

**GCP SCAPE EAST LIMITED**  
**REGISTERED IN ENGLAND AND WALES**  
**COMPANY NUMBER 08776650**

**ANNUAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2016**

TUESDAY



\*A5L9S4LT\*

A21

06/12/2016

#347

COMPANIES HOUSE

## CONTENTS

	<b>Page</b>
Corporate Information	3
Strategic Report	4 – 8
Directors' Report	9
Directors' Responsibilities Statement	10
Independent Auditor's Report	11 – 12
Statement of Comprehensive Income	13
Statement of Financial Position	14
Statement of Changes in Equity	15
Statement of Cash Flows	16
Notes to the Financial Statements	17 – 31

## **CORPORATE INFORMATION**

### **Directors**

Robert Peto (Chairman)  
Peter Dunscombe  
Malcolm Naish  
Marlene Wood

### **Secretary and Registered Office**

Capita Company Secretarial Services Limited  
51 New North Road  
Exeter EX4 4EP  
Tel: 01392 477500

### **Independent Auditor**

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

## **STRATEGIC REPORT**

### **Introduction**

GCP Scape East Limited (the “Company”) was incorporated on 15 November 2013.

As at 30 June 2016, the Company is a wholly-owned subsidiary of GCP Holdco Limited (the “Parent Company”), whose ultimate parent is GCP Student Living plc (the “Ultimate Parent Company”). The principal activity of the Company is, and for the foreseeable future will continue to be, the provision of student accommodation in line with the Ultimate Parent Company’s investment strategy.

The Company has no employees. The staff of the Asset and Facilities Manager, Scape Student Living Limited, who provide asset and facilities management services to the Company are employed by GCP Operations Limited, a subsidiary of the Ultimate Parent Company and staff costs are recharged through the group and ultimately charged to the Company.

The Company is part of a group which consists of GCP Student Living plc and its subsidiaries (the “Group”).

### **Performance Summary**

The profit for the year, after taxation, amounted to £15,536,000 (2015: £20,300,000).

During the year, the Group entered into new financing arrangements with Pricoa Mortgage Capital, and in order to facilitate the drawdown of the facility, the Group was restructured. On 30 September 2015, the Parent Company acquired 100% of the share capital of GCP Scape East Limited from the Ultimate Parent Company on a share-for-share basis for a value of £76,447,630. The Company’s bank loan and interest rate swap were repaid by the Parent Company using the proceeds from the new borrowings. The costs associated with the loan cancellation amounted to £864,000. This has resulted in an intercompany loan with the Parent Company, which as at year end, amounted to £41,063,000. The intercompany loan is charged at a rate of 3.07%, which is in line with the interest rate charged on the new facility.

During the year, the Company paid dividends amounting to £2,671,304 (2015: £nil) to the Ultimate Parent Company. The Directors have declared a dividend in respect of the year ended 30 June 2016 of £nil (2015: £2,671,304).

As at 30 June 2016, the Company had in issue 51,508,283 (2015: 51,508,283) ordinary shares of £1 each. Equity shareholders’ funds totaled to £89,527,000 (2015: £76,448,000).

### **Financial performance and key performance indicators**

The Company produced a strong set of annual results with £7,595,000 (2015: £7,128,000) of rental income generated from the Company’s investment property.

The Company has experienced 7% increase in total revenue primarily through early check-outs occurring as at the year end, leading to the overall contract sum being spread over a shorter period in line with International Financial Reporting Standards (“IFRS”).

The valuation of the Company’s investment property has increased by £12,130,000 in the year ended 30 June 2016 (2015: £16,730,000) and £32,050,000 (2015: £19,920,000) since the asset was novated from the Parent Company on 3 December 2014.

### **Future developments**

The Board considers that the Company is likely to continue to carry on its business in provision of student accommodation.

## **STRATEGIC REPORT (CONTINUED)**

### **Investment property - Scape East**

Scape East is a private student residence, completed in June 2012 under the Scape brand, which seeks to provide affordable and aspirational hotel-style student accommodation in private, purpose-built, high specification buildings.

Scape East is located in Mile End, directly opposite Queen Mary University of London ("QMUL"), which is a Russell Group Higher Education Institute ("HEI") and one of London's leading universities with approximately c.17,000 students. Approximately 87% of all Scape East's direct let students study at QMUL. The impressive building encompasses a double height entrance and floor-to-ceiling glazed reception.

