market

The UK has some of the highest-ranking universities in the world, with three in the top 10 in 2017/18.¹ Education remains a core sector for the UK economy, generating £95 billion for the economy and supporting nearly one million jobs across the nation.²

Transactional activity

The Investment Manager continues to see strong institutional investor demand for private student accommodation assets in the UK and, more specifically, in the Company's core London market. Investment volumes in 2017 saw c.£4.7 billion of investment in student accommodation in the UK, with a further c.£2 billion traded or under offer in H1 2018.

In particular, the Investment Manager notes the recent transactions involving the London-focused Pure Student Living and Chapter portfolios which together have an aggregate estimated value of c.£2.4 billion. This investment activity has resulted in yield compression across the London market, with the Pure portfolio traded at an estimated yield just above 4%, which the Investment Manager believes to be consistent with the yield achieved on the partial sale of the Chapter portfolio of London assets. This is driven by large investors willing to pay premiums for portfolios, reflecting strong demand for student assets offering substantial exposure to London.

Supply and demand imbalances supporting occupancy and growth

The Investment Manager maintains a positive outlook for the student accommodation sector in the UK and, more specifically, in a limited number of 'core' markets which it believes benefit from attractive demand characteristics supported by constrained supply.

Student numbers supportive of occupancy and growth

Demand for higher education in the UK remains strong. Acceptances to full-time higher education courses for the 2017/18 academic year were broadly consistent with the prior year, which in turn saw the highest number of acceptances on record. Furthermore, application numbers continue to exceed the number of places available, with one in four applicants unable to secure a place in higher education, equating to c.170,000 applicants.

The attraction of the UK to international students is evidenced by the continued growth in the number of international students accepted onto full-time courses, which has grown for the fifth consecutive year with 2017/18 being the highest level on record.

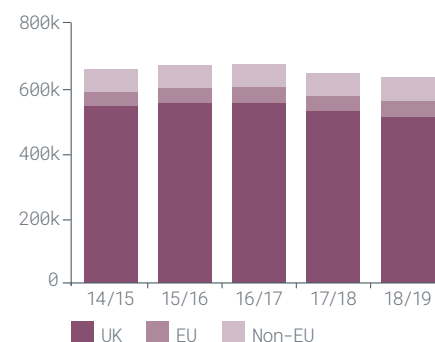
Non-EU student acceptances grew 5% year-on-year, with the number of EU students being accepted continuing to remain above the levels seen prior to the EU referendum.

Demand for full-time higher education courses in London remains strong relative to the rest of the UK. London is home to 22 universities, with more universities ranked in the top 40 by The Times Higher Education World University Rankings than any other city in the world. 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 reputation as a global centre of academic excellence; a quarter of all international students in the UK choose to study in London. With 94% of the Company's portfolio located in and around London and 74% of the tenants being international students, current market dynamics are strongly supportive of the Company's investment objective and underpin its ability to deliver fully occupied assets with long-term rental growth prospects.

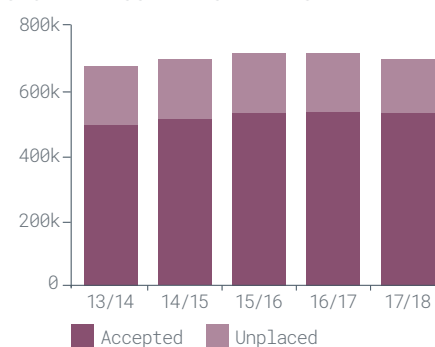
Looking ahead to the 2018/19 academic year, data published in July 2018 by UCAS indicates a modest year-on-year decline of 2% to the overall number of applications for university education across the UK. This decrease has been widely attributed to the decline in the population of 18 year-olds in the UK, which is forecast to reverse in 2020.³ Applications received from international students wishing to study in the UK continues to grow, with a year-on-year increase in applications from both non-EU applicants (6%) and EU applicants (2%), the latter suggesting that any material impact of Brexit on the attractiveness of the UK for EU students remains to be seen.

STUDENT APPLICATION RATE



Source: UCAS

STUDENT ACCEPTANCE RATES



Source: UCAS

1. Times Higher Education World University Rankings 2018.

2. The Impact of Universities on the UK Economy, Universities UK.

3. The Office for National Statistics.

INVESTMENT MANAGER'S REPORT CONTINUED

The UK student accommodation market continued **Strong supply-side barriers**

The supply of purpose-built student accommodation varies substantially across the UK. The Company focuses on the London market as it presents not only strong demand characteristics supported by large international student numbers, but also because London suffers from a structural undersupply of private purpose-built student accommodation.

High land values and the difficult planning environment which prioritises social housing and residential schemes over student accommodation in London has seen the market continue to be structurally undersupplied, with only 3,000 new private student beds delivered in 2017/18, the lowest level in a decade. Planning for new private student accommodation developments remains tightly constrained, with a 77% decrease in the number of beds now under development as compared with five years ago.¹

The beneficial impact of these barriers on the Company's portfolio of properties when coupled with high student numbers in London is reflected by the growth in NAV per share and rental growth achieved to date. Looking forward, the latest draft 'London Plan' issued for consultation in December 2017 has proposed policies which could potentially create additional barriers to the development of student schemes. These could include requirements for affordable student rooms which may negatively impact viability. The consultation period ended on Friday, 2 March 2018. Greater London Authority officers are currently registering all representations received and preparing a report which will summarise the main issues.

London and beyond

While the Company invests in private, purpose-built student accommodation assets primarily in and around London, its investment policy permits limited investment outside London, with the Investment Manager focusing on those markets where it believes the sector fundamentals mirror that of the London market. This is illustrated by the Company's acquisitions of the forward-funded developments, Circus Street, Brighton in the year, and Scape Brighton post year end.

The city of Brighton is home to both the University of Sussex (a UK top 20 university) and the University of Brighton, with in aggregate c.36,000 students, including c.7,500 international students. The city is also home to two of the largest English language foundation course providers. Brighton, like London, is structurally undersupplied with c.6,800 beds available to students, of which only 240 beds are in direct let private purpose-built student accommodation.

Looking forward, restrictive planning on further private student accommodation developments means that currently only c.500 beds have been consented for private development, excluding Circus Street and Scape Brighton. These supply and demand dynamics make Brighton a highly attractive market which the Investment Manager believes share many of the attractions of the London market. Other markets of interest to the Investment Manager, for similar reasons, include Bath, Bristol, Cambridge and Oxford.

Portfolio performance

The key drivers of the Company's returns are based on the three fundamentals as set out on page 15 which form the basis of how the Investment Manager seeks to add value. These key drivers support occupancy levels and the Company's ability to grow its rental income, in addition to generating the shareholder total return since IPO.

During the year under review, the Company's portfolio has continued to perform in line with the Investment Manager's expectations, demonstrating the benefits to shareholders of owning a portfolio of assets located in a highly selective number of markets (primarily London) which meet the needs of discerning students and offer operational efficiencies through scale and design. The Company's net operating margin³ for the year has remained broadly stable at 78%.

The operational assets in the Company's portfolio delivered a fifth consecutive year of full occupancy and rental growth. Scape Wembley, the Company's first forward-funded development asset, was operational for the 2017/18 academic year having opened its doors to students in September 2017 and has delivered a material valuation uplift to shareholders of c.£12 million against its book cost.

At the year end, the Company's two assets which were not operational, Scape Bloomsbury and Circus Street, Brighton, remained on track to complete refurbishment and construction respectively in line with the Investment Manager's expectations.

Scape Bloomsbury is due to open in time for the upcoming academic year in September 2018. The property was acquired in April 2017 and has undergone a substantial refurbishment befitting of the Scape brand and quality of asset which the Company seeks to provide for students. The refurbishment programme is further expected to optimise rental growth and occupancy levels. The forward-funded construction of the Circus Street student building is expected to be completed ahead of the 2019/20 academic year. The property will provide 450 beds and 30,000 square feet of commercial office space, with the commercial space completing during the 2019/20 academic year. The student accommodation will be 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 guaranteed by Kaplan Inc, a global education provider. The Company benefits from a licensing fee providing a 5.5% coupon on drawn funding through the construction phase.

Dividend cover

The Investment Manager's core focus is on delivering a diversified portfolio of investments which will provide sustainable, long-term dividends through strong occupancy levels and rental growth. This long-term focus may result in short-term periods of reduced dividend cover as investments are made which reduce this cover but are expected to contribute positively in the future.

Whilst the Company is forward funding the construction or refurbishment of an asset, its earnings relative to those generated by operational assets will be reduced, thereby reducing its dividend cover. The Investment Manager does not believe it to be appropriate to focus on short-term dividend cover in such cases as these investments enhance the overall quality of the portfolio, provide the Company with access to stock where suitable operational properties may be unavailable and enhance its earnings per share and rental growth prospects over the longer term. The dividend was 67% covered by adjusted EPS^{2,3} of 4.01 pence for the year ended 30 June 2018.

On the basis of an investment portfolio which is fully operational, and assuming current occupancy levels across the portfolio, the Investment Manager expects the dividend to be fully covered.

1. JLL London Housing Report 2017.

2. Refer to note 14.

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

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



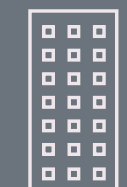
High supply-side
barriers



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

Pipeline and outlook

The Investment Manager continues to review a number of attractive investment opportunities. The Company will only seek to make investments where the Board and the Investment Manager believe investments are supportive of long-term returns to shareholders through strong rental growth prospects.

In the five years since IPO, the Company has been highly successful in securing new, modern properties through future contractual arrangements. This has enabled it to create its own pipeline of assets in attractive locations where existing properties may not have otherwise been available.

During the year under review, the Investment Manager was successful in securing another such future arrangement in respect of Scape Canalside, a second property in the same locality as Scape East, adjacent to QMUL. This is in addition to Scape Brighton, situated on the primary campus of the University of Brighton. Further opportunities remain under review, which include operational assets in London and those markets identified on page 14 and an opportunity in the same locality as the Company's Scape Surrey asset, which may in due course be acquired by way of a future contractual arrangement.

DRIVING GROWTH THROUGH SELECTIVE DEVELOPMENT¹

The Company's assets under development or refurbishment at the year end are well placed to provide potential rental and earnings growth, in addition to NAV growth prospects through yield compression, over the short to medium term.



The Investment Manager currently estimates that the completion of construction at Circus Street and Scape Brighton in addition to the re-opening of Scape Bloomsbury, may generate additional net annual rental income for the Company, once these properties are fully operational of between £16 million to £17 million, potentially enhancing annual adjusted EPS² by between 2.6 and 3.2 pence after estimated funding costs.

Further, as a consequence of the completion of refurbishment works and stabilisation at Scape Bloomsbury over the coming months, the Company may benefit from yield compression on this property resulting in a potential net valuation uplift of between £8 million and £12 million.

1. Information set out in this section is for illustrative purposes only and is based on certain assumptions made by the Investment Manager, including the properties being fully occupied, development costs being in line with current expectations and market conditions (including estimated rental values and appropriate capitalisation rates) as at 30 June 2018.

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

Q&A

WITH THE INVESTMENT MANAGER



Nick Barker

Director, Gravis Capital
Management Limited

What has attracted you to the Brighton market?

We take a highly selective approach to the locations in which we seek to invest, with the key focus being on delivering long-term, sustainable rental growth and value. Whilst this leads to a natural bias towards assets in and around London, we see Brighton as demonstrating many of the same characteristics that make London attractive.

The University of Sussex (a UK top 20 university located in Brighton) and the University of Brighton have c.36,000 students including c.7,500 international students. Brighton, like London, has an undersupply of student accommodation with c.6,800 beds available to students in Brighton, of which only 240 beds are in direct let private purpose-built student accommodation.

In addition, restrictive planning on future private student accommodation developments means that currently only c.500 beds have been consented for private development, excluding Circus Street and Scape Brighton. These supply and demand dynamics make Brighton a highly attractive market in our view.

Further, looking at the locations of the two Brighton assets gives us a greater degree of confidence over their ability to support the Company's long-term objectives. Circus Street is located in the heart of Brighton city centre, within short walking distance of its iconic pier, shopping district and transport links. Scape Brighton is located on the primary campus of the University of Brighton.

How does the Company benefit from investment in assets which are under construction?

Following the acquisition of Scape Brighton post year end, the Company has two assets which are under construction and are due to be completed in September 2019 and September 2020 respectively.

The acquisition of assets through forward-funded development agreements enables the Company to secure properties located in areas which benefit from favourable supply and demand characteristics, where appropriate operational assets may not be available and which we believe will support the Company's objective to provide regular, sustainable dividends with rental growth prospects over the longer term.

As evidenced by Scape Wembley, which was the Company's first forward-funded asset, such investments may provide an opportunity for the Company to benefit from valuation uplifts once they become operational, which can contribute materially to the total return profile of the portfolio.

We are mindful of the potential risks posed by investment in construction projects and maintain a rigorous approach to selecting development investment opportunities, always within the Company's stated restrictions which limit such investment.

Where the Company acquires forward-funded assets that are under construction, it seeks to benefit from licensing fees providing adjusted earnings through the construction phase which supports its objective of regular, sustainable dividends over the longer term. Both Circus Street and Scape Brighton provide a 5.5% coupon per annum during their construction phase.

What is your outlook for EU student numbers in the UK with Brexit on the horizon?

The result of the UK's EU referendum in June 2016 has generated much-publicised uncertainty around the potential impact of Brexit on student numbers. Acceptances for the 2016/17 and 2017/18 academic years suggest the Brexit vote has had no material adverse impact on the numbers of EU students accepted into HEIs in the UK as compared with years prior to the referendum, with applications from EU students for the 2018/19 academic year showing a year-on-year increase.

Whilst it remains too early to determine whether Brexit will cause any longer-term issues as regards the number of EU students in the UK, we are confident that London will continue to be a global centre of academic excellence for the foreseeable future given the international standing of its universities and its international appeal as a cosmopolitan city in which to study. We believe that the impact of any material reduction in the number of EU students coming to the UK is likely to be limited to those locations which we consider to be 'non-core' and which do not currently benefit from large numbers of international students, which is typically driven by the presence of higher ranking HEIs.

Overall, at the year end, only 17% of the students residing in assets owned by the Company came from the EU, with the vast majority coming from outside the EU (57%) and the UK (26%).

REVIEW OF THE FINANCIAL YEAR

The Company generated rental income of £35.8 million, paid or declared dividends of 5.95 pence per share and delivered an annualised shareholder total return¹ of 12.5%.

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

GCP STUDENT LIVING PLC

Annual report and consolidated financial statements for the year ended 30 June 2018

Financial results

The Company achieved student rental growth² of 4.1% on a like-for-like basis for the 2017/18 academic year, generating rental income for the year ended 30 June 2018 of £35.8 million from the Company's property portfolio, driven by full occupancy throughout the year. Rental income has increased year-on-year principally due to the opening of Scape Wembley in September 2017, which is expected to generate gross rental income of c.£6 million per annum.

Total administration expenses of £7.4 million comprise fund running costs, including the Investment Manager's fee, Asset and Facilities Managers' fees and other service provider costs in the period. Administration costs are carefully monitored and controlled by the Investment Manager and the Board to ensure that the Company receives value for services received. The Company's ongoing charges ratio² was 1.3% for the year ended 30 June 2018, calculated in line with the AIC methodology, excluding direct property costs.

Ongoing net finance costs of £6.9 million in the year principally comprise loan interest associated with the Company's financing arrangements. These have increased year-on-year due to incurring interest on the second facility for the full annual period and the drawdown of £15 million of additional debt in order to acquire Podium in December 2017, in line with expectations.

The Company generated profit before tax and fair value gains on investment properties for the year of £13.5 million.

Total fair value gains on investment properties through revaluation of the Company's investment portfolio were £47.6 million at 30 June 2018, positively impacting operating profit and generating EPS of 15.9 pence. The adjusted EPS² for the period was 4.01 pence (excluding fair value gains on investment properties and adjusting for exceptional items and licence fees receivable on forward-funded developments).

Dividends

In order to maintain its REIT status, the Company is required to meet a minimum distribution test for each accounting period for which it is a REIT. This test requires the Company to distribute at least 90% of the property rental profits from its property rental business for each accounting period, as adjusted for tax purposes.

In respect of the financial year ended 30 June 2018, the Company paid or declared dividends of 5.95 pence per ordinary share. The dividends were paid or declared as 4.02 pence per ordinary share as a REIT PID in respect of the Group's tax exempt property rental business and 1.93 pence per ordinary share as an ordinary UK dividend. The Company fulfilled all of its obligations under the UK REIT regime and was in full compliance with the REIT requirements at 30 June 2018 and at the date of this report.

Dividend cover

Whilst the Company targets a fully covered dividend over the longer term, during periods of investment where there is a continuing programme of acquisitions, this may not be achieved. For further information on this, see page 14. The dividend of 5.95 pence was 67% covered by adjusted EPS² of 4.01 pence.¹

Capital raises

The Company completed an oversubscribed equity capital raise in July 2017, raising gross proceeds of £70 million. The issue price was 142 pence and the shares were issued at a 6.75 pence discount to the closing mid-price on 12 June 2017 of 148.75 pence and a 3.6% premium to NAV (ex-income). The issue was NAV accretive for existing shareholders.

Cash flow generation

The Company held cash and cash equivalents of £29.2 million at the end of the financial year. A total of £22.2 million of operating cash flows were generated in relation to the Company's student accommodation portfolio. Total equity capital raised in the year amounted to £70 million, which was used in part to fund the construction of Scape Wembley and to acquire Scape Bloomsbury. The remaining cash outflows relate to the cost of servicing the Company's debt facility in addition to payment of dividends, resulting in a net decrease in cash and cash equivalents at the year end.

Financial performance**Income statement**

	Notes	For the year ended 30 June 2018 £'000	For the year ended 30 June 2017 £'000
Rental income	4	35,790	28,806
Property operating expenses	5	(7,946)	(6,281)
Gross profit (net operating income)		27,844	22,525
Net operating margin		78%	78%
Administration expenses	5	(7,434)	(6,072)
Ongoing net finance costs	9, 10	(6,917)	(4,794)
Profit before tax and fair value gains on investment properties (realised profits)		13,493	11,659
Fair value gains on investment properties		47,565	11,855
Profit before tax for the year		61,058	23,514

1. Refer to note 14 for detailed calculation.

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

REVIEW OF THE FINANCIAL YEAR CONTINUED

Debt financing

The Company's loan facilities total £235 million (of which the full amount was drawn at 30 June 2018) and have a blended cost of borrowing of 2.96% and with an average weighted maturity of c.7 years. The loan-to-value of the Group at that date was approximately 26% and the Company's gearing was 28%. Post year end, the Company entered into a three-year RCF with Wells Fargo & Company for £45 million. The new facility has a prevailing margin of 1.85% above three-month LIBOR.

Asset performance

The Company experienced 4.1% student rental growth¹ for the 2017/18 academic year and marginal yield compression. The valuation of the Company's property portfolio has increased by £117.2 million or 17.6% since the Company's IPO or its acquisition of assets. The portfolio was fully occupied for the 2017/18 academic year.

Lifecycle reserve

The Company's lifecycle cash reserves were £1.5 million at the year end. The reserves are held for future lifecycle expenditure to ensure the properties are maintained at the level needed to sustain the current rents and any assumed future rental growth.

Net assets

Net assets attributable to equity holders at 30 June 2018 were £574.2 million, up from £467 million at 30 June 2017. The increase in net assets since the prior year end is primarily driven by the acquisition of two further properties. At 30 June 2018, there were 385,064,556 ordinary shares in issue, giving an EPRA NAV (cum-income) per ordinary share of 149.12 pence.

NAV and share price return

The Company's ordinary shares have traded at an average premium to EPRA NAV (ex-income)¹ of 5.4% since IPO, with an average premium over the financial year of 0.6%.

EPRA NAV (cum-income)¹ has increased from 139.08 pence as at 30 June 2017 to 149.12 pence per ordinary share as at 30 June 2018, a 7.2% increase year-on-year. Dividends of 5.95 pence per ordinary share were paid, or declared, to shareholders. At the Group level, the annualised shareholder total return since IPO¹ was 12.5%, which exceeds the annualised target return of 8 to 10%.

Financial performance

Net assets

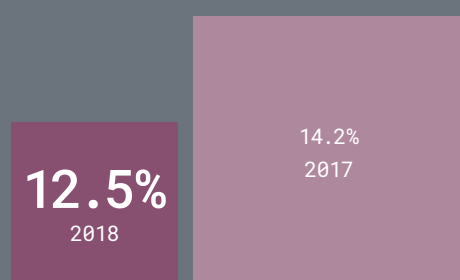
	Notes	As at 30 June 2018 £'000	As at 30 June 2017 £'000
Assets			
Investment property	3	784,424	634,640
Trade and other receivables		11,961	7,825
Cash and cash equivalents	16	29,213	55,110
Total assets		825,598	697,575
Liabilities			
Trade and other payables		(8,491)	(5,148)
Deferred income	18	(10,126)	(7,964)
Interest bearing loans and borrowings	19	(232,771)	(217,469)
Total liabilities		(251,388)	(230,581)
Net assets		574,210	466,994
Number of shares		385,064,556	335,768,782
EPRA NAV per share (cum-income)¹	23	149.12p	139.08p
EPRA NAV per share (ex-income)¹		147.61p	137.62p

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

COMPANY PERFORMANCE

The Company continues to deliver strong performance.