Spiral staircases and an open atrium at Scape East create a spacious and welcoming entrance. Copper and bronze is a recurring theme, from the illuminated canopy on top of the building to the cladding surrounds. The green roof space attracts insects and birds and the ground water provides heat for the 25,000 sq ft of educational space and the communal areas.

Residents have access to a private courtyard garden, free gym, TV and games lounge, communal kitchen, study areas and two on-site restaurants. Most of the studios at Scape East are the exclusively designed "Scape Studio", which feature integrated storage and work space, fully fitted kitchenette, breakfast bar and en-suite shower room. The concept of modern student accommodation came from the Scape partners who enlisted leading interior designer Ab Rogers and design studio Praline to bring their vision to life. The result has yielded a superior alternative to traditional student housing, where striking design goes hand-in-hand with competitive prices and excellent London locations.

Additional rental income is generated through a 30-year FRI lease with annual RPI uplifts of teaching facilities. This has generated 6.5% of total revenues for Scape East for the 2015/16 academic year.

As at 30 June 2016, Scape East was occupied by students from 25 different HEIs and of 67 different nationalities, with c.89% of tenants coming from outside the UK.

### **Going concern**

In assessing the Company's ability to continue as a going concern, the Directors have considered the Company's investment objective (detailed on page 6), risk management policies (detailed on pages 28 to 30), capital management (see note 20 to the financial statements), its quarterly Net Asset Value ("NAV") and the nature of its portfolio and expenditure projections. The Directors believe that the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future.

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

## STRATEGIC REPORT (CONTINUED)

### Risks and uncertainties

The principal financial risks, the Company's policies for managing these risks and the policy and practice with regard to financial instruments are summarised in note 19 to the financial statements.

The Board has also identified the following additional risks and uncertainties:

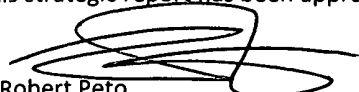
Risk	How the risk is managed
<b>Investment strategy</b>	
<p><b>Investment objective</b></p> <p>There can be no guarantee that the investment objective of the Ultimate Parent Company will be achieved. The Ultimate Parent Company's investment objective is to provide shareholders with attractive total returns in the longer term through the potential for modest capital appreciation and regular, sustainable, long-term dividends with RPI inflation-linked income characteristics.</p>	<p>The Company holds an asset which meets the investment strategy of the Ultimate Parent Company. The Investment Manager and Asset and Facilities Managers have significant experience in the sector which should provide the Ultimate Parent Company with access to assets to continue to meet its investment strategy going forward.</p>
<b>Portfolio</b>	
<p><b>General property and investment market conditions</b></p> <p>The Company's performance depends to a significant extent on property values in the UK. An overall downturn in the UK property market 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 Company and ultimately upon the net asset value and the ability of the Company to generate revenues.</p>	<p>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.</p>
<p><b>Scape Student Living Brand</b></p> <p>The Company's success and results are, to some extent dependant on the strength and reputation of the Scape Student Living brand.</p> <p>The 'Scape Student Living' brand is vulnerable to adverse market perception as it operates in an industry where integrity, customer trust and confidence are paramount. Any damage to the 'Scape Student Living' brand could cause a decline in the demand for accommodation and/or the rental rates that can be achieved at the property owned by the Company.</p> <p>The occurrence which could have an adverse effect on the Company's revenue, performance, margins and asset values.</p>	<p>The Investment Manager and Asset and Facilities Manager, Scape Student Living, provide the Board with quarterly reports which include any operational or performance related issues which could potentially have an impact on brand confidence or integrity. The analysis provides the Board with the tools to address any occurrence which could have an adverse effect on the Company's revenue, performance, margins and asset values.</p>