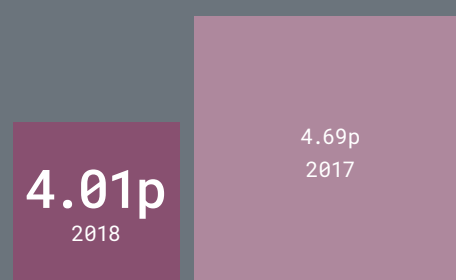
Annualised shareholder total return since IPO²



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.

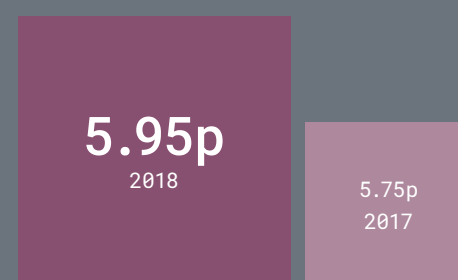
Adjusted earnings per ordinary share²



Relevance to strategy

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

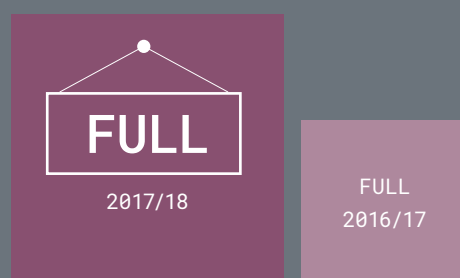
Dividends per ordinary share for the year



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.

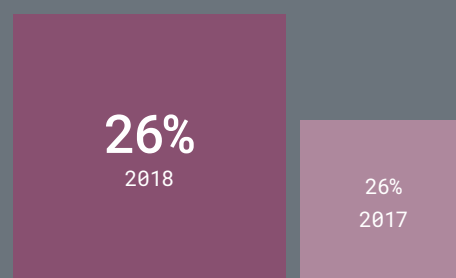
Occupancy²



Relevance to strategy

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

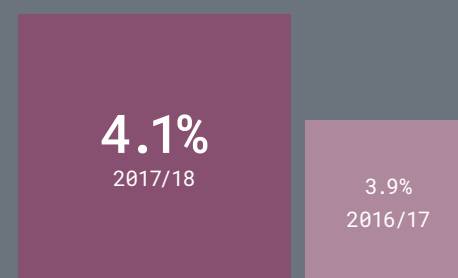
Loan-to-value²



Relevance to strategy

The LTV ratio measures the level of gearing and the Company's cost of debt.

Student rental growth² (Like-for-like)



Relevance to strategy

Student rental growth is a key measure of the quality of the portfolio.

EPRA performance measures¹

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

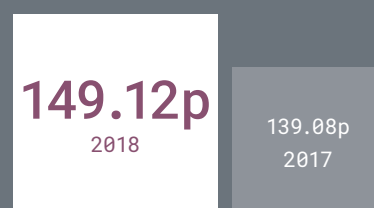
EPRA earnings²



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.

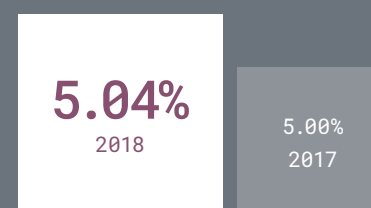
EPRA NAV²



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 yield¹



Purpose

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

1. In respect of the operational portfolio in line with EPRA Best Practice Recommendation Guidelines.

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

PROPERTY PORTFOLIO

The Company's property portfolio consists of high-quality, modern student accommodation, located primarily in and around London.

3,561

Number of beds
at 30 June 2018

10

Number of assets
at 30 June 2018



QUALITY, DESIGN AND BRAND

At 30 June 2018, the Company's portfolio comprised ten high-quality, modern student accommodation buildings, of which 94% of the value was located in and around London.

The living experience forms a mainstay of each student's university life and the Company has put the quality, design, experience and performance of its assets at the heart of its operational strategy. This is achieved through the Company's investment selection and its choice of Asset and Facilities Managers.

Scape

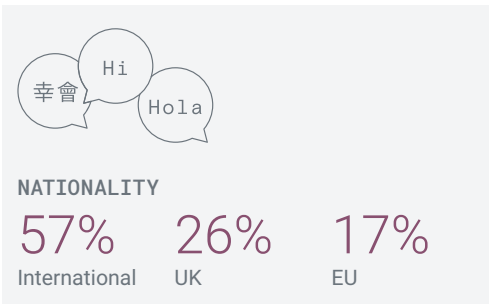
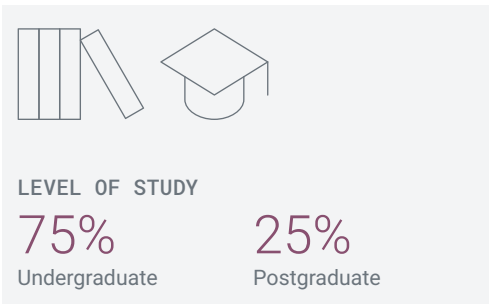
The Asset and Facilities Manager for the Company's 'Scape' branded assets, The Pad and Podium is Scape. The vision of the Scape brand was to create a new kind of student accommodation; one that was affordable but with modern design. By enlisting the help of leading interior designers and top architects, Scape continues to ensure that high standards of quality finishes and service are met. Years of hard work and listening to student feedback has resulted in some of the highest quality student accommodation assets in and around London.

Alongside the striking design features, the properties also offer ample common space for students to socialise and study. High-speed internet and wi-fi are available throughout each location. Scape responds proactively to student feedback, which has resulted in the provision of extra facilities and amenities, such as additional private rooms for group study, recreational areas and gyms.

Collegiate

The Asset and Facilities Manager for Water Lane Apartments is Collegiate. Collegiate's management philosophy is based on enhancing the university experience for their residents. It specialises in managing high-specification, design-led schemes with a focus on superior service quality. Collegiate's team has experience in managing a range of diverse student accommodation assets, in over 25 cities, and across over 40 student blocks, serving some 30,000 student tenants.

PORTFOLIO CHARACTERISTICS FOR 2017/18



- TOP FIVE HEIS ATTENDED
1. QMUL
 2. Ravensbourne
 3. University of Westminster
 4. RHUL
 5. UCL

- TOP FIVE NATIONALITIES REPRESENTED
1. British
 2. Chinese
 3. Indian
 4. Greek
 5. Russian

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

FEATURED ASSET

SCAPE
BLOOMSBURY

432

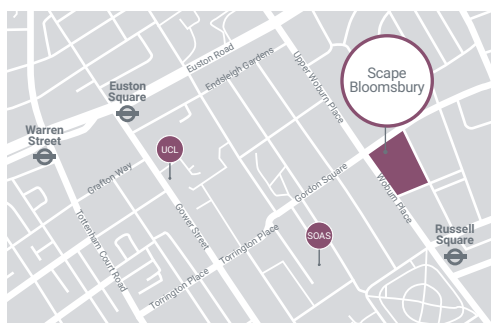
Number of beds

**19-29 Woburn Place,
London WC1H 0AQ**

In April 2017, the Company acquired Scape Bloomsbury, a private student accommodation asset located at a prime central London position in Bloomsbury, WC1.

The property is a 110,000 sq ft ten-storey building situated on half an acre of freehold land which was previously used as a government office in the mid-20th century, before being converted into student accommodation in 2008 by Unite Students.

Scape Bloomsbury is one of the most prime private student accommodation schemes in London, located in Bloomsbury within a few hundred metres of some of the world's leading universities. The property is within short walking distance of UCL (c.38,000 students from 150 countries), SOAS (c.5,000 students from 133 countries) and two teaching hospitals, UCH and GOSH. LSE, KCL, City and UAL are also within walking distance, bringing the total number of students in close proximity to Scape Bloomsbury to c.100,000.





THE REFURBISHMENT

Following acquisition in April 2017, the Group reconfigured and refurbished the property to the high specification typical of the Group's existing standing assets and the Scape Student Living brand. The refurbishment involved diversifying the mix of accommodation units, offering modern studios and single and double occupancy apartment style accommodation, to optimise rental growth and occupancy levels. The refurbishment has also included the construction of a gym, cinema room, communal kitchens and study rooms.

THE FINISHED RESULT

The refurbished property has 432 beds and it is expected that the scheme will generate between £9 and £10 million in gross revenue per annum, through a combination of long-term contracts and short-term lets. The property is anticipated to be earnings and dividend cover accretive.



TIMELINE

- **November 2016**
Terms agreed and due diligence process commenced
- March 2017**
Purchase exchange
- April 2017**
Purchase completion
- September 2017**
Vacant possession achieved, works commence
- January 2018**
First booking taken for 2018/19
- September 2018**
Works complete and building opens to students
- **July 2019**
Summer lettings commence



SUMMER LETTINGS

The property has the benefit of an approved 'C2 Residential Institutions' planning consent outside of the academic year, enabling the Asset and Facilities Manager to let the property under short-term lets to non-students who would traditionally take hotel, hostel or serviced accommodation in a location heavily used by tourists during the summer months.

SCAPE
SHOREDITCH

541

45 Brunswick Place,
London N1 6DX

Scape Shoreditch is located in a prime London location in Shoreditch. The property was acquired by the Company in September 2015.

Scape Shoreditch offers students a complete London living solution in one of London's most fashionable districts, Tech City, London's technology and media district. The property is located two minutes from Old Street station, within a 15-minute walk of City (c.18,000 students) and CASS Business School, with LSE, UCL and QMUL all located within a short journey from the location of the property.

At 30 June 2018, Scape Shoreditch was occupied by students from 40 HEIs and of 69 different nationalities, with 90% of tenants coming from outside the UK.



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THE PROPERTY

Built over eleven floors, the building comprises 541 studio bedrooms and c.10,000 sq ft of communal areas. The rooms are fully equipped for city living, with integrated storage and work space, fitted kitchenette and dining area and an en suite shower room. Located on the ground floor of the building are shops and restaurants, a gym, dance studio, study lounge, games room, cinema and large communal kitchen. On the upper levels are landscaped rooftop gardens with four pavilions, including a barbecue terrace, offering spectacular views over London and down through the central glass roof into the commercial space.

Since acquisition in September 2015, in the period to 30 June 2018, the Company has benefited from a valuation uplifts of c.£26 million. The property generates c.£10 million of gross revenue per annum, through a combination of direct let tenancies and commercial income. The commercial lease at the property generates c.25% of total gross annual revenues for Scape Shoreditch.

COMMERCIAL SPACE

The commercial facilities are let to WeWork on a 15-year fully repairing and insuring lease. WeWork is a global provider of shared workspaces. The typical member is an entrepreneur who is working on an early-stage idea, predominantly in the creative industries. Scape partners with WeWork to give students a platform to meet potential employers, sharpen their skills and gain valuable experience. Students also gain exclusive access to an ever-growing list of internships available at start-ups.



FUTURE SHAPERS

Scape has collaborated with WeWork Old Street, located in Scape Shoreditch to run an annual competition, 'Future Shapers'. The format follows a 'Dragons' Den' approach with students from across the Scape portfolio being invited to pitch their business ideas to a panel of existing WeWork success stories. The winner receives a desk at WeWork Old Street for a year to develop their idea and start their journey as an entrepreneur. This provides the student with an opportunity to become part of the WeWork community and take steerage from other members.

FEATURED ASSET

SCAPE
WEMBLEY

578

Number of beds

Fulton Road, London HA9 0TF

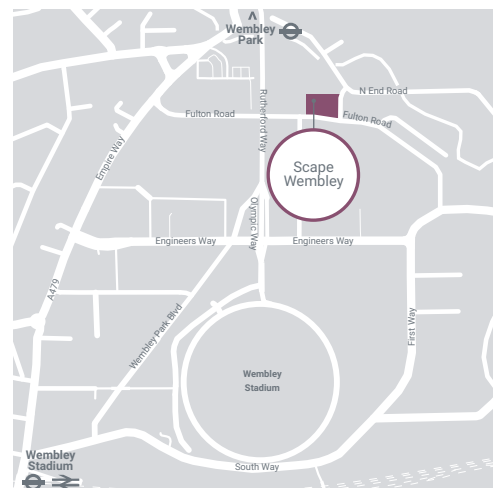
Scape Wembley is a private student residence located in Wembley, London. The scheme was forward funded by the Company and completed in August 2017 under the Scape brand.

The property is located adjacent to Wembley Stadium and within short walking distance from Wembley Park Station. Scape Wembley comprises high-specification, purpose-built private student accommodation with 578 modern studios and beds with communal areas.

The 28-storey student accommodation scheme was designed by architects HTA Design and was developed by Tide Construction in the fast-track time of twelve months. Each module was manufactured offsite (in the UK), where the furniture, windows, electrical wiring and plumbing were all installed before the modules were transported to the site in Wembley for assembly.

The majority of London's universities are accessible within 30 minutes of the property. The site is located within 14 minutes' travel time to Marylebone, 20 minutes to Bond Street and 25 minutes to King's Cross.

At 30 June 2018, Scape Wembley was occupied by students from 47 HEIs and of 79 different nationalities, with c.70% of tenants coming from outside the UK.



PROPERTY PORTFOLIO CONTINUED

At 30 June 2018, the Company's portfolio comprised ten high-quality, modern student accommodation buildings, of which 94% of the total capital value was located in and around London.

CURRENT

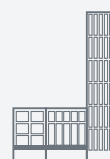
Key

- 1 Number of beds
- 2 Date of acquisition
- 3 Book cost
- 4 Valuation at 30 June 2018
- 5 NIY



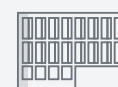
Scape East

- | | | | |
|---|--------|---|----------|
| 1 | 588 | 2 | May 2013 |
| 3 | £94.9m | 4 | £139.0m |
| 5 | 4.90% | | |



Scape Wembley

- | | | | |
|---|--------|---|----------|
| 1 | 578 | 2 | Jun 2016 |
| 3 | £78.1m | 4 | £90.4m |
| 5 | 5.25% | | |



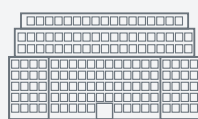
Scape Shoreditch

- | | | | |
|---|---------|---|----------|
| 1 | 541 | 2 | Sep 2015 |
| 3 | £166.8m | 4 | £193.0m |
| 5 | 4.45% | | |



Circus Street

- | | | | |
|---|--------|---|----------|
| 1 | 450 | 2 | Aug 2017 |
| 3 | £29.2m | 4 | £30.5m |
| 5 | N/A | | |



Scape Bloomsbury

- | | | | |
|---|---------|---|----------|
| 1 | 432 | 2 | Apr 2017 |
| 3 | £162.4m | 4 | £166.0m |
| 5 | N/A | | |



Scape Greenwich

- | | | | |
|---|--------|---|----------|
| 1 | 280 | 2 | May 2014 |
| 3 | £40.4m | 4 | £55.4m |
| 5 | 4.80% | | |



The Pad

- | | | | |
|---|--------|---|----------|
| 1 | 220 | 2 | Dec 2013 |
| 3 | £28.6m | 4 | £35.3m |
| 5 | 5.75% | | |



Podium

- | | | | |
|---|--------|---|----------|
| 1 | 178 | 2 | Dec 2017 |
| 3 | £29.5m | 4 | £30.1m |
| 5 | 5.75% | | |



Water Lane Apartments

- | | | | |
|---|--------|---|----------|
| 1 | 153 | 2 | Feb 2016 |
| 3 | £18.8m | 4 | £19.5m |
| 5 | 5.75% | | |



Scape Surrey

- | | | | |
|---|--------|---|----------|
| 1 | 141 | 2 | Sep 2015 |
| 3 | £19.1m | 4 | £25.2m |
| 5 | 5.50% | | |



Scape Brighton

- | | | | |
|---|-----|---|----------|
| 1 | 550 | 2 | Jul 2018 |
| 3 | N/A | 4 | N/A |
| 5 | N/A | | |

POST YEAR END

3,561

Number of beds

£784.4m

Valuation of property portfolio

5.04%

Blended net initial yield

CORPORATE, SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

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

STAKEHOLDERS

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

The stakeholder model below demonstrates how the Company interacts with all of its stakeholders. These relationships provide the foundation for the Group's growth and sustainability, which in return provides benefits to all parties.

Shareholders

The Company creates earnings that benefit shareholders through dividends and capital appreciation. Further information on how the Board engages with shareholders can be found on page 61.

Students

The Company aims to provide an inspirational place for students to live and work. Its buildings are designed with this aim in mind to help students to get the very best out of their university experience. The Company also partners with institutions that have pushed the boundaries in education and which can open doors for life after university. The Company works with leading education institutions such as INTO, QMUL, Ravensbourne, ACM and global shared workspace leaders, WeWork.

Society

Infrastructure

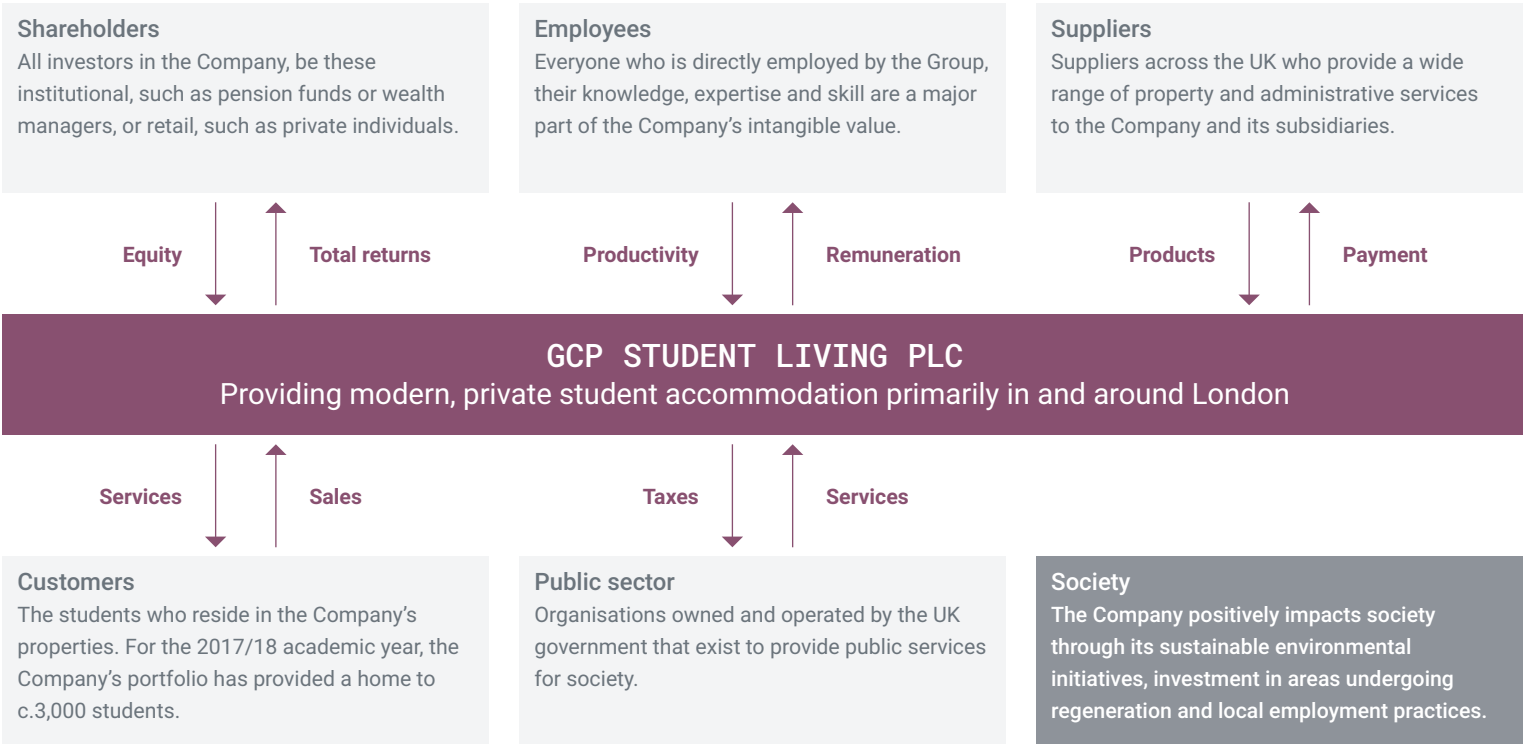
By investing in areas that are undergoing regeneration, such as in Wembley, and in Brighton, the Company is helping to improve the local area and reduce pressure on housing stock in areas where there are supply and demand imbalances.

The Company takes a highly selective approach to the locations in which it seeks to invest, with the key focus being on delivering long-term, sustainable rental growth and value. It considers understanding a building's relationship with the community and its contribution to the wellbeing of society an important factor.

Social and community

The Company is committed to being socially responsible and the Directors consider community involvement to be an important part of that responsibility. It is indirectly involved with a number of social and local community initiatives via the Asset and Facilities Managers, such as initiatives to give back to the local area through sponsorship and local events. Positively impacting local communities can help foster community relationships and contribute to local prosperity.

STAKEHOLDER MODEL



STAKEHOLDERS CONTINUED

Suppliers

The Group’s supply chain comprises primarily UK-based suppliers or specialist contractors providing goods or services in the UK. These are mostly property management related services, such as property maintenance, lifecycle works, as well as other technical services. There are also real estate services such as development, construction and refurbishment. The Asset and Facilities Managers have overall responsibility for the procurement of property management services.

Public sector

The Group contributes to the public sector through payment of taxes, such as VAT, employment taxes, stamp duty land tax and the payment of community levies such as the CIL.

Employees

The Group develops and rewards people both financially and through personal development. Scape has overall responsibility for the supervision and provision of asset management services through oversight and management of the employees of GCP Operations Limited, a subsidiary of the Company.

The engagement and wellbeing of employees is important to the Company. Employee research is conducted through staff forums and surveys and the results are fed back to the board of GCP Operations Limited on a regular basis.

Diversity and equality

The Group is committed to achieving a working environment which provides equality of opportunity and freedom from unlawful discrimination on the grounds of race, sex, pregnancy and maternity, marital or civil partnership status, gender reassignment, disability, religion, beliefs, age or sexual orientation. The Group’s policy aims to remove unfair and discriminatory practices and to encourage full contribution from its diverse community. It is committed to actively opposing all forms of discrimination and values diversity amongst its workforce.

Further information on the Group’s diversity policy is included in the corporate governance statement on page 53.

Gender breakdown

The gender breakdown of the Group’s Directors, senior management and employees at 30 June 2018 is detailed below.

Human rights

The Group respects human rights and aims to provide assurance to internal and external stakeholders that it will carry out its affairs in accordance with the principles of the Universal Declaration of Human Rights. No human rights concerns have arisen within the Group’s operations or, to the best of its knowledge, within its supply chain during the year ended 30 June 2018.

The Board is satisfied that, to the best of its knowledge, the Group’s principal advisers, which are listed in the Corporate information section on the inside back cover of this report, comply with the provisions of the Modern Slavery Act 2015.

GENDER BREAKDOWN



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ENVIRONMENT

Environmental impact

The Group is committed to being both socially and environmentally responsible and recognises the impact it has on the environment. It has delegated the day-to-day asset and facilities management to the Asset and Facilities Managers, who are responsible for the provision of energy supplies, including the procurement of renewable energy, managing the Group's waste schemes and raising general awareness of environmental impact and waste reduction amongst the Group's employees and residents.

Sustainability

The Group's environmental sustainability measures include the use of highly efficient combined heat and power systems, ground source heat pumps and intelligent interior heating and lighting to minimise GHG emissions. The Company's property portfolio incorporates green roof space, rainwater harvesting and sustainable waste management,

including diverting waste from landfill to generate renewable electricity via the waste management process. In the year to 30 June 2018, Scape procured the conversion of 58% of property waste into renewable energy and 42% into national recycling schemes.

Energy efficiency

The Company's buildings are either procured by the Company or acquired as newly operational and therefore conform to the highest standards of energy efficiency. The properties are designed with energy efficiency in mind, with 100% of the portfolio with an EPC rating of B or above.

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

The Company portfolio (by gross internal area) is rated as follows:



At 30 June 2018.

Greenhouse gas emissions

Carbon emissions data ¹	Year ended 30 June 2018	Year ended 30 June 2017
Absolute energy use:		
Residential gas (kWh)	9,356,436	6,526,010
Residential oil (kWh)	—	—
Residential electricity (kWh)	5,701,264	4,121,815
Absolute CO₂e emissions (tonnes CO₂e)	3,335	2,899
Residential gas emissions (tonnes CO ₂ e) (Scope 1)	1,721	1,201
Residential oil emissions (tonnes CO ₂ e) (Scope 1)	—	—
Residential electricity emissions (tonnes CO ₂ e) (Scope 2)	1,614	1,698
Total residential emissions (tonnes CO₂e) (Scopes 1+2)	3,335	2,899
CO₂e emissions per sq ft	0.0043	0.0050
Residential gas and oil emissions (tonnes CO ₂ e/sq ft) (Scope 1)	0.0022	0.0021
Residential electricity emissions (tonnes CO ₂ e/sq ft) (Scope 2)	0.0021	0.0029
Total residential emissions (tonnes CO₂e/sq ft) (Scopes 1+2)	0.0043	0.0050

1. Methodology

The principal methodology used to calculate the emissions reflects the UK Government's Environmental Reporting Guidance (2013 version). The Company has reported on all the emission sources required under the Regulations. An operational control approach was used to define the Company's organisational boundary and responsibility for GHG emissions. The Company owns 100% of the property assets it operates and has therefore reported on that basis. All material emission sources within this boundary have been reported upon, in line with the requirements of the Regulations.

RISK MANAGEMENT

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

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Role of the Board

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

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

The Directors undertake a formal risk review with the assistance of the audit and risk committee at least twice a year in order to assess the effectiveness of the Group's risk management and internal control systems. During the year under review, the Directors have not identified, nor been advised of, any failings or weaknesses which they have determined to be of a material nature. The principal risks and uncertainties which the Group faces are set out on pages 36 to 39.

Internal control review

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

The Directors have reviewed and considered the guidance supplied by the Financial Reporting Council on risk management, internal control and related finance and business reporting. An ongoing process has been established for identifying, evaluating and managing the principal risks faced by the Group and is kept under regular review by the Board, through the audit and risk committee. This process, together with key procedures established with a view to providing effective financial control, was in place during the year under review and at the date of this report.

The internal control systems are designed to ensure that proper accounting records are maintained, that the financial information on which business decisions are made, and which is issued for publication, is reliable and that the assets of the Group are safeguarded.

The risk management process and Group systems of internal control are designed to manage rather than eliminate the risk of failure to achieve the Company's objectives. It should be recognised that such systems can only provide reasonable, not absolute, assurance against material misstatement or loss.

The Directors have carried out a review of the effectiveness of the systems of internal control as they have operated over the period and up to the date of approval of the report and financial statements.

There were no matters arising from this review that required further investigation and no significant failings or weaknesses were identified.

Internal control assessment process

Robust risk assessments and reviews of internal controls are undertaken regularly in the context of the Company's overall investment objective. The Board, through the audit and risk committee, has categorised risk management controls under the following key headings:

- operational risk;
- market risk;
- financial risk; and
- reputational risk.

In arriving at its judgement of what risks the Group faces, the Board has considered the Group's operations in the light of the following factors:

- the nature and extent of risks which it regards as acceptable for the Group to bear within its overall business objective;
- the threat of such risks becoming reality;
- the Group's ability to reduce the incidence and impact of risk on its performance;
- the cost to the Group and benefits related to the review of risk and associated controls of the Group; and
- the extent to which the third parties operate the relevant controls.

A risk matrix has been put into place against which the risks identified and the controls in place to mitigate those risks can be monitored. The risks are assessed on the basis of:

- the likelihood of them happening;
- the impact on the business if they were to occur; and
- the effectiveness of the controls in place to mitigate them.

This risk register is reviewed at least every six months by the audit and risk committee and at other times as necessary.

Most of the day-to-day management functions of the Group are sub-contracted, and the Directors therefore obtain regular assurances and information from key third party suppliers regarding the internal systems and controls operating in their organisations. In addition, each of the third parties is requested to provide a copy of its report on internal controls each year, which is reviewed by the audit and risk committee.

Going concern

In assessing the Group's ability to continue as a going concern, the Directors have considered the Company's investment objective, risk management policies, capital management (see note 26 to the financial statements), the quarterly NAV and the nature of its portfolio and expenditure projections. The Directors believe that the Group has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future, being a period of at least twelve months from the date of this report. In addition, the Board has had regard to the Group's investment performance, the price at which the Company's shares trade relative to the NAV and ongoing investor interest in the continuation of the Company (including feedback from meetings and conversations with shareholders by the Group's advisers).

Based on their assessment and considerations, the Directors have concluded that the financial statements of the Company and the Group should continue to be prepared on a going concern basis and the financial statements have been prepared accordingly.

The Directors have also made an assessment of the viability of the Company. The viability statement can be found on page 39.

RISK MANAGEMENT CONTINUED

Principal risks

The Directors have identified the following principal risks and uncertainties and the actions taken to manage each of these. If one or more of these risks materialised, it could have the potential to significantly impact upon the Group's ability to meet its investment objective.

RISK 1: OPERATIONAL RISK

RISK	IMPACT	HOW THE RISK IS MANAGED	CHANGE IN RESIDUAL RISK OVER THE YEAR
Reliance on the Investment Manager and third party service providers The Group relies upon the performance of third party service providers to perform its main functions. In particular, the Group depends on the Investment Manager to provide investment advice and management services. Such services, which include monitoring the performance of the investment portfolio and conducting due diligence in respect of any new investments, are integral to the Group's performance.	Failure by a third party service provider to carry out its obligations in accordance with the terms of its appointment, or to exercise due care and skill, could have a material adverse effect on the Group's performance. The misconduct or misrepresentations by employees of the Group, the Investment Manager, the Asset and Facilities Managers or other third party service providers could cause significant losses to the Group.	The performance of the Group's service providers is closely monitored by the management engagement committee of the Board, which conducts review meetings with each of the Group's principal third party service providers on an annual basis. The audit and risk committee also reviews the internal controls reports and other compliance and regulatory reports of its service providers on an annual basis. The performance of the employees within the Group is monitored by the board of GCP Operations and Scape and considered regularly by the Board.	 Stable The Investment Manager continues to provide adequate resource and act with due skill, care and diligence in its responsibilities as Investment Manager and AIFM to the Company.
Due diligence Prior to entering into an agreement to acquire any property, the Investment Manager will perform due diligence, on behalf of the Group, on the proposed investment. The due diligence process may not reveal all the facts that may be relevant in connection with any proposed investment.	To the extent that the Investment Manager underestimates or fails to identify risks and liabilities associated with the investment in question, the Group may be subject to defects in title, to environmental, structural or operational defects requiring remediation, or may be unable to obtain necessary permits which may materially and adversely impact the NAV and the earnings of the Company.	In addition to the due diligence carried out by the Investment Manager, third party technical, insurance and legal experts are engaged to advise on specific risks to an acquisition, whether it be structured via a property-owning vehicle or a direct property acquisition.	 Stable The Company's property portfolio has continued to perform in line with expectations, generating rental income for year of £35.8 million.

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RISK	IMPACT	HOW THE RISK IS MANAGED	CHANGE IN RESIDUAL RISK OVER THE YEAR
Concentration risk The Company's property portfolio comprised ten assets at 30 June 2018. Substantially all of the Group's assets are currently located in and around London.	As a result of portfolio concentration, the Group may be adversely affected by events, including Brexit, which may damage or diminish London's attractiveness to students (especially overseas students) or London property values.	The Group is focused on the London market because this is where the largest supply/demand imbalance exists in the UK student accommodation market. The Investment Manager and the Asset and Facilities Managers have significant experience in the sector and continuously monitor the market and provide quarterly updates to the Board, to act as an early warning signal of any adverse market conditions ahead.	 Decrease The Company has acquired its first asset in Brighton under a forward-funding agreement, and post year end, has entered into a similar agreement for a second asset in Brighton. The Directors believe that Brighton demonstrates the strong supply and demand imbalances for student residential accommodation similar to the characteristics that make London attractive.
Net income and capital values Occupancy, rental income and property values may be adversely affected by a number of factors, including a fall in the number of students, competing sites, any harm to the reputation of the Group or the Scape brand amongst universities, students or other potential customers, or as a result of other local or national factors, including Brexit. The failure to collect rents, periodic renovation costs and increased operating costs may also adversely affect the Group.	A decrease in rental income, occupancy and/or property values may materially and adversely impact the NAV and earnings of the Company as well as the ability to service interest on its debt facility in the longer term.	The Investment Manager will only propose to the Board those assets which it believes are in the most advantageous locations and benefit from large supply and demand imbalances that can withstand the entry of new competitors into the market. In addition, the quality of assets that the Group acquires will be amongst the best in class to minimise occupancy risk. The Investment Manager monitors the performance of the Asset and Facilities Managers and provides the Board with performance reports on a quarterly basis, including any operational or performance-related issues which could potentially have an impact on brand confidence or integrity.	 Stable The Company's portfolio has achieved full occupancy for the fifth consecutive year and year-on-year student rental growth ¹ of 4.1%.
Property valuation and liquidity The valuation of the Group's property portfolio is inherently subjective, in part because all property valuations are made on the basis of assumptions which may not prove to be accurate, and because of the individual nature of each property and limited transactional activity.	Valuations of the Group's investments may not reflect actual sale prices, even where any such sales occur shortly after the relevant valuation date. Property investments are typically illiquid and may be difficult for the Company to sell and the price achieved on any such realisation may be at a discount to the prevailing valuation of the relevant investments.	The Company has entered into a valuation agreement with Knight Frank LLP to provide quarterly valuations of all of the Group's assets. Knight Frank LLP is one of the largest valuers of student accommodation in the UK and therefore has access to a large number of data points to support its valuations. In addition to this, the Board of Directors has significant experience of property valuation and its constituent elements.	 Stable Whilst the Company invests funds with the aim of both capital appreciation and investment income, it has no immediate plans to sell or realise the capital appreciation (and so generate returns) from any increase in the value of its investment properties, except by way of increased rental income.



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

RISK MANAGEMENT CONTINUED

RISK 1: OPERATIONAL RISK CONTINUED

RISK	IMPACT	HOW THE RISK IS MANAGED	CHANGE IN RESIDUAL RISK OVER THE YEAR
Compliance with laws and regulations Any change in the laws, regulations and/or government policy affecting the Group, including any change in the Company's tax status or in taxation legislation in the UK (including a change in interpretation of such legislation) may have a material adverse effect on the ability of the Company to successfully pursue its investment policy and meet its investment objective or provide favourable returns to shareholders.	An increase in the rates of stamp duty land tax could have a material impact on the value of assets acquired. In addition, if the Group fails to remain a REIT for UK tax purposes, its profits and property valuation gains will be subject to UK corporation tax.	The Board has appointed Gowling WLG (UK) LLP as legal counsel, Link Company Matters Limited as Company Secretary and Deloitte LLP as tax adviser to ensure compliance with all relevant laws and regulations. The Board has ultimate responsibility for ensuring adherence to the UK REIT regime and monitors the compliance reports provided by the Investment Manager and other third party service providers.	 Stable The Company's internal compliance procedures continue to operate effectively. In the year under review, the Company has implemented new policies to comply with the General Data Protection Regulation and continues to monitor the impact of recent changes in tax legislation.


RISK 2: MARKET RISK

RISK	IMPACT	HOW THE RISK IS MANAGED	CHANGE IN RESIDUAL RISK OVER THE YEAR
UK property market conditions The Group's performance depends on property values in the UK to a significant extent.	An overall downturn in the UK property market as a result of Brexit and/or other factors and the availability of credit to the UK property sector may have a materially adverse effect upon the value of the property owned by the Group and ultimately upon the NAV and the ability of the Company to generate revenues.	The Investment Manager continuously monitors market conditions and provides the Board with quarterly updates on the student accommodation market and senior debt market to act as an early warning signal of any adverse market conditions ahead.	 Stable The valuation of the Company's property portfolio at 30 June 2018 was £784.4 million, representing an increase of 7.3% year-on-year on a like-for-like basis.
Government policy and Brexit Changes in government policy which adversely impact the number of students in the UK may have a material adverse impact on the Company's ability to meet its stated objectives. Further, the Group may be subject to a period of significant uncertainty when the UK leaves the EU.	Material reductions to the number of students, including international students, attending HEIs in the UK and/or material adverse impact on the value of student accommodation assets in the UK.	The Board, together with its relevant advisers, closely monitors changes in government policy in respect of UK, EU and international students.	 Increase There continues to be considerable uncertainty around the outcome of Brexit, with negotiations with the EU ongoing.

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RISK 3: FINANCIAL RISK

RISK	IMPACT	HOW THE RISK IS MANAGED	CHANGE IN RESIDUAL RISK OVER THE YEAR
Breach of loan covenants and gearing limits The availability of the Company's debt facilities depends on the Company complying with a number of key financial covenants in respect of loan-to-value and interest service cover.	An adverse change to capital values as a result of a downturn in the UK property market, or a reduction to net income due to factors such as a fall in the number of students or other national factors, may lead to a situation whereby the Company breaches its banking covenants.	The Company's borrowing policy provides for the Company to have no more than 55% gearing in the short term and 30% in the long term. In addition to this, the Investment Manager provides the Board with a quarterly update on the state of the UK property market and the senior debt market.	 Stable The Company's gearing and loan-to-value ratios remain within long-term targets and the Company is in full compliance with all financial covenants at the year end.

Viability statement

The Directors have carried out a robust assessment of each of the Company's principal risks and uncertainties detailed above, in particular the risk and impact of a downturn in the UK commercial property market or the international student market which could materially affect the valuation and cash flows of the Company's investments and therefore, impact the viability of the Company. They have also considered the Company's policy for monitoring, managing and mitigating its exposure to these risks.

The Directors have assessed the prospects of the Group over a period longer than the twelve months required by the going concern provision. The Board has determined that a five-year period constitutes an appropriate period to provide its viability statement. The Company does not have a fixed life, it assumes long-term hold periods for the assets in its portfolio and analyses its financial model over a five-year horizon.

This assessment involved an evaluation of the potential impact on the Group of these risks occurring. Where appropriate, the Group's financial model was subject to a sensitivity analysis involving flexing a number of key assumptions in the underlying financial forecasts in order to analyse the effect on the Group's net cash flows and other key financial ratios including loan covenants. This analysis included modelling the impact of severe but plausible downside scenarios that incorporate the principal risks as follows:

- reductions in rental income;
- reductions in property values;
- increases in the Company's operating expenses; and
- deflationary scenarios that could impact on the Company's ability to meet its loan covenants.

The Company's assets derive revenues considered to be dependable due to the inherent supply/demand imbalances of the market in which the Company operates. Additionally, the Company's low leverage comprises fixed rate facilities which mature beyond the five-year horizon. Therefore, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five-year period of their assessment.

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

Robert Peto
Chairman

5 September 2018

GOVERNANCE

WHAT'S IN THIS SECTION

LEADERSHIP

See pages 42 to 51 of the corporate governance statement

EFFECTIVENESS

See pages 52 and 53 of the corporate governance statement

ACCOUNTABILITY

See the audit and risk committee report on pages 54 to 56, risk management disclosures on pages 34 to 39 and financial statements on pages 72 to 101

REMUNERATION

See the Directors' remuneration report on pages 57 to 60

RELATIONS WITH SHAREHOLDERS

See page 61

DIRECTORS' REPORT

See pages 62 and 63





LEADERSHIP BOARD OF DIRECTORS

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



Robert Peto

Chairman

Mr Peto is non-executive chairman of Standard Life Investments Property Income Trust Limited. He was non-executive chairman of DTZ Investment Management Limited, the regulated arm of DTZ Investors which he founded in 1992, until 2017. Mr Peto chairs a number of investment committees for property funds and is a non-executive director of Lend Lease Europe GP Limited (Retail Fund), Western Heritable Limited, Mactaggart Heritable Limited and Bath & West Enterprises Limited, the commercial subsidiary of the Royal Bath & West Society. He was Global President of RICS in 2010/11, a member of the Bank of England Property Advisory Group from 2007 to 2011, chairman of DTZ UK from 1998 to 2008 and a member of the board of DTZ Holdings plc from 1998 to 2009.

Skills and experience: Significant board level experience in the real estate sector.

Date of appointment: 9 April 2013.



Marlene Wood

Chair of the audit and risk committee

Ms Wood is a chartered accountant with a broad range of experience in both private and public sectors and is currently a non-executive director and chair of the audit committee of RM Secured Direct Lending PLC and a non-executive director of RM ZDP PLC. She is deputy chair of the Scottish Funding Council for Further and Higher Education, chairs its finance committee and is also a member of the remuneration committee. Ms Wood was previously chair of the audit committee for the University of the Highlands and Islands until 2014. She spent 20 years with the Miller Group, a major UK property business, predominantly as finance director for Miller Developments, the property development and investment arm, and latterly as group accounting and treasury director. Ms Wood is currently non-executive director and treasurer for One Parent Families Scotland.

Skills and experience: Substantial recent and relevant financial experience in both private and public sectors.

Date of appointment: 23 March 2015. Chair of the audit and risk committee from 21 July 2015.



Peter Dunscombe

Senior Independent Director and Chair of the remuneration committee

Mr Dunscombe is a non-executive director of Murray International Trust plc and HgCapital Trust plc. He joined a London firm of stockbrokers in the early 1970s to carry out economic and company research. After five years, he joined Imperial Group in their in-house pension fund management team and later became joint managing director of Imperial Investments Limited. Mr Dunscombe was head of pension investments at BBC Pension Trust Limited until 2011. He is a member of the investment committee of Reed Elsevier Pension Fund, St James's Place plc and the Nuffield Foundation.

Skills and experience: Substantial board level experience in the investment sector.

Date of appointment: 9 April 2013.

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**Malcolm Naish**

Chair of the management
engagement committee

Mr Naish is a non-executive director of Ground Rents Income Fund plc and Target Healthcare REIT Limited. He was head of real estate at Scottish Widows Investment Partnership ("SWIP") until 2012, with responsibility for a portfolio of commercial property assets spanning the UK, Continental Europe and North America, and SWIP's real estate investment management business. He qualified as a chartered surveyor in 1976 and has over 40 years' experience of working in the real estate industry. Immediately prior to joining SWIP in 2007, Mr Naish was director and head of DTZ Investment Management, where he also led new business development in the UK and international markets. He was a founding partner of Jones Lang Wootton Fund Management and UK managing director of LaSalle Investment Management. In 2002, he co-founded Fountain Capital Partners, a pan-European real estate investment manager and adviser. Mr Naish was also chairman of the Scottish Property Federation for 2010/11. He now holds a number of non-executive directorships and roles in the charity sector.