Risk	How the risk is managed
<p><b>Liquidity</b></p> <p>The Group invests in student residential accommodation and teaching facilities. Such investments are 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 which may materially and adversely impact the net asset value ("NAV") and earnings of the Company.</p>	<p>Whilst the Company invests funds with the aim of both capital appreciation and investment income, it has no immediate plan to sell or realise the capital appreciation (and so generate returns) from any increase in the value of its investment property, except by way of increased rental income. Accordingly the Board considered that this risk is mitigated to a suitably low level.</p>
<p><b>Rental income</b></p> <p>Rental income and property values may be adversely affected by increased supply of student accommodation and teaching facilities, the failure to collect rents, periodic renovation costs and increased operating costs. A decrease in rental income and/or in property values may materially and adversely impact the net asset value and earnings of the Company as well as the ability to service interest on its debts in the longer term.</p>	<p>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 bear the entry of new competitors into the market. In addition, the quality of assets that the Company acquires will be amongst the best in class to minimise occupancy risk.</p> <p>The Investment Manager monitors the performance of the Asset and Facilities Managers to ensure that all rental income is collected and that operating costs are within the parameters of the approved budgets. The Investment Manager provides the Board with performance reports on a quarterly basis.</p>
<p><b>Occupancy rates</b></p> <p>The ability of the Company to maintain attractive occupancy levels (or to maintain such levels on economically favourable terms) on its assets 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 Company amongst universities, students or other potential customers, or as a result of other local or national factors. A fall in occupancy levels may adversely affect the Company's revenue performance, margins and asset values.</p>	<p>The Investment Manager and Asset and Facilities Managers provide the Board with quarterly reports on asset performance. The analysis provides both the Investment Manager and Board with the tools to adjust the Company's operational strategy in order to maximise shareholder value.</p>
<b>Financial</b>	
<p><b>Taxation</b></p> <p>Any change in the Company's tax status or in taxation legislation in the UK (including a change in interpretation of such legislation) could affect the Company's ability to achieve its investment objective or provide favourable returns to shareholders. In particular, an increase in the rates of stamp duty land tax could have a material impact on the value of assets acquired. If the Ultimate Parent Company fails to remain a REIT for UK tax purposes, profits and gains will be subject to UK corporation tax.</p>	<p>The Ultimate Parent Company's Board has ultimate responsibility for ensuring adherence to the UK REIT regime and monitors the compliance reports provided by the Investment Manager on potential transactions to be undertaken, the Administrator on asset levels and the Registrar on shareholdings.</p>

**STRATEGIC REPORT (CONTINUED)**

<b>Risk</b>	<b>How the risk is managed</b>
<b>Other</b>	
<p><b>Compliance with laws or regulations</b></p> <p>The Group and its operations are subject to laws and regulations enacted by national and local governments and government policy. Any change in the laws, regulations and/or government policy affecting the Group may have a material adverse effect on the ability of the Company to successfully pursue its investment policy and meet its investment objective and on the value of the Company and its shares.</p>	<p>The Board has appointed Gowling WLG (UK) LLP as legal counsel, Capita Company Secretarial Services Limited as Company Secretary and Capita Sinclair Henderson Limited as Administrator to ensure compliance with all relevant laws and regulations.</p>
<p><b>Operational risk</b></p> <p>Inadequate or failed internal processes, people and systems, or from external causes (deliberate, accidental or natural). Events may be manifested as direct financial losses or result in damage to reputation causing longer term financial consequences.</p>	<p>The Company has sufficient defined operational risk procedures and policies in place to manage and mitigate operational risk.</p>
<p><b>Reliance on third party service providers</b></p> <p>The Group relies upon the performance of third party service providers to perform its executive functions that are integral to the Group's operations and financial performance. Failure by any service provider to carry out its obligations in accordance with the terms of its appointment, to exercise due care and skill, or to perform its obligations to the Group at all as a result of insolvency, bankruptcy or other causes could have a material adverse effect on the Group's performance and returns to shareholders. The termination of the Group's relationship with any third party service provider or any delay in appointing a replacement for such service provider could disrupt the business of the Group materially and could have a material adverse effect on the Group's performance and returns to shareholders. 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.</p>	<p>The performance of the Group's service providers is closely monitored by the management engagement committee of the Ultimate Parent Company, which conducts review meetings with each of the Group's principal third party service providers on an annual basis. The committee meets at least once a year to make formal recommendations to the Board about the performance and continuing appointment of these service providers; it also considers any variation to the terms of service providers' agreements, and reports its findings to the Board. The audit committee of the Ultimate Parent Company 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 Scape Student Living and considered by the board of GCP Operations Limited, another company within the Group, which meets at least twice a year.</p>

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

  
 Robert Peto  
 Chairman  
 27 October 2016



## **DIRECTORS' REPORT**

The Directors present their report and financial statements for the Company for the year ended 30 June 2016.

### **Directors**

The Directors who served during the period were:

Robert Peto  
Peter Dunscombe  
Malcolm Naish  
Marlene Wood

### **Dividend**

No dividends (2015: £2,671,304) have been declared in respect of the year ended 30 June 2016.

### **Directors' interests**

All of the current Directors are also directors of the Parent Company and the Ultimate Parent Company.

The Directors do not hold any shares in the Company nor did they during the year under review. Their interests in the shares of the Ultimate Parent Company are disclosed in the Ultimate Parent Company's annual report and financial statements for the year ended 30 June 2016.