Skills and experience: Significant board level experience in the real estate sector.

Date of appointment: 9 April 2013.

**Gillian Day**

Director

Ms Day is currently Head of Private and Institutional Capital Engagement at CDC Group. She is also a governor of The London School of Economics and a member of the finance committee. Over the course of 20 years in finance, Ms Day has advised a broad range of private and public companies across a number of sectors, working extensively with institutional investors, multilateral agencies and governments. She has also served as a governor of the Museum of London and on its development board, audit and remuneration committees. She began her career at J.P. Morgan with a variety of advisory and capital markets roles in New York and London and then joined The Royal Bank of Scotland in private placements, portfolio management and corporate coverage. She was also a member of the investment committee for the European Fund for Strategic Investment at the European Investment Bank. Ms Day has a Masters from Columbia University's School of International and Public Affairs and a BSc. in Economics from The London School of Economics and Political Science.

Skills and experience: 20 years' experience in finance in both the private and public sectors.

Date of appointment: 23 February 2018.

All Directors are non-executive and independent of the Investment Manager.

LEADERSHIP THE INVESTMENT MANAGER

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



Nick Barker
Director

Mr Barker has co-lead responsibility for the provision of investment advice to the Company. He qualified as a Member of RICS in 2007 whilst working at Cushman & Wakefield Investors, having previously read Investment & Finance in Property at the University of Reading. Prior to that, Mr Barker's early career also included working in property in Brazil for DTZ's local representative and subsequently Jones Lang LaSalle. Mr Barker joined the Investment Manager in 2015 from Schroder Real Estate Investment Management Limited, where he worked for eight years, being head of alternatives for the real estate business and a member of the fund management team for the Schroder UK Real Estate Fund.



Tom Ward
Director

Mr Ward has co-lead responsibility for the provision of investment advice to the Company and is chief operating officer of Scape. He qualified as a chartered accountant with Arthur Andersen LLP in 2002 and continued to work in practice with Deloitte LLP in its Corporate Finance division, focusing on asset-backed securitisation. Mr Ward joined DTZ Corporate Finance in 2004, where he spent five years in the Structured Finance team, focusing on developing, funding and structuring property transactions on student and residential accommodation. Mr Ward is one of the founding partners of the Investment Manager, where he has overall responsibility for advising on the development, structuring and acquisition of student residential and educational assets.



Dion Di Miceli
Head of Investment Companies

Mr Di Miceli has responsibility for liaising with the client boards, investors and advisers and leading product development alongside the fund managers. A member of the Chartered Institute for Securities & Investment since 2005, Mr Di Miceli qualified as a chartered accountant with Arthur Andersen LLP in 2002 and subsequently spent four years in the Investment Funds practice at Ernst & Young LLP. He joined the Investment Companies team at Cenkos Securities plc in 2007 where, as a senior corporate adviser, he worked with investment company boards and their managers advising on and structuring a broad range of transactions covering IPOs, secondary issuance, mergers and corporate reconstructions. Mr Di Miceli joined the Investment Manager in 2016.



Saira Johnston
Chief Financial Officer

Ms Johnston is Chief Financial Officer for the Investment Manager and is responsible for overseeing the finance team and liaising with client boards. She qualified as a chartered accountant with KPMG after graduating from Imperial College with a degree in Maths with Management Studies. She left KPMG in 2003 and has since worked in a range of finance roles across the real estate fund industry, including CBRE Global Investors and Morgan Stanley. Ms Johnston joined the Investment Manager in 2017 from Moorfield Group, where she was financial controller for over four years.

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Chloe Marlow
Head of Fund Financial
Control

Ms Marlow is responsible for overseeing accounting and financial reporting for the Investment Manager. Ms Marlow is a qualified Chartered Management Accountant with 15 years' experience in the financial services sector. Her early career was spent at Lloyds Banking Group before moving into the fund administration sector with Capita Sinclair Henderson where she was responsible for the accounting and financial reporting for a portfolio of alternative investment funds. Ms Marlow joined the Investment Manager in 2013.



Harry Daws
Associate Director

Mr Daws is responsible for new asset reviews, due diligence and financing for the Group. He graduated with a first class degree in Physics from Bristol University in 2008 and subsequently trained and qualified as an Associate of the Institute of Chartered Accountants with Deloitte LLP in London, where he spent three years within Corporate Audit. Mr Daws joined the Investment Manager in 2012.



Joe McDonagh
Analyst

Mr McDonagh is responsible for financial analysis, market research and providing support to the wider investment team. Mr McDonagh joined the Investment Manager from Grant Thornton, where he was part of the advisory team providing advice to clients predominately in the infrastructure and real estate sectors. He was responsible for consulting on new investments, creating bespoke financial models, performing due diligence and conducting option analysis on different funding structures for his clients. He graduated from the University of Bristol in 2013 with a degree in Chemistry and qualified as a chartered accountant. Mr McDonagh joined the Investment Manager in 2018.



Paul White
Fund Financial Controller

Mr White is responsible for overseeing the accounting and financial reporting of the Group. He joined the Investment Manager from Langham Hall, a fund administrator, where he was responsible for managing the administration of a variety of real estate clients, including a portfolio of pan-European real estate funds. Prior to this, Mr White worked as an audit senior for a medium-sized audit firm, where he completed his accountancy training. Mr White is a qualified chartered accountant and graduated from Queen's University Belfast with a degree in Accounting. He joined the Investment Manager in 2018.

LEADERSHIP CORPORATE GOVERNANCE STATEMENT

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



Robert Peto
Chairman

Introduction from the Chairman

I am pleased to introduce this year's corporate governance statement. In this statement, the Company reports on its compliance with the AIC Code, sets out how the Board and its committees have operated during the past year and describes how the Board exercises effective stewardship over the Group's activities in the interests of shareholders. The Board is accountable to shareholders for the governance of the Group's affairs and is committed to maintaining the highest standard of corporate governance for the long-term success of the Company.

The Company reviews its standards of governance against the principles and recommendations of the AIC Code. The Board considers that reporting

against the principles and recommendations of the AIC Code, as explained by the AIC Guide, provides better information to shareholders as it addresses all the principles set out in the UK Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to investment companies, and is endorsed by the FRC. The terms of the FRC's endorsement mean that AIC members who report against the AIC Code and the AIC Guide fully meet their obligations under the UK Code and the related disclosure requirements contained in the listing rules of the UKLA.

A copy of the AIC Code and the AIC Guide can be found at www.theaic.co.uk. A copy of the UK Code can be obtained at www.frc.org.uk.

Statement of compliance with the AIC Code

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

The UK Code includes provisions relating to:

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

For the reasons set out in the AIC Guide, the Board considers these provisions are not relevant to the Company, being an externally managed investment company. The Company has therefore not reported further in respect of these provisions.

The Board has reviewed the principles and recommendations of the AIC Code by reference to the AIC Guide, and considers that it has complied throughout the year, except as disclosed below:

- Directors are not appointed for a specific term as all Directors are non-executive and the Company has adopted a policy of all Directors standing for annual re-election. The Board has determined that no further policy on tenure is required; and
- given the structure and size of the Board, the Board does not consider it necessary to appoint a separate nomination committee. The roles and responsibilities normally reserved for this committee are a matter for the full Board.

ROLE OF THE BOARD AND ITS COMMITTEES

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


THE BOARD

PURPOSE:


Responsible for the long-term success of the Company and the Group.

It provides overall leadership, sets the strategic aims of the Group and ensures that the necessary resources are in place for the Company to meet its objectives and fulfil its obligations to shareholders within a framework of high standards of corporate governance and effective internal controls


COMPOSITION:




Chair: Robert Peto




Marlene Wood



Peter Dunscombe



Malcolm Naish



Gillian Day

BOARD COMMITTEES

Audit and risk committee

PURPOSE:

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

COMPOSITION:

Chair: Marlene Wood
Gillian Day
Peter Dunscombe
Malcolm Naish

See the audit and risk committee report on pages 54 to 56

Management engagement committee

PURPOSE:

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

COMPOSITION:

Chair: Malcolm Naish
Gillian Day
Peter Dunscombe
Robert Peto
Marlene Wood

Remuneration committee

PURPOSE:

Reviews the remuneration of the Directors

COMPOSITION:

Chair: Peter Dunscombe
Gillian Day
Malcolm Naish
Robert Peto
Marlene Wood

See the Directors’ remuneration report on pages 57 to 60

Disclosure committee

PURPOSE:

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

COMPOSITION:

Chair: Robert Peto
Gillian Day
Peter Dunscombe
Malcolm Naish
Marlene Wood

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LEADERSHIP CORPORATE GOVERNANCE STATEMENT CONTINUED

The Board is responsible for the effective stewardship of the Company's affairs.

Board of Directors

Under the leadership of the Chairman, the Board is responsible for the effective stewardship of the Company's affairs, including corporate strategy, corporate governance, risk assessment and overall investment policy. The Directors have overall responsibility for the review of investment activity and performance and the control and supervision of the Investment Manager and the Asset and Facilities Managers, including Scape, which is responsible for the day-to-day oversight of the Group's employees.

The Board consists of five non-executive Directors. It seeks to ensure that it has an appropriate balance of skills and experience, and considers that, collectively, it has substantial recent and relevant experience of financial and public company management, the UK real estate sector and investment companies.

In view of the continuing growth in the size of the Company and its portfolio, the Board appointed Gillian Day as a Director of the Company with effect from 23 February 2018. The Company engaged Sapphire Partners, an external search consultancy independent of the Company and the Directors, to assist it with this appointment. The Directors considered the desired background and expertise of the new Director in order to complement the skills already on the Board and a shortlist of potential candidates was then provided by Sapphire Partners. The Directors met with a number of these candidates, following which Ms Day was appointed to the Board.

As set out in the Chairman's statement, Mr Dunscombe will be retiring at the forthcoming annual general meeting to be held on 6 November 2018 and will not be seeking re-election. In view of this, the Directors are considering appointing another Director in due course.

The terms and conditions of the appointment of the Directors are formalised in letters of appointment, copies of which are available for inspection at the Company's registered office. None of the Directors has a contract of service with the Company nor has there been any other contract or arrangement between the Company and any Director at any time during the year.

Board operation

The Board of Directors is responsible for the long-term success of the Company and the Group. It provides overall leadership, sets the strategic aims of the Group and ensures that the necessary resources are in place for the Company to meet its objectives and fulfil its obligations to shareholders within a framework of high standards of corporate governance and effective internal controls. The Directors have adopted a formal schedule of matters specifically reserved for their approval. These include the following:

- investment and business strategy of the Company;
- approval of annual and half-yearly reports and financial statements and accounting policies, prospectuses, circulars and other shareholder communications;
- acquisitions and disposals of student residential accommodation, and teaching facilities and/or subsidiaries of the Company;
- raising new capital and approval of major financing facilities;
- approval of the valuation of the Company's portfolio of student residential assets;
- approval of the NAV of the Company;
- approval and recommendation of dividends;
- Board appointments and removals; and
- appointment and removal of the Investment Manager, Auditor and the Company's other service providers.

Meetings

The Company has six scheduled Board meetings a year, with additional meetings in respect of share issuances, property acquisitions and regulatory matters arranged as necessary.

At each Board meeting, the Directors follow a formal agenda which is circulated in advance by the Secretary. The Secretary, the Administrator and the Investment Manager regularly provide the Board with financial information, including an annual expenses budget, together with briefing notes and papers in relation to changes in the Company's economic and financial environment, statutory and regulatory changes and corporate governance best practice. A description of the Group's risk management and internal control systems is set out in the strategic report on pages 35 to 39.

Service providers

The Company's main functions are delegated to a number of service providers, each engaged under separate contracts. The management of the Company's portfolio is delegated to the Investment Manager, which manages the assets in accordance with the Company's objectives and policies. At each Board meeting, representatives from the Investment Manager are in attendance to present reports to the Directors covering the Company's current and future activities, portfolio of assets and its investment performance over the preceding period. The Board and the Investment Manager operate in a fully supportive, co-operative and open environment and ongoing communication with the Board is maintained between formal meetings.

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The number of scheduled Board, audit and risk committee, management engagement committee and remuneration committee meetings held during the year ended 30 June 2018 and the attendance of the individual Directors is shown below:

	Board		Audit and risk committee		Management engagement committee		Remuneration committee	
	Number entitled to attend	Number attended	Number entitled to attend	Number attended	Number entitled to attend	Number attended	Number entitled to attend	Number attended
Robert Peto	6	6	n/a	n/a	1	1	2	2
Gillian Day ¹	2	2	2	2	—	—	1	1
Peter Dunscombe	6	6	6	6	1	1	2	2
Malcolm Naish	6	5 ²	6	5 ²	1	1	2	2
Marlene Wood	6	6	6	6	1	1	2	2

1. Appointed as a Director on 23 February 2018.

2. Absent due to unforeseen personal circumstances.

Thirteen additional Board meetings were held by the Company during the year. These meetings were in respect of share issuances, property acquisitions, regulatory matters and the appointment of Ms Day to the Board.

Committees

The Board has established four committees to assist its operations: the audit and risk committee, the management engagement committee, the remuneration committee and the disclosure committee. Each committee's delegated responsibilities are clearly defined in formal terms of reference, which are available on the Company's website.

Audit and risk committee

The committee meets six times a year.

The committee comprises all Directors with the exception of the Company's Chairman.

The Board considers that the members of the audit and risk committee have the requisite skills and experience to fulfil the responsibilities of the committee and that the committee, as a whole, has the competence relevant to the REIT sector. The Chair of the audit and risk committee has significant recent and relevant financial experience.

The audit and risk committee has direct access to the Company's Auditor, and provides a forum through which the Auditor reports to the Board. Representatives of the Auditor attend meetings of the audit committee at least twice a year.

Further details about the audit and risk committee and its activities during the year under review are set out on pages 54 to 56.

Management engagement committee

The management engagement committee meets at least once a year to review the ongoing performance and the continuing appointment of all service providers of the Company, including the Investment Manager. The committee also considers any variation to the terms of all service providers' agreements and reports its findings to the Board.

The performance of the Group's service providers is closely monitored by the committee, principally by way of individual review meetings which are conducted by the Directors with each of the Group's main service providers on an annual basis. Eight review meetings were held in the year.

A formal scoring system has been adopted by the Directors in respect of the performance of each service provider.

Remuneration committee

The remuneration committee deals with matters of Directors' remuneration. In particular, the committee reviews and makes recommendations to the Board regarding the ongoing appropriateness and relevance of the remuneration policy and Directors' fee levels and considers the need to appoint external remuneration consultants. The committee meets at least once a year.

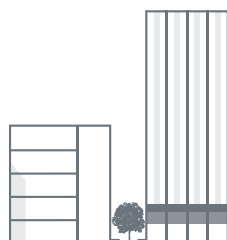
Further details about the remuneration committee and remuneration matters are set out in the Directors' remuneration report and policy on pages 57 to 60.

Disclosure committee

The disclosure committee comprises all Directors and is chaired by Mr Peto. The committee ensures the identification and disclosure of inside information and the Company's ongoing compliance with MAR. No meetings of the committee were held during the year.

LEADERSHIP CORPORATE GOVERNANCE STATEMENT CONTINUED

During the year, the Board approved the issuance of shares, the acquisition of one operational asset, the forward funding of a construction asset and entered into a forward purchase agreement.



July 2017

- Review of fire safety
- Approval of issuance of 49,295,774 ordinary shares, raising gross proceeds of £70 million for the Company. Details regarding the Company's share capital are set out on page 62
- Entered into a conditional contract to acquire and forward fund the construction of Circus Street, Brighton. For further details, see page 4

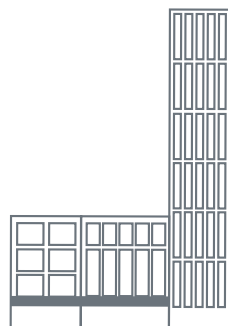
September 2017

- Approval of the Company's annual report and release of annual results to the London Stock Exchange
- Launch of the Company's new website
- Review of the Company's risk matrix. For more on the Company's approach to risk management, see pages 34 to 39

2017

August 2017

- Contract to acquire and forward fund the construction of Circus Street, Brighton, goes unconditional
- Construction of the Company's first forward-funded development asset, Scape Wembley, completed on schedule ahead of the 2018/19 academic year. For further details, see page 28



October 2017

- Entered into conditional forward purchase agreement to acquire Scape Canalside, a high specification, purpose-built, private student accommodation residence located immediately adjacent to QMUL, and in the same locality as Scape East, the Group's existing asset. The property is expected to be completed for the 2019/20 academic year, providing c.410 beds
- Annual general meeting
- Strategy meeting



December 2017
– Completed the acquisition of Podium which offers 178 beds in the same locality as the Company's The Pad asset. For further details see page 4

March 2018
– Review of the Company's risk matrix
– Approval of the Company's half-yearly report and release of half-yearly results to the London Stock Exchange

February 2018
– Appointment of Gillian Day as a Director of the Company

June 2018
– The Company announces that it is in advanced negotiations to acquire and fund the construction of Scape Brighton. For further details, see page 5



2018

EFFECTIVENESS CORPORATE GOVERNANCE STATEMENT CONTINUED

The Board regularly reviews its composition and effectiveness.

Performance evaluation

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

The Board has agreed that an external Board evaluation will be carried out every three years and, in the intervening years, evaluations will be carried out by means of questionnaires. As the evaluation of the Board was carried out by Stephenson Executive Search Limited in 2017, for the year under review, the Directors have undertaken an internal performance evaluation led by the Chairman specifically designed to assess the strengths and independence of the Board and the performance of its committees, the Chairman and individual Directors. The questionnaires are also intended to analyse the focus of Board meetings and assess whether they are appropriate, or if any additional information may be required to facilitate Board discussions. The evaluation of the Chairman is carried out by the other Directors of the Company, led by the Senior Independent Director. The results of the Board evaluation process were reviewed and discussed by the Board as a whole.

As a result of the evaluation, the Board considers that all of the current Directors make an effective contribution and have the requisite skills and experience to continue to provide able leadership and direction for the Company.

Independence of the Directors

The independence of the Directors is reviewed as part of the annual evaluation process and each Director is considered to be independent in character and judgement and entirely independent of the Investment Manager. None of the Directors sit on the boards of any other companies managed by the Investment Manager.

Re-election and retirement of Directors

Under the Company's articles of association and in accordance with the AIC Code, Directors are subject to election by shareholders at the first annual general meeting after their appointment. Thereafter, at each annual general meeting any Director who has not stood for re-election at either of the two preceding annual general meetings shall retire. In addition, one-third of the Directors eligible to retire by rotation shall retire from office at each annual general meeting.

Beyond these requirements, the Board has agreed a policy whereby all Directors will seek annual re-election at the Company's annual general meetings. This is in line with the recommendations of the AIC Code for FTSE 350 companies, although the Company currently does not fall into this category.

In accordance with the articles of association and the AIC Code, following her appointment as a Director during the year Ms Day will be standing for election at the forthcoming annual general meeting.

As noted previously, Mr Dunscombe will retire at the 2018 annual general meeting, and is therefore not seeking re-election.

Following formal performance evaluation as detailed above, the Board strongly recommends the election/re-election of each of the other Directors on the basis of their experience and expertise in investment matters, their independence and continuing effectiveness and commitment to the Company.

Chairman and Senior Independent Director

The Chairman, Mr Peto, is deemed by his fellow independent Board members to be independent in character and judgement and free of any conflicts of interest. He considers himself to have sufficient time to spend on the affairs of the Group. He has no significant commitments other than those disclosed in his biography on page 42.

Mr Dunscombe is the Senior Independent Director of the Company. He provides a channel for any shareholder concerns regarding the Chairman and takes the lead in the annual evaluation of the Chairman by the independent Directors.

Following Mr Dunscombe's retirement from the Board, Mr Naish will become the Senior Independent Director.

Induction of new Directors

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

Insurance and indemnity provisions

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

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Diversity

As noted on page 52, the Board regularly reviews its composition and effectiveness with the objective of ensuring that it has an appropriate balance of skills and experience required to meet the future opportunities and challenges facing the Company. As part of this, the Directors actively consider the diversity, including the gender and ethnicity, on the Board.

The Group is dedicated to achieving a working environment which provides equality of opportunity and freedom from unlawful discrimination on the grounds of race, sex, pregnancy and maternity, marital or civil partnership status, gender reassignment, disability, religion or beliefs, age or sexual orientation.

This policy aims to remove unfair and discriminatory practices within the Group and to encourage full contribution from its diverse community. The Group is committed to actively opposing all forms of discrimination.

The Group also aims to provide a service that does not discriminate against its clients and customers in the means by which they can access the services and goods supplied by the Group. The Board believes that all employees and clients are entitled to be treated with respect and dignity.

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

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

Relations with shareholders

Further information regarding the Company's relations with shareholders is set out on page 61.

Conflicts of interest

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

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

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

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

Internal control review and assessment process

Details of the Company's internal control review and the assessment process are outlined in the strategic report on pages 34 to 39.

Company Secretary

The Board has direct access to the advice and services of the Secretary, Link Company Matters Limited, which is responsible for ensuring that Board and committee procedures are followed and that applicable regulations are complied with. The Secretary is also responsible to the Board for ensuring timely delivery of the information and reports which the Directors require and that the statutory obligations of the Company are met.

ACCOUNTABILITY

AUDIT AND RISK COMMITTEE REPORT

I am pleased to present the audit and risk committee report for the year ended 30 June 2018.



Marlene Wood

Chair of the audit and risk committee

Meetings

The audit and risk committee met six times during the year under review and twice post year end. In March 2018, the committee reviewed the half-yearly report for the six months ended 31 December 2017 and recommended its approval to the Board. In April 2018, the external Auditor's plan for their audit of the year-end financial statements was received and discussed. In August 2017 and September 2018, the committee reviewed the year-end financial statements and discussed the findings of the external audit with the Auditor. Further details of the committee's activities during the year are provided below.

Composition

Details of the composition of the committee and how its performance evaluation has been conducted are detailed in the corporate governance statement on pages 49 and 52.

Role of the audit and risk committee

The primary responsibilities of the audit and risk committee are as follows:

- monitor the integrity of the financial statements of the Company and the Group, the financial reporting process and the accounting policies of the Company and the Group;
- keep under review the effectiveness of the Company's and the Group's internal financial control environment and risk management systems;
- review the scope and effectiveness of the audit process undertaken by the Auditor;

- make recommendations to the Board in relation to the appointment, re-appointment or removal of the external Auditor and to approve its remuneration and terms of engagement;
- review and monitor the Auditor's independence, objectivity, effectiveness, resources and qualifications;
- approve any non-audit services to be provided by the Auditor and monitor the level of fees payable in that respect;
- review the quarterly and annual valuation of the Group's underlying property assets;
- review the quarterly NAV and interim dividend recommendations from the Investment Manager and recommend to the Board the quantum of distribution to shareholders by way of a dividend and the amounts payable as REIT PID and ordinary UK dividend, respectively;
- assess that the Company meets its loan covenants and will continue to do so; and
- monitor and ensure REIT compliance by the Group.

The audit and risk committee operates within defined terms of reference, which are regularly reviewed and updated, as necessary. The terms of reference are available on the Company's website.

The audit and risk committee has direct access to the Company's Auditor, Ernst & Young LLP, and provides a forum through which the Auditor reports to the Board. Representatives of the Auditor attend meetings of the audit and risk committee on a regular basis.

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Activities in the year

During the year, the audit and risk committee has:

- conducted a review of the internal controls and risk management systems of the Company and its third party service providers. Details of this review are set out on page 35 of the strategic report;
- reviewed and, where appropriate, updated the Company's FPPP;
- reviewed the quarterly and annual valuations of the underlying property assets of the Company;
- reviewed the quarterly interim dividend proposals and NAVs and made formal recommendations to the Board;
- reviewed the Group's deposit takers and banking arrangements;
- agreed the audit plan and fees with the Auditor in respect of the review of the half-yearly report for the six months ended 31 December 2017 and the statutory audit of the annual report for the year ended 30 June 2018, including the principal areas of focus;
- reviewed and approved the scope of services provided by Deloitte LLP as the tax adviser to the Group and the associated fees;
- received and discussed with the Auditor its report on the results of the review of the half-yearly financial statements and the year-end audit;
- reviewed the Company's annual and half-yearly consolidated financial statements and recommended these to the Board for approval; and
- reviewed whether an internal audit function would be of value and concluded that this would provide minimal added comfort at considerable extra cost to the Company.

Significant issues

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

Valuation of property assets	The audit and risk committee considered the quarterly valuations of the Company's portfolio assets and the year-end valuation as at 30 June 2018 and the market report provided by the Company's valuer, Knight Frank LLP. In order to enable a full discussion of the valuations of the Company's investment properties, and to enable the Directors to challenge the valuations and the underlying assumptions, as appropriate, the Directors met with the valuer once during the year as part of the annual schedule of review meetings with the Company's third party service providers.
Internal controls	<p>The audit and risk committee carefully considers the internal control systems by monitoring the services and controls of its third party service providers. During the year, the committee reviewed reports from the Company's suppliers in respect of their policies on the prevention of market abuse, cyber-crime, anti-bribery, whistleblowing and their compliance with the Criminal Finances Act 2017.</p> <p>The audit and risk committee reviewed and, where appropriate, updated the risk matrix during the year under review. This is done on a bi-annual basis. The committee received a report on internal control and compliance from the Investment Manager and the Company's other service providers and no significant matters of concern were identified.</p>
Maintenance of REIT status	The audit and risk committee monitored the compliance status of the Company and considered each of the requirements for the maintenance of REIT status at all its meetings held during the year.
Going concern and long-term viability of the Company	<p>The audit and risk committee considered the Company's financial requirements for the next twelve months and concluded that it has sufficient resources to meet its commitments and any outstanding loan covenants. Consequently, the financial statements have been prepared on a going concern basis.</p> <p>The committee also considered the longer-term viability statement within the annual report for the year ended 30 June 2018, covering a five-year period, and the underlying factors and assumptions which contributed to the committee deciding that five years was an appropriate length of time to consider the Company's long-term viability. The Company's viability statement can be found on page 39.</p>

ACCOUNTABILITY

AUDIT AND RISK COMMITTEE REPORT CONTINUED

Audit fees and non-audit services provided by the Auditor

The audit and risk committee reviewed the audit plan and fees presented by the Auditor and considered its report on the financial statements. Total audit fees for the year amounted to £142,000 (2017: £98,000). This incorporates a fee of £26,000 (2017: £26,000) for the audit of the annual report and consolidated financial statements for the year ended 30 June 2018 and £107,000 (2017: £72,000) for the audit of the accounts of the Company's subsidiaries for 2018. An additional £9,000 was also paid in respect of the audit of the accounts of the Company's subsidiaries for the year ended 30 June 2017. Details of the Auditor's remuneration are set out in note 8 to the financial statements.

The audit and risk committee reviews the scope and nature of all proposed non-audit services before engagement, to seek to ensure that the independence and objectivity of the Auditor are safeguarded. The committee has agreed a policy whereby, in order to avoid any potential impact on the independence and objectivity of the Auditor, the Company will not seek to obtain any non-audit services from the Auditor, with the exception of interim reviews of the Company's half-yearly financial statements. During the year under review, the Auditor carried out the interim review of the half-yearly report and consolidated financial statements for the six months ended 31 December 2017 for a fee of £9,000 (2017: £9,000).

Further information on the fees paid to the Auditor is set out in note 8 to the financial statements.

Effectiveness of the external audit

The audit and risk committee reviews the effectiveness of the external audit carried out by the Auditor on an annual basis. The Chair of the audit and risk committee maintained regular contact with the Company's audit partner throughout the year and also met with him prior to the finalisation of the audit of the 2018 annual financial statements, without the Investment Manager present, to discuss how the external audit was carried out, the findings from such audit and whether any issues had arisen from the Auditor's interaction with the Company's various service providers. In addition, three Directors met the Auditor's team during the year to carry out an in-depth review of the services provided by the Auditor to the Company and to discuss any issues affecting the Group. This provided an opportunity for an open dialogue. During the course of such review, the Auditor demonstrated its understanding of the Group's business risks and the consequential impact on the risks included in the financial statements.

Independence and objectivity of the Auditor

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

The audit and risk committee is satisfied that the Auditor's objectivity and independence is not impaired by the performance of these non-audit services and that the Auditor has fulfilled its obligations to the Company and its shareholders.

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

The audit of the Company and its subsidiaries was last put out to tender in January 2016, following which Ernst & Young LLP was retained as Auditor. In accordance with new requirements relating to the appointment of auditors, the Company would need to conduct an audit tender no later than for the accounting period beginning 1 July 2026.

As the current audit partner, Ashley Coups, has been the audit partner of the Company for five years, he will rotate off the audit of the Company following the conclusion of the 2018 audit and be replaced by James Beszant for future financial years.

Re-appointment of the Auditor

Following consideration of the performance of the Auditor, the services provided during the year and a review of its independence and objectivity, the committee has recommended to the Board the re-appointment of Ernst & Young LLP as Auditor to the Company.

Marlene Wood

Chair of the audit and risk committee

5 September 2018

REMUNERATION DIRECTORS' REMUNERATION REPORT

I am pleased to present the Directors' remuneration report for the year ended 30 June 2018.



Peter Dunscombe

Chair of the remuneration committee

As set out on page 49 in the corporate governance statement, the remuneration committee comprises all Directors of the Company. It assists the Board in developing a fair and transparent framework for setting the levels of Directors' remuneration while having regard to the Company's financial position and performance, remuneration in other companies of comparable scale and complexity and market statistics generally. It also reviews the ongoing appropriateness and relevance of the Directors' remuneration policy. The remuneration committee met twice during the year.

During the year ended 30 June 2018, the annual fees were set at the rate of £47,000 for the Chairman, £42,000 for the Chair of the audit and risk committee and £37,000 for the other Directors. The Chairman's fee was last increased on 1 July 2017. Fees for the audit and risk committee chair and the other Directors were last increased on 1 July 2016.

The remuneration committee reviews Directors' fees on an annual basis. While no remuneration consultant was appointed by the Company during the year under review, the remuneration committee met in April 2018 to review Directors' remuneration levels in the context of the scale of the Company's operations, the level of involvement and time commitment required of the Directors and the wider REIT sector, and to make recommendations to the Board. At this review, the committee also considered the option to increase the Directors' fees annually at least in line with inflation so that substantial fee increases were not required to be made in any one year going forward. The Board agreed that with effect from 1 July 2018, Directors' fee levels receive an inflationary increase of 2.5%, rounded to the nearest hundred pounds. No other changes were made to the Directors' remuneration. The Board has not consulted directly with employees on this change but takes into account the pay and employment conditions of its employees when considering any changes to the levels of Directors' remuneration.

The Directors' remuneration policy was last approved by shareholders in 2017. There will be no significant change in the way the current, approved remuneration policy will be implemented during the course of the next financial year.

An ordinary resolution will be put to shareholders at the forthcoming annual general meeting to receive and approve the Directors' remuneration report.

Lastly, as noted in the Chairman's statement, I shall retire from the Board at the conclusion of the forthcoming annual general meeting, when Ms Gillian Day will succeed me as the Chair of the remuneration committee. I wish her and the rest of the Board well and have every confidence in the promising future of the Company under the direction of my colleagues.

REMUNERATION DIRECTORS' REMUNERATION REPORT CONTINUED

Voting at annual general meeting

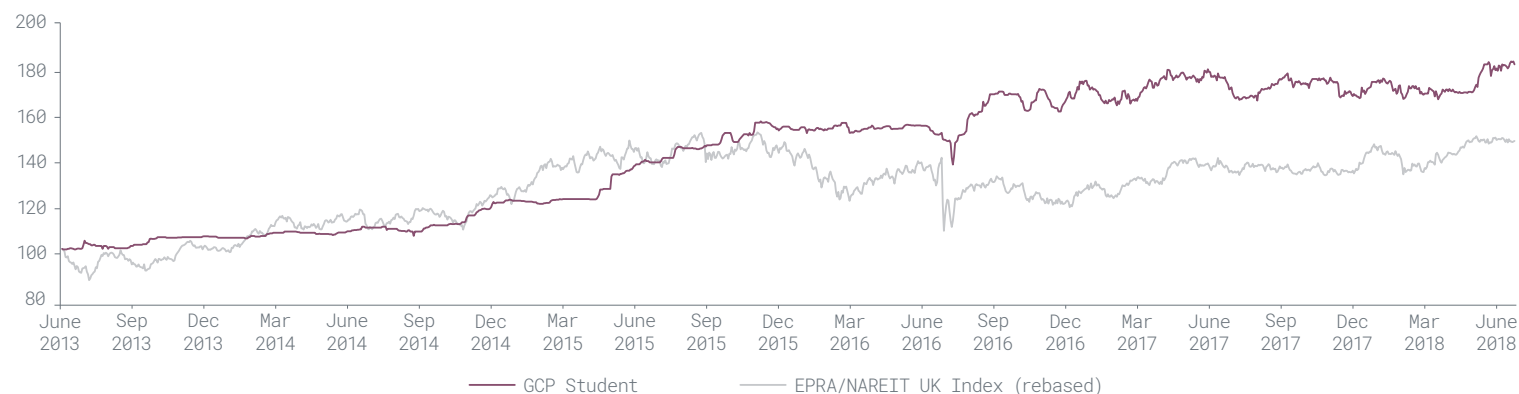
The Directors' remuneration report for the year ended 30 June 2017 and the Directors' remuneration policy were approved by shareholders at the annual general meeting held on 25 October 2017. The votes cast by proxy were as follows:

	Directors' remuneration report		Directors' remuneration policy	
	Number of votes	% of votes cast	Number of votes	% of votes cast
For	158,336,747	99.6789	162,605,559	99.7097
Against	509,171	0.3205	472,433	0.2897
At Chairman's discretion	971	0.0006	971	0.0006
Total votes cast	158,846,889	100	163,078,963	100
Number of votes withheld	4,236,043	—	3,969	—

Performance of the Company

The graph below compares the total return to ordinary shareholders compared to the total shareholder return of the EPRA/NAREIT UK Index. The index was chosen for comparison as it was the benchmark used for investment performance measurement purposes during the year ended 30 June 2018.

Total shareholder return



Directors' remuneration for the year ended 30 June 2018 (audited)

The remuneration paid to the Directors during the year ended 30 June 2018 is set out in the table below:

	Fees		Expenses		Total	
	Year to 30 June 2018 £	Year to 30 June 2017 £	Year to 30 June 2018 £	Year to 30 June 2017 £	Year to 30 June 2018 £	Year to 30 June 2017 £
Robert Peto (Chairman)	47,000	45,000	3,103	489	50,103	45,489
Marlene Wood	42,000	42,000	1,913	3,122	43,913	45,122
Peter Dunscombe	37,000	37,000	—	—	37,000	37,000
Malcolm Naish	37,000	37,000	—	—	37,000	37,000
Gillian Day ¹	12,903	—	64	—	12,967	—
	175,903	161,000	5,080	3,611	180,983	164,611

1. Appointed as a Director of the Company on 23 February 2018.

GCP STUDENT LIVING PLC

Annual report and consolidated financial statements for the year ended 30 June 2018

Relative importance of spend on pay

The table below sets out, in respect of the year ended 30 June 2018:

- a) the remuneration paid to the Directors;
- b) the distributions made to shareholders by way of dividends; and
- c) the remuneration paid to the employees within the Group.

	Year to 30 June 2018 £'000	Year to 30 June 2017 £'000	% change
Directors' remuneration	176 ¹	161	9.3 ¹
Dividends paid to shareholders	22,911 ²	18,146 ³	26.3
Employees' remuneration	2,789	2,064	25.9

1. Ms Day was appointed as a Director of the Company on 23 February 2018.

2. Includes fourth interim dividend of £5.8 million for the quarter ended 30 June 2018 which will be paid on 10 September 2018.

3. Includes fourth interim dividend of £5.6 million for the quarter ended 30 June 2017 which was paid on 5 September 2017.

Directors' interests (audited)

There is no requirement under the Company's articles of association for Directors to hold shares in the Company.

As at 30 June 2018, the interests of the Directors and any connected persons in the ordinary shares of the Company are set out below:

	Year to 30 June 2018 Number of shares	Year to 30 June 2017 Number of shares
Robert Peto (Chairman) ¹	41,714	41,714
Marlene Wood	7,810	7,810
Peter Dunscombe ²	52,144	52,144
Malcolm Naish	31,286	31,286
Gillian Day	—	—

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

2. The legal and beneficial interest in 100% of Mr Dunscombe's shares is held by his spouse.

There have been no changes to any of the above holdings between 30 June 2018 and the date of this report.

None of the Directors or any persons connected with them had a material interest in the Company's transactions, arrangements or agreements during the period.

REMUNERATION DIRECTORS' REMUNERATION POLICY

Introduction

The Directors' remuneration policy is put to a shareholder vote at least once every three years and in any year if there is to be a change in the Directors' remuneration policy. A resolution to approve this remuneration policy was proposed at the annual general meeting of the Company held on 25 October 2017. The resolution was passed, and the remuneration policy provisions set out below will apply until they are next put to shareholders for renewal of that approval.

Directors' remuneration policy

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

The fees of the non-executive Directors are determined within the limits set out in the Company's articles of association, and the Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits. There are no performance conditions attaching to the remuneration of the Directors as the Board does not consider such arrangements or benefits necessary or appropriate for non-executive Directors. Under the Directors' letters of appointment, there is no notice period and no compensation is payable to a Director on leaving office.

It is the Board's policy that Directors do not have service contracts, but Directors are provided with a letter of appointment as a non-executive Director. The terms of their appointment provide that Directors shall retire and be subject to election at the first annual general meeting after their appointment. The Directors are subject to retirement by rotation in accordance with the articles of association; however, the Company has adopted the policy of annual re-election of all Directors.

The Company is committed to ongoing shareholder dialogue and any views expressed by shareholders on the fees being paid to Directors would be taken into consideration by the Board when reviewing the Directors' remuneration policy and in the annual review of Directors' fees.

Directors' fee levels

The Board has set three levels of fees: one for the Chairman, one for other Directors, and an additional fee that is paid to the Director who chairs the audit and risk committee. Fees are reviewed annually in accordance with the above policy. The fee for any new Director appointed will be determined on the same basis.

The basic and additional fees payable to Directors in respect of the year ended 30 June 2018 and the expected fees payable in respect of the year ending 30 June 2019 are set out in the table below.

	Expected annual fees for the year to 30 June 2019 £	Annual fees for the year to 30 June 2018 £
Chairman	48,200	47,000
Chair of the audit and risk committee	43,100	42,000
Non-executive Director	37,900	37,000
Expected total remuneration payable to Directors	181,000¹	176,000

1. Includes £13,400 in respect of Mr Dunscombe's salary from 1 July 2018 to 6 November 2018, the date of his intended retirement from the Board.

The approval of shareholders would be required to increase the aggregate limit of Directors' fees of £250,000, as set out in the Company's articles of association.

Approval

The Directors' remuneration report was approved by the Board and signed on its behalf by:

Peter Dunscombe

Chair of the remuneration committee

5 September 2018

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RELATIONS WITH SHAREHOLDERS

Shareholder relations

The Board and the Investment Manager recognise the importance of shareholder relations. The Company primarily engages with investors through its corporate broker and the Investment Manager, who maintain an ongoing dialogue with shareholders through daily market interactions, shareholder presentations, investor seminars, analyst presentations, site visits and marketing presentations.

In addition, the Board engages with the Company's shareholders at the general meetings of the Company, which shareholders are encouraged to attend. The Chairman and his fellow Directors make themselves available to discuss matters with shareholders outside of these formal meetings, as appropriate. Shareholders wishing to communicate directly with the Board should contact the Company Secretary at the registered office.

Further dialogue with shareholders is achieved through the annual and half-year reports, news releases via RNS and the Company's website.

2017 annual general meeting

The 2017 annual general meeting of the Company was held on 25 October 2017. Resolutions 1 to 10 related to ordinary business and Resolutions 11 to 16 related to special business as follows:

- to authorise the Directors to allot ordinary shares;
- to authorise the Directors to allot ordinary shares and otherwise than in accordance with statutory pre-emption rights;
- to approve the purchase of the Company's own shares;
- to authorise the Directors to convene a general meeting on not less than 14 days' notice;
- to increase the aggregate annual limit for Directors' remuneration as contained in the Company's articles of association; and
- to allow the Company to communicate with shareholders by means of electronic communications.

A total of 163,082,932 votes were cast, which constituted c.42% of all votes. All resolutions were passed with in excess of 97% of votes cast in favour.

2018 annual general meeting

The annual general meeting of the Company will be held on Tuesday, 6 November 2018 at the offices of Gowling WLG (UK) LLP, 4 More London Riverside, London SE1 2AU.

A separate notice convening the annual general meeting has been distributed to shareholders along with the annual report, which includes an explanation of the items of business to be considered at the meeting. This notice can also be found on the Company's website.

All shareholders are encouraged to attend and vote at the annual general meeting, during which the Board and Investment Manager will be available to discuss issues affecting the Company.

Investor publications

Results and other news releases such as asset acquisitions and annual and half-yearly results of the Company are published via RNS. This information is supplemented by publication of the quarterly NAV, dividend declarations and portfolio updates.

The Investment Manager publishes a quarterly investor report on its website, from where it is available to download, providing a Company update and key statistics in regard to the Company's portfolio.

The Company's annual report is despatched to shareholders by electronic communication, email or post, as applicable. Electronic copies of the annual report and half-yearly report are also available to download from the Company's website.



DIRECTORS' REPORT

The Directors are pleased to present their report for the year ended 30 June 2018.

Corporate governance

The corporate governance statement on pages 46 to 53 forms part of this Directors' report.

Directors

The Directors in office during the year and at the date of this report and their biographical details are shown on pages 42 and 43.

Ms Gillian Day was appointed as a Director with effect from 23 February 2018.

Details of the Directors' terms of appointment can be found in the corporate governance statement and the Directors' remuneration report.