No Director has a contract of service with the Company, and there were no contracts or arrangements at any time during the year ended 30 June 2016, or since, in which a Director of the Company was materially interested, whether directly or indirectly.

### **Financial risk management**

Information about the Company's financial risk management objectives and policies are set out in note 19 of the financial statements.

### **Disclosure of Information to Auditor**

Each Director confirms that, so far as he/she is aware, there is no relevant audit information of which the Company's Auditor is unaware, and he/she has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

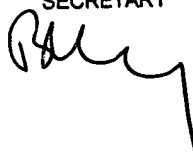
### **Auditor**

The Auditor for the year was Ernst & Young LLP who have expressed their willingness to remain in office as auditor of the Company.

By order of the Board

Capita Company Secretarial Services Limited  
Secretary  
27 October 2016

FOR AND ON BEHALF OF  
CAPITA COMPANY SECRETARIAL  
SERVICES LIMITED  
SECRETARY



## **DIRECTORS' RESPONSIBILITIES STATEMENT**

The Directors are responsible for preparing the financial statements in accordance with applicable United Kingdom law and IFRS as adopted by the European Union ("EU").

The Directors are required to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare financial statements on a going concern basis unless it is inappropriate to assume 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 Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GCP SCAPE EAST LIMITED**

We have audited the financial statements of GCP Scape East Limited for the year ended 30 June 2016 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and IFRS as adopted by the EU.

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.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- ▶ give a true and fair view of the state of the Company's affairs as at 30 June 2016 and of its profit for the year then ended;
- ▶ have been properly prepared in accordance with IFRS as adopted by the EU; and
- ▶ have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GCP SCAPE EAST LIMITED (CONTINUED)**

**Matters on which we are required to report by exception**

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

- ▶ adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- ▶ the financial statements 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.



Ashley Coups (Senior Statutory Auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London  
27 October 2016

# STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2016

		30 June 2016	30 June 2015
	Notes	£'000	£'000
<b>Continuing operations</b>			
Revenue	4	7,734	7,228
Property operating expenses	5	(1,499)	(1,289)
<b>Gross profit</b>		<b>6,235</b>	<b>5,939</b>
Administration expenses	5	(301)	(1,029)
<b>Operating profit before gains on investment properties</b>		<b>5,934</b>	<b>4,910</b>
Fair value gains on investment properties	3	12,130	16,730
<b>Operating profit</b>		<b>18,064</b>	<b>21,640</b>
Finance income	6	2	5
Finance expenses – ongoing	7	(1,665)	(1,343)
Finance expenses - other	7	(865)	-
<b>Profit before tax</b>		<b>15,536</b>	<b>20,302</b>
Tax charge for the year	9	-	(2)
<b>Profit for the year</b>		<b>15,536</b>	<b>20,300</b>
<b>Other comprehensive income to be reclassified to profit and loss in subsequent periods</b>			
Net gains/(losses) on cash flow hedges	15	214	(261)
<b>Total comprehensive income for the year</b>		<b>15,750</b>	<b>20,039</b>

There were no items of other comprehensive income for the year.

The accompanying notes on pages 17 to 31 form an integral part of these financial statements.

# STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

Assets	Notes	30 June 2016 £'000	30 June 2015 £'000
<b>Non-current assets</b>			
Investment property	3	126,090	113,960
Retention account		308	308
		<b>126,398</b>	<b>114,268</b>
<b>Current assets</b>			
Trade and other receivables	11	5,582	2,334
Cash and cash equivalents	12	626	1,950
		6,208	4,284
<b>Total assets</b>		<b>132,606</b>	<b>118,552</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings	14	-	(39,569)
Derivative financial instruments	15	-	(214)
Retention account		(308)	(308)
		<b>(308)</b>	<b>(40,091)</b>
<b>Current liabilities</b>			
Deferred income	13	(1,678)	(1,534)
Trade and other payables	13	(41,093)	(479)
		(42,771)	(2,013)
<b>Total liabilities</b>		<b>(43,079)</b>	<b>(42,104)</b>
<b>Net assets</b>		<b>89,527</b>	<b>76,448</b>
<b>Equity</b>			
Share capital	16	51,508	51,508
Hedging reserve	17	-	(214)
Retained earnings	17	38,019	25,154
<b>Total equity</b>		<b>89,527</b>	<b>76,448</b>

These financial statements were approved by the Board of Directors of GCP Scape East Limited on 27 October 2016 and signed on its behalf by:



Robert Peto  
Chairman

Company registered number 08776650

The accompanying notes on pages 17 to 31 form an integral part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY**

For the year ended 30 June 2016

	Share capital £'000	Hedging reserve £'000	Retained earnings £'000	Total £'000
<b>Balance at 30 June 2015</b>	<b>51,508</b>	<b>(214)</b>	<b>25,154</b>	<b>76,448</b>
Profit for the year	-	-	15,536	15,536
<b>Other comprehensive income that may be reclassified subsequently to profit and loss</b>				
Fair value movement on financial derivative	-	214	-	214
<b>Total comprehensive income</b>	<b>-</b>	<b>214</b>	<b>15,536</b>	<b>15,750</b>
Ordinary shares issued	-	-	-	-
Dividends paid	-	-	(2,671)	(2,671)
<b>Balance at 30 June 2016</b>	<b>51,508</b>	<b>-</b>	<b>38,019</b>	<b>89,527</b>

For the year ended 30 June 2015

	Share capital £'000	Hedging reserve £'000	Retained earnings £'000	Total £'000
<b>Balance at 30 June 2014</b>	<b>-</b>	<b>47</b>	<b>4,854</b>	<b>4,901</b>
Profit for the year	-	-	20,300	20,300
<b>Other comprehensive income that may be reclassified subsequently to profit and loss</b>				
Fair value movement on financial derivative	-	(261)	-	(261)
<b>Total comprehensive income</b>	<b>-</b>	<b>(261)</b>	<b>20,300</b>	<b>20,039</b>
Ordinary shares issued	51,508	-	-	51,508
<b>Balance at 30 June 2015</b>	<b>51,508</b>	<b>(214)</b>	<b>25,154</b>	<b>76,448</b>

The accompanying notes on pages 17 to 31 form an integral part of these financial statements.

**STATEMENT OF CASH FLOWS**  
For the year ended 30 June 2016

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
<b>Cash flows from operating activities</b>		
Operating profit	18,064	21,640
Adjustments to reconcile profit for the year to net cash flows:		
Gain from change in fair value of investment properties	(12,130)	(16,730)
Recharges made from related parties		
Decrease/(increase) in other receivables and prepayments	421	(918)
(Decrease) in other payables and accrued expenses	(4,688)	(3,025)
Tax paid	-	(1)
<b>Net cash flow generated from operating activities</b>	<b>1,667</b>	<b>966</b>
<b>Cash flows from financing activities</b>		
Net amounts received from related parties	41,063	-
Repayment of bank loan	(40,000)	-
Finance expenses	(1,383)	(1,232)
Dividends paid in the period	(2,671)	-
<b>Net cash flow used in financing activities</b>	<b>(2,991)</b>	<b>(1,232)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(1,324)</b>	<b>(266)</b>
Cash and cash equivalents at start of the year	1,950	2,216
<b>Cash and cash equivalents at end of the year</b>	<b>626</b>	<b>1,950</b>

The accompanying notes on pages 17 to 31 form an integral part of these financial statements.



## **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2016

### **1. General information**

The Company is a company incorporated in England and Wales on 15 November 2013. The registered office of the Company is 51 New North Road, Exeter, EX4 4EP.

The Company is a wholly-owned subsidiary of the Parent Company. The results of the Company are included in the consolidated financial statements of the Ultimate Parent Company which are available from the Company Secretary.

### **2. Basis of preparation**

These financial statements are prepared in accordance with IFRS issued by the International Accounting Standards Board as adopted by the EU. The financial statements have been prepared under the historical cost convention, except for investment property and derivative financial instruments 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.

The financial statements are for the year ended 30 June 2016. Comparative figures are for the year ended 30 June 2015.

#### **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 Company's accounting periods beginning after 1 July 2016 or later periods

- IAS 1 Presentation of Financial Statements – amendments resulting from the disclosure initiative (effective for annual periods beginning on or after 1 January 2016).
- Various Standards – amendments resulting from September 2014 Annual Improvements to IFRS (effective for annual periods beginning on or after 1 January 2016).
- IFRS 15 Revenue from Contracts (effective for annual periods beginning on or after 1 January 2018).
- IFRS 9 Financial Instruments (effective for annual periods beginning on or after 1 January 2018).
- IFRS 7 Financial Instruments: Disclosures – amendments regarding additional hedge accounting disclosures (applies when IFRS 9 is applied).
- IFRS 16 – Leases (effective for annual periods beginning on or after 1 January 2019).