Share capital

On 5 July 2017, the Company issued 49,295,774 ordinary shares at a price of 142 pence per share, with an aggregate nominal value of £492,957.74, raising gross proceeds of £70 million. The placing price represented a 6.75 pence discount to the closing mid-price per ordinary share on 12 June 2017 of 148.75 pence. These shares were issued in accordance with the prospectus in relation to a placing programme published on 2 February 2017. The shares were issued to institutional investors and professionally advised private investors and admitted to trading on the Premium Segment of the London Stock Exchange's Main Market on 7 July 2017.

At the annual general meeting held on 25 October 2017, the Company was granted authority to purchase up to 14.99% of the Company's ordinary share capital in issue at that date, amounting to 57,721,176 ordinary shares.

No ordinary shares have been bought back under this authority. This authority will expire at the conclusion of, and renewal will be sought at, the annual general meeting to be held on 6 November 2018. Shares bought back by the Company may be held in treasury, from where they could be re-issued at or above the prevailing NAV quickly and cost effectively. This provides the Company with additional flexibility in the management of its capital base. No shares were held in treasury during the year or at the year end.

At the year end, and as at the date of this report, the issued share capital of the Company comprised 385,064,556 ordinary shares.

At general meetings of the Company, ordinary shareholders are entitled to one vote on a show of hands and, on a poll, to one vote for every ordinary share held. At 30 June 2018, the total voting rights of the Company were 385,064,556, and as at the date of this report, are 385,064,556.

Dividends

Dividends totalling 5.95 pence per ordinary share have been paid or declared in respect of the year ended 30 June 2018 as follows:

	Year ended 30 June 2018 pence	Year ended 30 June 2017 pence
First interim dividend	1.48	1.43
Second interim dividend	1.48	1.43
Third interim dividend	1.48	1.43
Fourth interim dividend	1.51	1.46
Total	5.95	5.75

No final dividend is being proposed.

GCP STUDENT LIVING PLC

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Substantial shareholdings

As at 30 June 2018, the Company had been informed of the following notifiable interests in the voting rights of the Company:

	Number of ordinary shares held	% of total voting rights as at 30 June 2018
Old Mutual plc	25,732,075	6.68
Bank of Montreal	25,429,101	6.60
CCLA Investment Management Limited	21,430,788	5.57
Investec Wealth & Investment Limited	12,050,466	3.13

The Company has not been informed of any other changes to the notifiable interests between 30 June 2018 and the date of this report.

Information about securities carrying voting rights

The following information is disclosed in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and DTR 7.2.6 of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules:

- the Company's capital structure and voting rights and details of the substantial shareholders in the Company are set out on page 62 and above;
- an amendment to the Company's articles of association and the giving of powers to issue or buy back the Company's shares requires an appropriate resolution to be passed by shareholders. Proposals to amend the Company's articles, grant powers to the Board to issue and buy back shares are set out in the notice of annual general meeting; and
- there are no restrictions concerning the transfer of securities in the Company or on voting rights; no special rights with regard to control attached to securities; no agreements between holders of securities regarding their transfer known to the Company; and no agreements which the Company is party to that might affect its control following a takeover bid.

Agreements with service providers

Details of the principal agreements between the Company and its service providers, including the Investment Manager, are set out within the notes to the consolidated financial statements on pages 79 and 94.

Continuing appointment of the Investment Manager

The Board keeps the performance of the Investment Manager under continual review. The management engagement committee, comprising all Directors, conducts an annual review of the Investment Manager's performance and makes a recommendation to the Board about its continuing appointment.

It is considered that the Investment Manager has executed the Company's investment strategy according to the Board's expectations. Accordingly, the Directors believe that the continuing appointment of Gravis Capital Management Limited as the Investment Manager of the Company, on the terms agreed, is in the best interests of the Company and its shareholders as a whole.

Auditor

The Directors holding office at the date of this annual report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditor is unaware. Each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

Ernst & Young LLP has expressed its willingness to continue in office as Auditor of the Company and resolutions for its re-appointment and to authorise the Board to determine its remuneration will be proposed at the forthcoming annual general meeting.

Financial risk management

Information about the Company's financial risk management objectives and policies is set out in note 25 to the financial statements.

Requirements of the Listing Rules

Listing Rule 9.8.4 requires the Company to include specified information in a single identifiable section of the annual report or a cross reference table indicating where the information is set out. The information required under Listing Rule 9.8.4(7) in relation to allotments of shares is set out on page 62. The Directors confirm that no additional disclosures are required in relation to Listing Rule 9.8.4.

Greenhouse gas emissions

Information about the Company's GHG emissions is set out in the strategic report on page 33.

By order of the Board

Link Company Matters Limited

Company Secretary

5 September 2018

FINANCIAL STATEMENTS

WHAT'S IN THIS SECTION

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COMPANY FINANCIAL STATEMENTS

Pages 97 to 99

NOTES TO THE COMPANY FINANCIAL STATEMENTS

Pages 100 and 101





STATEMENT OF DIRECTORS' RESPONSIBILITIES

In respect of the annual report and financial statements

The Directors are responsible for preparing the annual report and financial statements in accordance with applicable UK law and IFRS as adopted by the EU.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they present fairly the financial position, financial performance and cash flows of the Group for that year.

In preparing the financial statements, the Directors are required to:

- select suitable accounting policies in accordance with IAS 8: "Accounting Policies, Changes in Accounting Estimates and Errors" and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- state that the Group has complied with IFRS, subject to any material departures disclosed and explained in the financial statements;
- make judgements and estimates that are reasonable and prudent; and
- prepare financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a strategic report, Directors' report, Directors' remuneration report and corporate governance statement that comply with that law and those regulations, and for ensuring that the annual report includes information required by the Listing Rules and Disclosure Guidance and Transparency Rules of the UKLA.

The financial statements are published on the Company's website, www.gcpstudent.com, which is maintained on behalf of the Company by the Investment Manager. The work carried out by the Auditor does not involve consideration of the maintenance and integrity of this website and accordingly, the Auditor accepts no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website.

Under the investment management agreement, the Investment Manager is responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Visitors to the website need to be aware that legislation in the UK covering the preparation and dissemination of the financial statements may differ from legislation in their jurisdiction.

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the Group; and
- this annual report includes a fair review of the development and performance of the business and the position of the Company and the Group, together with a description of the principal risks and uncertainties that it faces.

The Directors consider that the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

On behalf of the Board

Robert Peto
Chairman

5 September 2018

GCP STUDENT LIVING PLC

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INDEPENDENT AUDITOR'S REPORT

To the members of GCP Student Living plc

Opinion

In our opinion:

- GCP Student Living plc's Group financial statements and parent Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 June 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of GCP Student Living plc which comprise:

GROUP	PARENT COMPANY
Consolidated statement of comprehensive income for the year ended 30 June 2018	Company statement of financial position as at 30 June 2018
Consolidated statement of financial position as at 30 June 2018	Company statement of changes in equity for the year ended 30 June 2018
Consolidated statement of changes in equity for the year ended 30 June 2018	Company statement of cash flows for the year ended 30 June 2018
Consolidated statement of cash flows for the year ended 30 June 2018	Related notes 1 to 7 to the financial statements including significant accounting policies
Related notes 1 to 29 to the financial statements including significant accounting policies	

The financial reporting framework that has been applied in their preparation is applicable law and IFRS as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on pages 35 to 39 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation set out on page 39 in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement set out on page 35 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the Directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation set out on page 39 in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

INDEPENDENT AUDITOR’S REPORT CONTINUED

To the members of GCP Student Living plc

Overview of our audit approach

Key audit matters	<ul style="list-style-type: none">– Rental income recognition– Fair value of investment property portfolio
Audit scope	<ul style="list-style-type: none">– We performed an audit of the consolidated financial information of GCP Student Living plc in accordance with applicable law and ISAs (UK).– All audit work was performed directly by the audit engagement team
Materiality	<ul style="list-style-type: none">– Overall Group materiality of £5.7 million (2017: £4.7 million) which represents 1% (2017: 1%) of net assets.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

RISK	OUR RESPONSE TO RISK	KEY OBSERVATIONS COMMUNICATED TO THE AUDIT AND RISK COMMITTEE
<p>Rental income recognition (2018: £35.8 million and 2017: £28.8 million)</p> <p>Refer to note 4 of the consolidated financial statements which includes the accounting policy (page 78).</p> <p>We focused on the recognition of revenue given the importance of the total return to shareholders.</p> <p>The Group has a number of income streams including direct let income, income from nominations agreements, commercial income and ancillary income. There is a risk of incomplete or inaccurate rental income recognition through failure to recognise proper income entitlements or to apply the appropriate accounting treatment.</p>	<ul style="list-style-type: none">– We documented and walked through the revenue recognition process for each revenue stream.– We performed substantive analytical review procedures over rental income, comparing our expectation of income to actual revenue recognised during the year.– We inspected the administrator reconciliations of the managing agents’ revenue records to revenue recognised within the financial statements.– We agreed a sample of rental rates to tenancy agreements and recalculated rental income for the period.– We recalculated the lease incentives based on the terms within the lease agreement to assess the appropriateness of the accounting treatment.– To test for the risk of management override, we audited a sample of rental income journals to identify unauthorised or inappropriate journals.	<ul style="list-style-type: none">– Our substantive analytical review procedures over rental income, inspection of administrator reconciliations and substantive testing over a sample of direct lettings and nominations agreements identified no matters to report to the audit and risk committee.– Our audit procedures have not identified any potential audit adjustments in relation to the recognition of rental income.– We have no matters to report to the audit and risk committee.

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RISK	OUR RESPONSE TO RISK	KEY OBSERVATIONS COMMUNICATED TO THE AUDIT AND RISK COMMITTEE
<p>Fair value of investment property portfolio (2018: £784.4 million and 2017: £634.6 million)</p> <p>Refer to note 3 of the consolidated financial statements which includes the accounting policy (page 77).</p> <p>The Group's investment portfolio comprises of completed properties and properties under development.</p> <p>The valuation of investment properties is the key driver of the Group's net asset value and total return.</p> <p>The valuation of investment properties is subjective and based on a number of assumptions. Accordingly, there is a risk of incorrect valuation of the investment property portfolio in the financial statements.</p>	<ul style="list-style-type: none"> — We documented and walked through the property valuation process. — We assessed the qualifications and independence of management's experts (Knight Frank LLP). — For all properties we performed the following procedures in respect of the valuations performed by Knight Frank LLP: <ul style="list-style-type: none"> — utilised EY property valuations specialists to consider the appropriateness of market related inputs and reasonableness of valuation outputs; — tested factual inputs including rental profiles, tenant details and occupancy rates to supporting documentation; — tested calculations and arithmetical accuracy; and — tested the clerical accuracy and extraction of independent valuations to accounting records and financial statements. — To test for the risk of management override, we audited a sample of investment property journals to identify unauthorised or inappropriate journals. 	<ul style="list-style-type: none"> — Based on our review of the investment property portfolio valuation, the assumptions that Knight Frank LLP have applied in determining the valuation of the properties have been supported. — Based on the work performed we have assessed that the overall investment property portfolio valuation of £784.4 million is within an acceptable range.

An overview of the scope of our audit**Tailoring the scope**

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of Group-wide controls, changes in the business environment and other factors such as recent Service Organisation Control reporting when assessing the level of work to be performed at each entity. All audit work performed for the purpose of the audit was undertaken by the Group Audit team.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £5.7 million (2017: £4.7 million), which is 1% (2017: 1%) of net assets. We have derived our materiality calculation based on a proportion of net assets as we consider it to be the most important financial metric on which shareholders would judge the performance of the Group.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% (2017: 50%) of our planning materiality, namely £2.9 million (2017: £2.3 million). Our objective in adopting this approach was to ensure that total undetected and uncorrected audit difference in all accounts did not exceed our planning materiality level.

INDEPENDENT AUDITOR'S REPORT CONTINUED

To the members of GCP Student Living plc

Our application of materiality continued

Reporting threshold

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

We agreed with the audit and risk committee that we would report to them all uncorrected audit differences in excess of £287,000 (2017: £233,000), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 1 to 63 including the introduction set out on pages 1 to 7, the strategic report set out on pages 10 to 39, the governance section set out on pages 42 to 63, other than the financial statements and our Auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- Fair, balanced and understandable set out on page 66 – the statement given by the Directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit and risk committee reporting set out on pages 54 to 56 – the section describing the work of the audit and risk committee does not appropriately address matters communicated by us to the audit and risk committee; or
- Directors' statement of compliance with the UK Code set out on page 46 – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Code containing provisions specified for review by the Auditor in accordance with Listing Rule 9.8.10R (2) do not properly disclose a departure from a relevant provision of the UK Code.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 66, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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Auditor's responsibilities for the audit of the financial statements

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

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

The objectives of our audit, in respect to fraud, are to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are The Companies Act 2006, the Listing Rules, the UK Code and section 1158 of the Corporation Tax Act 2010.
- We understood how the Group is complying with those frameworks through discussions with the audit and risk committee and the Company Secretary and review of the Company's documented policies and procedures.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements. We identified a fraud risk with respect to rental income recognition. Further discussion of our approach is set out in the section on key audit matters above.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the Directors with respect to the application of the documented policies and procedures and review of the financial statements to ensure compliance with the reporting requirements of the Group.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Other matters we are required to address

- We were appointed by the Company on 19 October 2013 to audit the financial statements for the period ending 30 June 2014 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments is 5 years, covering the years ending 30 June 2014 to 30 June 2018.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent Company and we remain independent of the Group and the parent Company in conducting the audit.
- The audit opinion is consistent with the additional report to the audit and risk committee.

Use of our report

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

Ashley Coups (Senior statutory Auditor)

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

London

5 September 2018

The maintenance and integrity of the GCP Student Living plc website is the responsibility of the Directors; the work carried out by the Auditor does not involve consideration of these matters and, accordingly, the Auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2018

		30 June 2018	30 June 2017
	Notes	£'000	£'000
Continuing operations			
Rental income	4	35,790	28,806
Property operating expenses	5	(7,946)	(6,281)
Gross profit		27,844	22,525
Administration expenses	5	(7,434)	(6,072)
Operating profit before gains on investment properties		20,410	16,453
Fair value gains on investment properties	3	47,565	11,855
Operating profit		67,975	28,308
Finance income	9	323	70
Finance expenses	10	(7,240)	(4,864)
Profit before tax		61,058	23,514
Tax charge on residual income	11	—	(40)
Profit for the year		61,058	23,474
Total comprehensive income for the year		61,058	23,474
EPS (basic and diluted) (pps)	14	15.89	8.08

The accompanying notes on pages 76 to 96 form an integral part of these financial statements.

GCP STUDENT LIVING PLC

Annual report and consolidated financial statements for the year ended 30 June 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	30 June 2018 £'000	30 June 2017 £'000
Assets			
Non-current assets			
Investment property	3	784,424	634,640
Deposit for investment property		2,648	—
Retention account		308	308
		787,380	634,948
Current assets			
Cash and cash equivalents	16	29,213	55,110
Trade and other receivables	17	9,005	7,517
		38,218	62,627
Total assets		825,598	697,575
Liabilities			
Non-current liabilities			
Interest bearing loans and borrowings	19	(232,771)	(217,469)
Retention account		(308)	(308)
		(233,079)	(217,777)
Current liabilities			
Trade and other payables	18	(8,183)	(4,840)
Deferred income	18	(10,126)	(7,964)
		(18,309)	(12,804)
Total liabilities		(251,388)	(230,581)
Net assets		574,210	466,994
Equity			
Share capital	20	3,851	3,358
Share premium	21	408,617	340,233
Special reserve	22	44,497	53,576
Retained earnings	22	117,245	69,827
Total equity		574,210	466,994
Number of shares in issue		385,064,556	335,768,782
IFRS and EPRA NAV per share (pps)	23	149.12	139.08

These financial statements were approved by the Board of Directors of GCP Student Living plc on 5 September 2018 and signed on its behalf by:

Robert Peto

Chairman

Company number: 08420243

The accompanying notes on pages 76 to 96 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2018

	Notes	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		—	—	—	61,058	61,058
Ordinary shares issued		493	69,507	—	—	70,000
Share issue costs		—	(1,123)	—	—	(1,123)
Dividends paid in respect of the previous year	13	—	—	(3,300)	(2,322)	(5,622)
Dividends paid in respect of the current year	13	—	—	(5,779)	(11,318)	(17,097)
Balance at 30 June 2018		3,851	408,617	44,497	117,245	574,210

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2017

	Notes	Share capital £'000	Share premium £'000	Special reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 July 2016		2,618	239,653	58,371	57,826	358,468
Total comprehensive income		—	—	—	23,474	23,474
Ordinary shares issued		740	102,824	—	—	103,564
Share issue costs		—	(2,244)	—	—	(2,244)
Dividends paid in respect of the previous year	13	—	—	(1,651)	(2,093)	(3,744)
Dividends paid in respect of the current year	13	—	—	(3,144)	(9,380)	(12,524)
Balance at 30 June 2017		3,358	340,233	53,576	69,827	466,994

The accompanying notes on pages 76 to 96 form an integral part of these financial statements.

GCP STUDENT LIVING PLC

Annual report and consolidated financial statements for the year ended 30 June 2018

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2018

	Notes	30 June 2018 £'000	30 June 2017 £'000
Cash flows from operating activities			
Operating profit		67,975	28,308
Adjustments to reconcile profit for the year to net operating cash flows:			
Gains from changes in fair value of investment properties		(47,565)	(11,855)
Corporation tax payments		—	(41)
Decrease in other receivables and prepayments		3,023	406
Decrease in other payables and accrued expenses		(1,265)	(2,650)
Net cash flow generated from operating activities		22,168	14,168
Cash flows from investing activities			
Acquisition of investment properties		(29,536)	(138,952)
Capital expenditure on investment properties		(72,673)	(56,517)
Net cash used in investing activities		(102,209)	(195,469)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		70,000	103,564
Share issue costs		(1,123)	(2,244)
Proceeds from interest bearing loans and borrowings		15,000	90,000
Loan arrangement fees		(53)	(953)
Finance income		100	70
Finance expenses		(7,007)	(4,157)
Dividends paid in the year		(22,773)	(16,206)
Net cash flow generated from financing activities		54,144	170,074
Net decrease in cash and cash equivalents		(25,897)	(11,227)
Cash and cash equivalents at start of the year		55,110	66,337
Cash and cash equivalents at end of the year	16	29,213	55,110

The accompanying notes on pages 76 to 96 form an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 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 has a premium listing on the Official List of the UKLA and trades on the Premium Segment of the Main Market of the London Stock Exchange.

2. Basis of preparation

These financial statements are prepared in accordance with IFRS issued by the IASB as adopted by the European Union. The financial statements have been prepared under the historical cost convention, except for investment property, which has been measured at fair value. The audited financial statements are presented in Pound Sterling and all values are rounded to the nearest thousand pounds (£'000), except when otherwise indicated.

These financial statements are for the year ended 30 June 2018. Comparative figures are for the previous accounting period, the year ended 30 June 2017.

The Group has chosen to adopt the EPRA best practice guidelines for calculating key metrics such as net asset value and earnings, which are presented alongside the IFRS measures where applicable.

2.1 Changes to accounting standards and interpretations

The following new standards and amendments to existing standards have been published and, once approved by the EU, will be mandatory for the Group's accounting periods beginning after 1 July 2018 or later periods. The Group has decided not to adopt them early.

- IFRS 7 Financial Instruments: Disclosures – amendments regarding additional hedge accounting disclosures (applies when IFRS 9 is applied).
- IFRS 9 Financial Instruments (effective for annual periods beginning on or after 1 January 2018). Financial instruments will remain at amortised cost and the expected credit loss model is not expected to lead to a material increase in impairment due to the nature and size of financial assets.
- IFRS 15 Revenue from Contracts (effective for annual periods beginning on or after 1 January 2018). The Group's revenue is outside the scope of IFRS 15.

- IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019). IFRS 16 has minimal impact on lessors like the Group.

The Group does not expect the adoption of new accounting standards issued but not yet effective to have a significant impact on its financial statements.

2.2 Significant accounting judgements and estimates

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

Judgements

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

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 24 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 Company has the resources to continue in business for the foreseeable future, for a period of not less than twelve months from the date of this report. The Company's articles of association include provisions for a continuation vote to be held at its fifth annual general meeting, which will be held in November 2018, and at

each third annual general meeting thereafter. The Directors recommend that shareholders vote in favour of the continuation resolution at the 2018 annual general meeting, that the Company continue as presently constituted.

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.

2.3 Summary of significant accounting policies

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

a) Basis of consolidation

As a real estate entity, the Company does not meet the definition of an investment entity and therefore does not qualify for the consolidation exception under IFRS 10. The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2018. Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtained control, and will continue to be consolidated until the date that such control ceases. An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In preparing these financial statements, intra-group balances, transactions and unrealised gains or losses have been eliminated in full. The subsidiaries all have the same year end as the Company. Uniform accounting policies are adopted in the financial statements for transactions and events in similar circumstances.

b) Functional and presentation currency

The overall objective of the Group is to generate returns in Pound Sterling and the Group's performance is evaluated in Pound Sterling. Therefore, the Directors consider Pound Sterling as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions and have therefore adopted it as the functional and presentation currency.

c) Segmental reporting

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

GCP STUDENT LIVING PLC

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3. UK investment property

	Properties under construction £'000	Leasehold £'000	Freehold £'000	Total £'000
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
Movement between properties under development and freehold properties	(79,030)	—	79,030	—
Fair value gains on revaluation of investment property	1,314	18,967	27,284	47,565
As at 30 June 2018	30,490	248,460	505,474	784,424
As at 1 July 2016	—	223,620	201,167	424,787
Acquisition of investment property	—	—	138,952	138,952
Expenditure on properties	—	614	235	849
Land development costs	58,197	—	—	58,197
Fair value gains on revaluation of investment property	903	5,226	5,726	11,855
As at 30 June 2017	59,100	229,460	346,080	634,640

During the year, the Group commenced construction of Circus Street, Brighton. The Company also completed the acquisition of Podium via a wholly-owned subsidiary, GCP RHUL 2 Limited, and carried out the refurbishment of Scape Bloomsbury acquired in April 2017.

In October 2017, the Group entered into a conditional forward-purchase agreement to acquire a private student accommodation residence currently under construction immediately adjacent to QMUL. A deposit of £2,648,000 relating to this agreement is included within non-current assets on the consolidated statement of financial position.

Accounting policy

Investment property comprises property held to earn rental income or for capital appreciation, or both. Investment property is measured initially at cost including transaction costs. Transaction costs include transfer taxes and professional fees to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment property is stated at fair value. Gains or losses arising from changes in the fair values are included in the income statement in the period in which they arise under IAS 40 Investment Property.

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

Gains or losses on the disposal of investment property are determined as the difference between net disposal proceeds and the carrying value of the asset.

Investment properties under construction are measured at fair value if the fair value is considered to be reliably determinable. Properties where the Company expects that the fair value will be reliably determinable when construction is completed, are measured at cost less impairment until the fair value becomes reliably determinable or construction is completed, whichever is earlier.

Investment properties under construction for which the fair value cannot be determined reliably, but for which the Company expects that the fair value of the property will be reliably determinable when construction is completed, are measured at cost less impairment until the fair value becomes reliably determinable or construction is completed, whichever is earlier.

Licence fees (where income is receivable from a developer in respect of a forward-funding agreement) are deducted from the cost of investment and shown as a receivable until settled.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2018

4. Rental income

	30 June 2018 £'000	30 June 2017 £'000
Nomination rental income	4,888	3,613
Direct let rental income	27,561	22,093
Discounts	(230)	(316)
Total student income	32,219	25,390
Teaching space income	484	420
Retail space income	2,634	2,736
Gross rental income	35,337	28,546
Ancillary income	433	195
Other income	20	65
Total	35,790	28,806

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

Accounting policy

Rental income, including direct lets to students, nomination agreements to HEIs and leases to commercial tenants receivable under operating leases, is recognised on a straight-line basis over the term of the lease, except for contingent rental income which is recognised when it arises.

Incentives for lessees to enter into lease agreements are spread evenly over the lease term, even if the payments are not made on such a basis. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the Directors are reasonably certain that the tenant will exercise that option.

Service charges are recognised on an accruals basis and are received to reimburse expenditure on hard and soft facilities management.

5. Property operating and administration expenses

	30 June 2018 £'000	30 June 2017 £'000
Operating costs	2,046	1,652
Marketing	355	283
Utilities	1,163	992
Property maintenance	1,593	1,290
Staff costs	2,789	2,064
Property operating expenses	7,946	6,281
Investment management fees	5,463	4,211
Directors' remuneration	176	161
Other administration expenses	1,795	1,700
Administration expenses	7,434	6,072
Total	15,380	12,353

Investment management fees are further disclosed in note 27 on page 94 and Directors' remuneration is further disclosed in note 6.

Included within property operating costs are £66,000 relating to costs for Scape Bloomsbury incurred prior to the refurbishment of the property and also £44,000 of costs relating to Scape Wembley incurred prior to the property opening to students.

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Asset and facilities management agreement

During the year under review, the Company had two Asset and Facilities Managers.

Scape Student Living Limited

Under the terms of its asset and facilities management agreements, 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 fee paid to Scape is paid from the Investment Manager's fee. The executive directors of the Investment Manager indirectly own a c.25% interest in Scape. In addition to this, Mr Nigel Taeë, a non-executive director of the Investment Manager, owns approximately 25% of Scape. Mr Taeë holds a c.20% interest in Gravis Capital Management Limited, of which he is a non-executive director and in which capacity he is excluded from any involvement in investment management activities relating to the Company. Mr Taeë is chairman of Scape.

Collegiate Accommodation Consulting Limited

Under the terms of its asset and facilities management agreement, Collegiate is entitled to a fee of 5.5% of the total rental income collected per annum attributable to Water Lane Apartments. The fee is calculated and paid monthly in arrears.

Administration agreements

Link Alternative Fund Administrators Limited has been appointed as the Administrator to the Company and its subsidiaries. It provides the day-to-day administration services for these entities. It is also responsible for the Company's general administrative functions, such as the calculation and publication of the NAV and maintenance of the Company's accounting and statutory records. Under the terms of its administration agreement, Link Alternative Fund Administrators Limited is entitled to an administration fee of £138,000 per annum (exclusive of VAT). The administration agreement is terminable upon six months' written notice.

Secretarial agreement

Link Company Matters Limited has been appointed by the Company to provide company secretarial functions required by the Companies Act 2006. The Secretary is entitled to a fee of £66,673 per annum in respect of the Company and £1,750 per annum in respect of each UK subsidiary. The company secretarial fees are subject to an annual RPI increase. The secretarial agreement is terminable upon six months' written notice.

Depositary agreement

Langham Hall UK Depositary LLP has been appointed as Depositary to the Company. The Depositary is responsible for ensuring the Company's cash flows are properly monitored; the safe keeping of custody assets and the non-custody assets of the Company entrusted to it (held on trust for the Company as applicable); and the oversight and supervision of the Investment Manager and the Company. Under the terms of the Depositary Agreement, the Depositary is entitled to a fee of £48,180 per annum, subject to annual RPI increase. The Depositary Agreement is terminable by either the Company and/or the Investment Manager upon six months' written notice.

Accounting policy

All property operating expenses and administration expenses are charged to the income statement and are accounted for on an accruals basis.

6. Directors' remuneration

	30 June 2018 £'000	30 June 2017 £'000
Robert Peto	47	45
Marlene Wood	42	42
Peter Dunscombe	37	37
Malcolm Naish	37	37
Gillian Day	13	—
Total	176	161

A summary of the Directors' emoluments, including the disclosures required by the Companies Act 2006, is set out in the Directors' remuneration report.

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7. Staff costs

	30 June 2018 £'000	30 June 2017 £'000
Salaries	2,749	2,048
Other benefits	40	16
Total	2,789	2,064

With the exception of the Directors, whose remuneration is shown in the Directors' remuneration report, as at 30 June 2018, the Group employed 128 (2017: 90) members of staff, with an average of 112 (2017: 83) employees during the year.

The Group operates a defined contributions pension scheme for 76 (2017: 8) of its employees. The costs for the year ended 30 June 2018 totalled £29,000 (2017: £10,000).

8. Auditor's remuneration

	30 June 2018 £'000	30 June 2017 £'000
Audit fee	142	98
Other services	9	9
Total	151	107

The Company reviews the scope and nature of all proposed non-audit services before engagement, to ensure that the independence and objectivity of the Auditor are safeguarded. Audit fees are comprised of the following items:

	30 June 2018 £'000	30 June 2017 £'000
Annual report and financial statements	26	26
Subsidiary financial statements for the year ended 30 June 2018	107	—
Subsidiary financial statements for the year ended 30 June 2017	9	72
Total	142	98

For the year ended 30 June 2018, the Auditor provided non-audit services, being a review of the half-yearly report and financial statements for a fee of £9,000 (2017: £9,000).

	30 June 2018 £'000	30 June 2017 £'000
Half-yearly report and financial statements	9	9
Total	9	9

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

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9. Finance income

	30 June 2018 £'000	30 June 2017 £'000
Income from cash and short-term deposits	100	70
Income from interest bearing loans and borrowings	223	—
Total	323	70

Accounting policy

Interest income on cash and short-term deposits is recognised on an effective interest rate basis and shown within the income statement as finance income. Interest income from interest bearing loans and borrowing is accrued at the agreed interest rate per the loan agreement and shown within the income statement as finance income.

10. Finance expenses

	30 June 2018 £'000	30 June 2017 £'000
Bank charges	7	5
Loan interest	6,863	4,610
Loan arrangement fees amortised	355	249
Other	15	—
Total	7,240	4,864

Accounting policy

Any finance costs that are separately identifiable and directly attributable to a liability are amortised as part of the cost of the liability. All other finance costs are expensed in the period in which they occur. Finance costs consist of interest and other costs that an entity incurs in connection with bank and other borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2018

11. Taxation

Corporation tax has arisen as follows:

	30 June 2018 £'000	30 June 2017 £'000
Corporation tax on residual income for current year	—	—
Corporation tax on residual income for prior periods	—	40
Total	—	40

Reconciliation of tax charge to profit before tax:

	30 June 2018 £'000	30 June 2017 £'000
Profit before tax	61,058	23,514
Corporation tax at 19% (2017: 19.75%)	11,601	4,644
Change in value of investment properties	(9,037)	(2,341)
Tax exempt property rental business	(3,017)	(2,789)
Amounts not deductible for tax purposes	(30)	(66)
Capital allowances	(417)	(314)
Excess management expenses	920	880
Other	(20)	26
Total	—	40

The Group has unrelieved excess tax losses of £10,016,000 (2017: £6,216,000) and a non-trade loan relationship deficit of £2,003,000 (2017: £962,000). As it is unlikely that the Group will generate sufficient taxable profits in the future to utilise these amounts, no deferred tax asset has been recognised in respect of them.

Accounting policy

Corporation tax is recognised in the income statement except where in certain circumstances corporation tax may be recognised in other comprehensive income.

As a REIT, the Group is exempt from corporation tax on the profits and gains from its property rental business, provided it continues to meet certain conditions as per REIT regulations.

Non-qualifying profits and gains of the Group (residual income) continue to be subject to corporation tax. Therefore, current tax is the expected tax payable on the non-qualifying taxable income for the year if applicable, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt within equity.

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12. Operating leases

Leases are typically direct let agreements with individual students or HEIs for an academic year or shorter period. The Group also has a small number of leases on commercial areas, teaching and retail spaces and a number of nomination agreements whereby multiple beds are let out for a set number of years.

Future minimum rentals receivable under non-cancellable operating leases as at 30 June 2018 are as follows:

	30 June 2018 £'000	30 June 2017 £'000
Within one year	33,683	30,408
Between one and five years	41,806	42,104
More than five years	79,921	62,728
Total	155,410	135,240

Accounting policy

When the Group acts as lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risk and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. The Group recognises lease payments received under operating leases as income in a straight-line basis over the lease term.

13. Dividends

	30 June 2018		30 June 2017	
	Pence per share	£'000	Pence per share	£'000
For the year ended 30 June 2018				
First interim dividend paid on 5 December 2017	1.48	5,699	1.43	3,744
Second interim dividend paid on 12 March 2018	1.48	5,699	1.43	3,979
Third interim dividend paid on 11 June 2018	1.48	5,699	1.43	4,801
Dividends paid during the year	4.44	17,097	4.29	12,524
Fourth interim dividend to be paid on 10 September 2018 ¹	1.51	5,814	1.46	5,622
Total	5.95	22,911	5.75	18,146
Paid as				
PIDs	4.02	15,479	4.92	15,108
Ordinary dividends	1.93	7,432	0.83	3,038
Total	5.95	22,911	5.75	18,146

1. The fourth interim dividend was declared after the year end and therefore is not accrued in the financial statements.

As a REIT, the Company is required to pay PIDs equal to at least 90% of the property rental business profits of the Group. A fourth interim PID for the year ended 30 June 2018 will be paid on 10 September 2018.

Accounting policy

Dividends due to the Company's shareholders are recognised when they become payable. For interim dividends this is when they are paid.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2018

14. Earnings per share

Basic EPS amounts are calculated by dividing profit for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares during the year. As there are no dilutive instruments outstanding, basic and diluted EPS are identical. The following reflects the net earnings and share data used in the basic and diluted EPS computations:

	30 June 2018 £'000	30 June 2017 £'000
Group earnings for EPS	61,058	23,474
Fair value gains on investment properties	(47,565)	(11,855)
Group earnings for EPRA earnings and EPRA EPS	13,493	11,619
Group specific adjustments:		
Other exceptional items	427	394
Licence fees receivable on forward-funded developments	1,490	1,421
Capitalised rental guarantee	—	189
Group specific adjusted earnings	15,410	13,623
	30 June 2018 Pence per share	30 June 2017 Pence per share
Basic Group EPS	15.89	8.08
Basic Group EPRA EPS	3.51	3.99
Diluted Group EPS	15.89	8.08
Diluted Group EPRA EPS	3.51	3.99
Group specific adjusted EPS	4.01	4.69
	30 June 2018 Number of shares	30 June 2017 Number of shares
Weighted average number of shares in issue	384,254,215	290,504,478

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

1. For the year ended 30 June 2018:
 - i. costs relating to professional advisory fees of £354,000;
 - ii. capital goods scheme adjustments of £73,000; and
 - iii. licence fees from the developer of Scape Wembley and Circus Street, Brighton in respect of forward-funding agreements of £1,490,000.
2. For the year ended 30 June 2017:
 - i. migration costs relating to the Main Market of the London Stock Exchange of £394,000;
 - ii. licence fees from the developer of Scape Wembley in respect of a forward-funding agreement of £1,421,000; and
 - iii. a rental guarantee in respect of Scape Bloomsbury of £189,000, which was capitalised.

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15. Subsidiaries

The financial statements comprise the financial statements of the Company and its subsidiaries listed below.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtained control, and will continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and distributions are eliminated in full. The Company has a 100% beneficial interest (whether directly or indirectly), in the issued share capital of all subsidiaries.

Company	Place of registration, incorporation and operation	Number and class of shares held by the Group	Group holding	Capital and reserves at 30 June 2018 £'000	Profit after tax for the year ended 30 June 2018 £'000
GCP Bloomsbury Limited ^{1,2}	UK	8 ordinary shares	100%	70,871	1,035
GCP Brighton Limited ²	UK	4 ordinary shares	100%	32,747	1,445
GCP Brunswick Limited ^{1,2}	UK	1,046,728,191 ordinary shares	100%	15,516	356
GCP Holdco Limited ^{1,2}	UK	5 ordinary shares	100%	341,819	45,065
GCP Holdco 2 Limited ^{1,2}	UK	14 ordinary shares	100%	92,828	4,199
GCP Holdco 3 Limited ^{1,2,4}	UK	2 ordinary shares	100%	—	—
GCP Operations Limited ²	UK	2 ordinary shares	100%	123	123
GCP QMUL Limited ²	UK	4 ordinary shares	100%	(7)	(7)
GCP RHUL Limited ^{1,2}	UK	4 ordinary shares	100%	21,419	1,589
GCP RHUL 2 Limited ^{1,2}	UK	4 ordinary shares	100%	1,859	1,873
GCP Scape East Limited ^{1,2}	UK	51,508,283 ordinary shares	100%	102,383	14,217
GCP SG Limited ^{1,2}	UK	4 ordinary shares	100%	26,346	2,574
GCP Topco Limited ²	UK	3 ordinary shares	100%	341,785	45,052
GCP Topco 2 Limited ²	UK	14 ordinary shares	100%	92,812	4,187
GCP WL Limited ^{1,2}	UK	3 ordinary shares	100%	20,548	1,721
GCP Wembley Limited ²	UK	12 ordinary shares	100%	92,408	14,714
GCP Wembley 2 Limited ^{1,2}	UK	2 ordinary shares	100%	(113)	(113)
GCP Greenwich Limited ^{1,3}	Guernsey	102 ordinary shares	100%	34,399	5,753
GCP Greenwich 2 Limited ^{1,3}	Guernsey	102 ordinary shares	100%	1,268	108
GCP Greenwich JV Limited ^{1,3}	Guernsey	103 ordinary shares	100%	60,646	5,846
GCP Old Street Limited ^{1,3}	Guernsey	100 ordinary shares	100%	121,215	21,035
GCP Old Street 2 Limited ^{1,3}	Guernsey	100 ordinary shares	100%	582	(47)
GCP Old Street Acquisitions Limited ^{1,3}	Guernsey	450 A ordinary shares 550 B ordinary shares	100%	119,695	20,910

1. Indirect subsidiaries.

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

3. Registered office: Weighbridge House, Le Pollet, St Peter Port, Guernsey GY1 1WL.

4. Dormant as at 30 June 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2018

15. Subsidiaries continued

Accounting policy

Where property is acquired, via corporate acquisition or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents the acquisition of a business.

Where such acquisitions are not judged to be an acquisition of a business, they are not treated as business combinations. Rather, the cost to acquire the corporate entity is allocated between the identifiable assets and liabilities of the entity based on their relative fair values at the acquisition date. Accordingly, no goodwill or additional deferred taxation arises. Otherwise, acquisitions are accounted for as business combinations.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree.

For each business combination, the acquirer measures the non-controlling interest in the acquiree at fair value of the proportionate share of the acquiree's identifiable net assets. Acquisition costs (except for costs of issue of debt or equity) are expensed in accordance with IFRS 3 Business Combinations.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Contingent consideration is deemed to be equity or a liability in accordance with IAS 32. If the contingent consideration is classified as equity, it is not re-measured and its subsequent settlement shall be accounted for within equity. If the contingent consideration is classified as a liability, subsequent changes to the fair value are recognised in profit or loss.

16. Cash and cash equivalents

	30 June 2018 £'000	30 June 2017 £'000
Cash and cash equivalents	19,255	25,808
Subsidiary cash and cash equivalents	9,958	29,302
Total	29,213	55,110

Accounting policy

Cash and cash equivalents comprise cash at bank and short-term deposits with banks and other financial institutions, with an initial maturity of three months or less.

17. Trade and other receivables

	30 June 2018 £'000	30 June 2017 £'000
Prepayments	548	799
Rent receivable	538	793
Cash held by rental agents	3,989	1,845
Licence fees	661	1,430
Lease incentives	2,614	2,482
Other receivables	655	168
Total	9,005	7,517

Accounting policy

Rent and other receivables are recognised at their original invoiced value. An impairment provision is made when there is objective evidence that the Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Licence fees represent income receivable from a developer in respect of a forward-funding agreement which is deducted from the cost of investment and shown as a receivable until settled.

Lease incentives including rent-free periods and payments to tenants are allocated to the statement of comprehensive income on a straight-line basis over the lease term.

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18. Other payables and accrued expenses

	30 June 2018 £'000	30 June 2017 £'000
Property operating expenses payable	968	1,715
Finance expenses payable	762	883
Other expenses payable	6,453	2,242
Trade and other payables	8,183	4,840
Deferred income	10,126	7,964
Total	18,309	12,804

Accounting policy

Trade and other payables are initially recognised at fair value and subsequently held at amortised cost.

Deferred income is rental income received in advance during the accounting period. The income is deferred and is unwound to revenue on a straight-line basis over the period in which it is earned.

19. Interest bearing loans and borrowings

	30 June 2018 £'000	30 June 2017 £'000
Borrowings at the start of the year	220,000	130,000
Borrowings drawn down in the year	15,000	90,000
Total borrowings	235,000	220,000
Unamortised loan arrangement fees brought forward	(2,531)	(1,826)
Amortised in the year	355	248
Loan arrangement fees for the year	(53)	(953)
Unamortised loan arrangement fees carried forward	(2,229)	(2,531)
Borrowings less unamortised loan arrangement fees	232,771	217,469

The Group has fixed-rate secured facilities totalling £235 million with PGIM which are comprised as follows:

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

The Group uses gearing to enhance returns over the long term. The level of gearing is governed by careful consideration of the cost of borrowing.

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For the year ended 30 June 2018

19. Interest bearing loans and borrowings continued

The debt facilities include gearing and interest cover covenants that are measured in accordance with the facility agreement at a Group level. The Group has maintained significant headroom against all measures throughout the financial year and is in full compliance with all loan covenants at 30 June 2018.

	30 June 2018 £'000
Reconciliation of financing liabilities	
Balance at 1 July 2017	217,469
Changes from cash flows	
Borrowings drawn down	15,000
Loan arrangement fees	(53)
Non-cash changes	
Amortisation of loan issue costs	355
Balance at 30 June 2018	232,771

Leverage

For the purposes of the AIFMD, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a ratio between the Company's exposure and its NAV and is calculated under the gross and commitment methods, in accordance with AIFMD.

The Company is required to state its maximum and actual leverage levels, calculated as prescribed by AIFMD, and as at 30 June 2018, the figures are as follows:

Leverage exposure	Maximum limit	Actual exposure
Gross method	155%	137%
Commitment method	155%	142%

Accounting policy

Loans and borrowings are initially recognised as the proceeds received net of directly attributable transaction costs. Loans and borrowings are subsequently measured at amortised cost with interest charged to the income statement at the effective interest rate and shown within finance costs. Transaction costs are spread over the term of loan.

20. Share capital

	30 June 2018 £'000	30 June 2017 £'000
Issued and fully paid:		
At the start of the year	3,358	2,618
Shares issued on 20 December 2016 16,428,572 ordinary shares of £0.01 each	—	164
Shares issued on 24 February 2017 57,545,195 ordinary shares of £0.01 each	—	576
Shares issued on 7 July 2017 49,295,774 ordinary shares of £0.01 each	493	—
Balance at the end of the year	3,851	3,358

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

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21. Share premium

	30 June 2018 £'000	30 June 2017 £'000
At the start of the year	340,233	239,653
Shares issued on 20 December 2016	—	22,836
Shares issued on 24 February 2017	—	79,988
Shares issued on 7 July 2017	69,507	—
Share issue costs	(1,123)	(2,244)
Balance at the end of the year	408,617	340,233

22. Capital and reserves**Share capital**

Share capital is the nominal amount of the Company's ordinary shares in issue.

Share premium

Share premium relates to amounts subscribed for share capital in excess of nominal value less associated issue costs of the subscriptions.

Share premium comprises the following cumulative amounts:

	30 June 2018 £'000	30 June 2017 £'000
Issue of share capital	484,583	415,076
Share issue costs	(8,608)	(7,485)
Cancelled share premium ¹	(67,358)	(67,358)
Share premium	408,617	340,233

1. On 31 July 2013, the Company, by way of special resolution, cancelled the value of its share premium account, by an Order of the High Court of Justice, Chancery Division.
As a result of this cancellation, £67.4 million was transferred from share premium to retained earnings in the financial period ended 30 June 2014.

Special reserve

The special reserve represents the cancelled share premium less dividends paid from this reserve.

The special reserve comprises the following cumulative amounts:

	30 June 2018 £'000	30 June 2017 £'000
Cancelled share premium	67,358	67,358
Dividends paid from reserves	(22,861)	(13,782)
Special reserve	44,497	53,576

Retained earnings

Retained earnings represent the profits of the Group less dividends paid from revenue profits to date. Unrealised gains on the revaluation of investment properties contained within this reserve are not distributable until they crystallise on the sale of the investment property.

Retained earnings comprise the following cumulative amounts:

	30 June 2018 £'000	30 June 2017 £'000
Total unrealised gains on investment properties	117,245	69,827
Total revenue profits	34,605	20,965
Dividends paid from revenue profits	(34,605)	(20,965)
Retained earnings	117,245	69,827

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23. Net asset value per share

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 during the year. As there are no dilutive instruments outstanding, basic and diluted NAV per share are identical. The following reflects the net asset and share data used in the basic and diluted NAV per share computations:

	30 June 2018	30 June 2017
EPRA NAV (pps)	149.12	139.08

The EPRA NAV may be calculated as:

	30 June 2018	30 June 2017
Net assets attributable to ordinary shareholders	574,210	466,994
Net assets for calculation of EPRA NAV	574,210	466,994
Number of shares in issue	385,064,556	335,768,782

24. Fair value

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

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

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

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

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 hierarchy¹:

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

	30 June 2017			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets and liabilities measured at fair value				
Investment properties	—	—	634,640	634,640
Total	—	—	634,640	634,640

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.

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Valuation techniques and significant inputs within the valuation of investment properties

The following table analyses:

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

Class	Fair value	Valuation technique	Key unobservable inputs	Range
Operational student property 30 June 2018	£753,934,000	Income capitalisation	ERV – 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 per annum £2,050 – £2,250 per bed per annum 4.5% – 5.75% blended (4.45% – 7.5%)
Development student property 30 June 2018	£30,490,000	Income capitalisation/ RLV (plus cost spend to date)	RLV Build cost spend to date	£8,640,000 – £142,540,000 £21,853,971 – £23,467,617
Operational student property 30 June 2017	£575,540,000	Income capitalisation	ERV – 2016/17 Rental growth Tenancy period Sundry income Facilities management cost Initial yield	£164 – £610 per week 2.0% – 3.0% 40/51 weeks £50 – £100 per bed per annum £2,050 – £2,500 per bed per annum 4.76% – 5.75% blended (4.75% – 7.50%)

As at 30 June 2017, the fair value of student property (£575,540,000) excluded Scape Wembley, which was valued at the sum of land plus development costs (£59,100,000) which was assessed to be equivalent to the fair value at the year end.

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 £47,565,000 (2017: £11,855,000) and are presented in the income statement in line item 'fair value gains on investment properties'.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2018

25. Financial risk management objectives and policies

The Company's principal financial liabilities are long-term liabilities and borrowings. The main purpose of the Company's loans and borrowings is to finance the acquisition of the Company's property portfolio. The Company has trade and other receivables, trade and other payables, and cash and short-term deposits that arise directly from its operations.

The Company is exposed to market risk, interest rate risk, credit risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

Market risk

Market risk is the risk that future values of investments in property and related investments will fluctuate due to changes in market prices. The total exposure at the statement of financial position date is £784,424,000 and, to manage this risk, the Group diversifies its portfolio across a number of assets.

Market risk is also the risk that the fair values of financial instruments will fluctuate because of changes in market prices.

Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates is minimal as it has taken out a fixed rate bank loan.

Credit risk

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

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

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

	30 June 2018 £'000	30 June 2017 £'000
Retention account	308	308
Cash and cash equivalents	29,213	55,110
Trade and other receivables	11,653	7,517
Total	41,174	62,935

The retention account, cash and cash equivalents are held with Barclays Bank PLC, which holds an A-1 credit rating, with the exception of £7.3 million held with Landesbank-Thüringen Girozentrale (Helaba) which holds an A credit rating, and £5 million held with Sumitomo Mitsu Banking Corp Europe which also holds an A credit rating. Ratings taken from S&P Global.

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Liquidity risk

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

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	Less than three months £'000	Three to twelve months £'000	One to two years £'000	Two to five years £'000	More than five years £'000	Total £'000
Year ended 30 June 2018						
Interest bearing loans and borrowings	—	5,222	6,956	20,868	257,556	290,602
Trade and other payables	6,371	1,812	—	—	—	8,183
Retention account	—	—	308	—	—	308
Total	6,371	7,034	7,264	20,868	257,556	299,093
	Less than three months £'000	Three to twelve months £'000	One to two years £'000	Two to five years £'000	More than five years £'000	Total £'000
Year ended 30 June 2017						
Interest bearing loans and borrowings	—	4,904	6,533	19,599	235,058	266,094
Trade and other payables	4,586	254	—	—	—	4,840
Retention account	—	—	308	—	—	308
Total	4,586	5,158	6,841	19,599	235,058	271,242

26. Capital management

The Group's capital is represented by share capital, reserves and borrowings.

The primary objective of the Group's capital management is to ensure that it remains within its quantitative banking covenants and maintains a strong credit rating. No changes were made in the objectives, policies or processes during the period.

The Group may use gearing to enhance returns over the long term. The level of gearing will be governed by careful consideration of the cost of borrowing and the Group may use hedging or otherwise seek to mitigate the risk of interest rate increases. As at the year end, the Group was operating with a loan-to-value of 26% (30 June 2017: 26%).

During the year, the Group did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan agreements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2018

27. 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 year totalled £176,000 (2017: £161,000) and at 30 June 2018, a balance of £nil (2017: £nil) was outstanding. Further information is given in note 6.

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 role it receives an annual fee of £22,500, subject to an RPI increase. With effect from 22 July 2014, the Company's Investment Manager was authorised as an AIFM by the FCA under the AIFMD regulations. The Company has provided disclosures on its website, www.gcpstudent.com, incorporating the requirements of the AIFMD regulations.

During the year, the Group incurred £5,698,000 (2017: £4,667,000) in respect of investment management fees, the AIFM fee and transaction management and documentation services. A total of £5,488,000 is included within administration expenses in the consolidated income statement and £210,000 is included within the share issue costs relating to shares issued during the year. As at 30 June 2018, £1,437,000 (2017: £1,170,000) 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. If the ordinary resolution to continue the Company's business as presently constituted, to be proposed at the fifth annual general meeting of the Company in 2018, is not passed, then the investment management agreement will be terminable upon 24 months' written notice by either party. 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.

Subsidiaries

GCP Student Living plc as at 30 June 2018 owns a 100% controlling stake in GCP Topco Limited, GCP Holdco Limited, GCP Scape East Limited, GCP Brunswick Limited, GCP Operations Limited, GCP Greenwich JV Limited (formerly Leopard Guernsey Greenwich JV Limited), GCP Greenwich Limited (formerly Leopard Guernsey Greenwich Limited), GCP Greenwich 2 Limited (formerly Leopard Guernsey Greenwich 2 Limited), GCP Old Street Acquisitions Limited (formerly Old Street Acquisitions Limited), GCP Old Street Limited (formerly Leopard Guernsey Old Street Limited), GCP Old Street 2 Limited (formerly Leopard Guernsey Old Street 2 Limited), GCP RHUL Limited, GCP SG Limited, GCP WL Limited, GCP Wembley 2 Limited, GCP Wembley Limited, GCP RHUL 2 Limited, GCP Bloomsbury Limited, GCP Holdco 2 Limited, GCP Topco 2 Limited, GCP QMUL Limited, GCP Brighton Limited and GCP Holdco 3 Limited.

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

Transactions	30 June 2018 £'000	30 June 2017 £'000
Recharges of fund level expenses to:		
GCP Bloomsbury Limited	526	142
GCP Brighton Limited	81	—
GCP Brunswick Limited	4	7
GCP Greenwich 2 Limited	176	195
GCP Holdco Limited	5	5
GCP Holdco 2 Limited	5	3
GCP Old Street 2 Limited	616	670
GCP Operations Limited	10	10
GCP RHUL Limited	124	142
GCP RHUL 2 Limited	80	2
GCP Scape East Limited	454	494
GCP SG Limited	88	95
GCP Topco Limited	5	5
GCP Topco 2 Limited	5	3
GCP Wembley Limited	—	161
GCP Wembley 2 Limited	305	—
GCP WL Limited	70	78
Balances	30 June 2018 £'000	30 June 2017 £'000
Other intercompany balances due (to)/from:		
GCP Brighton Limited	(1,304)	—
GCP Operations Limited	(137)	(79)
GCP QMUL Limited	2,650	—
GCP RHUL 2 Limited	20	20
GCP Topco Limited	(57,960)	(41,684)
GCP Topco 2 Limited	57,255	38,158
GCP Wembley Limited	(3,834)	15,393
GCP Wembley 2 Limited	335	—
GCP WL Limited	(928)	(928)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2018

28. Events after the reporting period

On 17 July 2018, GCP Makerfield Limited was incorporated, a wholly-owned subsidiary of GCP Student Living plc.

On 25 July 2018, GCP Makerfield Limited entered into a conditional contract to acquire and forward fund the construction of Scape Brighton. Scape Brighton is a large-scale development with planning consent for the construction of purpose-built student accommodation located on the primary campus of the University of Brighton. It is currently expected that Scape Brighton will be operational for the 2020/21 academic year. 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.

On 25 July 2018, the Company entered into a three-year redrawable credit facility with Wells Fargo & Company for an aggregate amount of up to £45 million. The new facility has a prevailing margin of 1.85% above three-month LIBOR.

29. Ultimate controlling party

It is the view of the Directors that there is no ultimate controlling party.

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COMPANY STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	30 June 2018 £'000	30 June 2017 £'000
Assets			
Non-current assets			
Investment in subsidiary companies	3	560,869	432,120
		560,869	432,120
Current assets			
Cash and cash equivalents	4	19,255	25,808
Trade and other receivables	5	60,040	55,482
		79,295	81,290
Total assets		640,164	513,410
Liabilities			
Current liabilities			
Trade and other payables	6	(65,954)	(46,416)
Total liabilities		(65,954)	(46,416)
Net assets		574,210	466,994
Equity			
Share capital		3,851	3,358
Share premium		408,617	340,233
Special reserve		44,497	53,576
Retained earnings		117,245	69,827
Total equity		574,210	466,994
Number of shares in issue		385,064,556	335,768,782
NAV per share (pps)		149.12	139.08

The comprehensive income of the Company was £61,058,000 (2017: £23,475,000).

The financial statements were approved by the Board of Directors of GCP Student Living plc on 5 September 2018 and signed on its behalf by:

Robert Peto

Chairman

Company number: 08420243

The accompanying notes on pages 100 and 101 form an integral part of these Company financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2018

	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	—	—	—	61,058	61,058
Ordinary shares issued	493	69,507	—	—	70,000
Share issue costs	—	(1,123)	—	—	(1,123)
Dividends paid in respect of the previous year	—	—	(3,300)	(2,322)	(5,622)
Dividends paid in respect of the current year	—	—	(5,779)	(11,318)	(17,097)
Balance at 30 June 2018	3,851	408,617	44,497	117,245	574,210

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2017

	Share capital £'000	Share premium £'000	Special reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 July 2016	2,618	239,653	58,371	57,826	358,468
Total comprehensive income	—	—	—	23,474	23,474
Ordinary shares issued	740	102,824	—	—	103,564
Share issue costs	—	(2,244)	—	—	(2,244)
Dividends paid in respect of the previous year	—	—	(1,651)	(2,093)	(3,744)
Dividends paid in respect of the current year	—	—	(3,144)	(9,380)	(12,524)
Balance at 30 June 2017	3,358	340,233	53,576	69,827	466,994

The accompanying notes on pages 100 and 101 form an integral part of these Company financial statements.

GCP STUDENT LIVING PLC

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COMPANY STATEMENT OF CASH FLOWS

For the year ended 30 June 2018

	Notes	30 June 2018 £'000	30 June 2017 £'000
Cash flows from operating activities			
Operating profit		60,965	23,434
Adjustments to reconcile profit for the year to net cash flows:			
Gains from change in fair value of subsidiary companies		(59,447)	(16,599)
Dividends received from subsidiary companies		(6,067)	(11,119)
Corporation tax paid		—	(24)
Net recharges from subsidiary companies		(2,556)	(2,012)
(Increase)/decrease in other receivables and prepayments		(46)	1,970
Increase/(decrease) in other payables and accrued expenses		221	(218)
Net cash flow used in operating activities		(6,930)	(4,568)
Cash flows from investing activities			
Acquisition of subsidiaries	3	(54,735)	(109,947)
Net cash received from/(paid to) subsidiary companies		8,914	(2,421)
Net cash used in investing activities		(45,821)	(112,368)
Cash flows from financing activities			
Proceeds from issue of ordinary share capital		70,000	103,564
Share issue costs		(1,123)	(2,244)
Finance income		99	68
Finance expenses		(5)	(3)
Dividends paid in the year		(22,773)	(16,206)
Net cash flow generated from financing activities		46,198	85,179
Net decrease in cash and cash equivalents		(6,553)	(31,757)
Cash and cash equivalents at start of the year		25,808	57,565
Cash and cash equivalents at end of the year	4	19,255	25,808
Non-cash items			
Long-term loan received from GCP Topco Limited		—	40,000
Long-term loan granted to GCP Topco 2 Limited		—	(40,000)
Investment in GCP Brighton Limited		(14,567)	—

The accompanying notes on pages 100 and 101 form an integral part of these Company financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

For the year ended 30 June 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 has a premium listing on the Official List of the UKLA and trades on the Premium Segment of the Main Market of the London Stock Exchange.

2. Basis of preparation

These financial statements are prepared in accordance with IFRS issued by the IASB as adopted by the European Union. The financial statements have been prepared under the historical cost convention, except for investments in subsidiaries that have been measured at fair value. The audited financial statements are presented in Pound Sterling and all values are rounded to the nearest thousand pounds (£'000), except when otherwise indicated.

These financial statements are for the year ended 30 June 2018. Comparative figures are for the previous accounting period, the year ended 30 June 2017.

The Company has taken advantage of the exemption in section 408 of the Companies Act 2006 not to present its own income statement or statement of comprehensive income.

The financial statements of the Company follow the accounting policies laid out on pages 76 to 96.

3. Investment in subsidiary companies

	30 June 2018 £'000	30 June 2017 £'000
At the beginning of the year	432,120	305,574
Investment in subsidiary companies	69,302	109,947
Total	501,422	415,521
Fair value gains on the revaluation of subsidiary companies	59,447	16,599
Total	560,869	432,120

	30 June 2018 £'000	30 June 2017 £'000
Investment in and transfers of subsidiary companies		
Investments in subsidiary companies		
GCP Wembley Limited	18,000	60,000
GCP Bloomsbury Limited	—	49,947
GCP Topco 2 Limited	20,000	—
GCP Brighton Limited	31,302	—
Total	69,302	109,947
Cash items included in cash flow		
GCP Wembley Limited	18,000	60,000
GCP Bloomsbury Limited	—	49,947
GCP Topco 2 Limited	20,000	—
GCP Brighton Limited	16,735	—
Total	54,735	109,947

The difference between the investment in subsidiary companies and that shown in the cash flow is £14,567,000 of unpaid share capital in GCP Brighton Limited settled through the Company's intercompany account.

Accounting policy

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

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

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4. Cash and cash equivalents

	30 June 2018 £'000	30 June 2017 £'000
Cash and cash equivalents	19,255	25,808
Total	19,255	25,808

Accounting policy

Cash and cash equivalents comprise cash at bank and short-term deposits with banks and other financial institutions, with an initial maturity of three months or less.

5. Trade and other receivables

	30 June 2018 £'000	30 June 2017 £'000
Amounts due from subsidiary companies	60,000	55,413
Prepayments and other receivables	40	69
Total	60,040	55,482

6. Other payables and accrued expenses

	30 June 2018 £'000	30 June 2017 £'000
Amounts due to subsidiary companies	63,903	44,533
Other expenses payable	2,051	1,883
Total	65,954	46,416

7. Fair value

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

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

Quarterly valuations of subsidiaries are based on NAV. The NAV of the subsidiaries are based on fair values of the assets held by the subsidiary, see note 24 to the consolidated financial statements for details of underlying asset fair values. The valuations are the ultimate responsibility of the Directors, who appraise these quarterly.

The following tables show an analysis of the fair values of financial instruments recognised in the statement of financial position by level of the fair value hierarchy¹:

	30 June 2018			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets and liabilities measured at fair value				
Investment in subsidiaries	—	—	560,869	560,869
Total	—	—	560,869	560,869

	30 June 2017			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets and liabilities measured at fair value				
Investment in subsidiaries	—	—	432,120	432,120
Total	—	—	432,120	432,120

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.

GLOSSARY

Adjusted EPS	CTA	Gearing
EPS adjusted for exceptional items and licence fees receivable on forward-funded developments (refer to note 14)	Corporation Tax Act 2010	Debt expressed as a percentage of gross assets (refer to note 19 and page 73)
AIC	EPRA	GHG
Association of Investment Companies	European Public Real Estate Association	Greenhouse gas
AIC Code	EPRA EPS	GOSH
AIC Code of Corporate Governance, as published in July 2016	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 14)	Great Ormond Street Hospital
AIC Guide	EPRA NAV	Group
AIC Corporate Governance Guide for Investment Companies	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 23)	GCP Student Living plc and its subsidiaries
AIFM	EPRA NAV (cum-income)	HEI
Alternative Investment Fund Manager	Net asset value before deduction of proposed dividend (refer to page 20)	Higher education institution
AIFMD	EPRA NAV (ex-income)	IASB
Alternative Investment Fund Managers Directive	Net asset value after deduction of proposed dividend (refer to page 20)	International Accounting Standards Board
Annualised shareholder total return since IPO	EPS	IFRS
Total shareholder return expressed as a weighted annual percentage. Calculated with reference to the IPO issue price of 100 pence per ordinary share	Earnings per share (refer to note 14)	International Financial Reporting Standards
APM	ERV	IPO
Alternative performance measure	Estimated rental value (refer to page 11)	Initial public offering
CIL	EU	KCL
Community Infrastructure Levy	European Union	King's College London
City	FPPP	LIBOR
City, University of London	Financial Position and Prospects Procedures	London interbank offered rate
Collegiate	Full occupancy	Loan-to-value or LTV
Collegiate Accommodation Consulting Limited – Asset and Facilities Manager for Water Lane Apartments, Bristol	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	A measure of borrowings used by property investment companies calculated as borrowings, net of cash, as a proportion of property value (refer to notes 3 and 19)
Company or GCP Student		LSE
GCP Student Living plc		London School of Economics
Cost of borrowing		MAR
Cost of borrowing expressed as a percentage weighted according to period drawn down (refer to notes 10 and 19)		Market Abuse Regulation
		MV
		Market value
		NAV
		Net asset value (refer to note 23)

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Net operating margin	Scape
Gross profit expressed as a percentage of rental income (refer to pages 19 and 72)	Scape Student Living Limited – Asset and Facilities Manager for Scape Shoreditch, Scape East, Scape Greenwich, Scape Surrey, Scape Wembley, Scape Bloomsbury, Podium and The Pad
NIY	
Net initial yield	Shareholder total return
Non-PID	Share price growth with dividends deemed to be reinvested on the dividend payment date
Non-property income distribution	SOAS
PID	School of Oriental and African Studies
Property income distribution	Student rental growth
PPS	Annual increase in direct let rental rates
Pence per share	UAL
QMUL	University of the Arts London
Queen Mary University of London	UCAS
RCF	Universities and Colleges Admissions Service
Redrawable credit facility	UCH
REIT	University College Hospital
Real estate investment trust	UCL
RHUL	University College, London
Royal Holloway, University of London	UK Code
RICS	UK Code of Corporate Governance, as published in April 2016
Royal Institution of Chartered Surveyors	UKLA
RLV	United Kingdom Listing Authority
Residual land value	
RNS	
Regulatory news service	
RPI	
Retail price index	

SHAREHOLDER INFORMATION

Key dates

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

Frequency of NAV publication

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

Sources of further information

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

Electronic communications from the Company

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

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

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

By email: enquiries@linkgroup.co.uk

By post: Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

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