The Company has decided not to adopt them early. The Company does not expect the adoption of new accounting standards issued but not yet effective to have a significant impact on its financial statements.

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 30 June 2016

### **2.2 Significant accounting judgements and estimates**

The preparation of these audited 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 Company's accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the financial statements.

#### **Operating lease commitments – Company as lessor**

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

#### **Valuation of property**

The valuations of the Company'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 Royal Institution of Chartered Surveyors ("RICS") Valuation – Professional Standards January 2014 (incorporating the International Valuation Standards) and in accordance with IFRS 13.

#### **Going concern**

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

### **2.3 Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below.

#### **a) Functional and presentation currency**

The overall objective of the Company is to generate returns in Pound Sterling and the Company'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.

#### **b) Investment property**

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.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 30 June 2016

**2.3 Summary of significant accounting policies (continued)**

**c) Cash and cash equivalents**

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.

**d) Trade and other receivables**

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

**e) Trade and other payables**

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

**f) Deferred income**

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.

**g) Revenue**

**i) Rental income**

Rental income including direct lets to students, leases to universities and 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.

**ii) Interest income**

Interest income is recognised on an effective interest rate basis and shown within the income statement as finance income.

**iii) Service charge income**

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

**h) Operating and administration expenses**

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

**i) Taxes**

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

As part of a REIT Group, the Company 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 Company (the residual business) 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

### 2.3 Summary of significant accounting policies (continued)

#### j) Interest bearing loans and borrowings

Loans and borrowings are initially recognised at cost 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 borrowing.

#### k) Dividends to shareholders

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

#### l) Derivatives and hedging

The Company used interest rate swaps to hedge its risks associated with interest rates in the prior year. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

### 3. UK investment property

	30 June 2016 £'000	30 June 2015 £'000
At the start of the year	113,960	97,230
Fair value gains on revaluation of investment property	12,130	16,730
<b>Valuation at the end of the year</b>	<b>126,090</b>	<b>113,960</b>

### 4. Revenue

The following table analyses rental income received:

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Nomination rental income	2,495	2,024
Direct let rental income	4,615	4,651
Discounts	(24)	(36)
Total student income	7,086	6,639
Teaching space income	471	451
Retail space income	38	38
	7,595	7,128
Sundry income	139	100
<b>Total</b>	<b>7,734</b>	<b>7,228</b>

### 5. Property operating and administration expenses

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Property operating expenses	337	353
Utilities	334	297
Insurance	50	62
Sales and marketing	62	-
Other property costs	30	-
Bad debts	21	-
Irrecoverable VAT	138	-
Staff costs	680	577
Ancillary income	(153)	-
	1,499	1,289
Administration expenses	301	1,029
<b>Total</b>	<b>1,800</b>	<b>2,318</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 30 June 2016

**6. Finance income**

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Income from cash and short term deposits	2	5
<b>Total</b>	<b>2</b>	<b>5</b>

**7. Finance expenses**

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Ongoing charges		
Bank charges	3	4
Swap interest	10	176
Loan interest	260	1,038
Loan arrangement fees amortised	430	113
Loan commitment fee	15	-
Non-utilisation fees	-	12
Intercompany loan interest	947	-
<b>Total</b>	<b>1,665</b>	<b>1,343</b>

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Other charges		
Loan cancellation fees	610	-
Swap break fees	255	-
<b>Total</b>	<b>865</b>	<b>1,343</b>

**8. Auditor's remuneration**

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Audit fee	10	6
<b>Total</b>	<b>10</b>	<b>6</b>

No non-audit fees were incurred during the year.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

### 9. Taxation

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

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Corporation tax on residual income for current year	-	1
Corporation tax on residual income for prior periods	-	1
<b>Total</b>	<b>-</b>	<b>2</b>

Reconciliation of tax charge to profit before tax:

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Profit before tax	15,536	20,302
Corporation tax at 20.00% (20.75%)	3,107	4,213
Change in value of investment properties	(2,426)	(3,471)
Tax exempt property rental business	(681)	(741)
Under-accrued in previous period	-	1
<b>Tax charge on residual income</b>	<b>-</b>	<b>2</b>

### 10. Operating leases

The Company has entered into leases on its property portfolio. Leases are typically direct-let agreements with individual students or higher education institutions for the academic year or a shorter period. The Company also has three commercial leases on teaching and retail spaces and a hard nomination agreement whereby blocks of beds are rented out for a set number of years.

Future minimum rentals receivable under non-cancellable operating leases are as follows:

	30 June 2016 £'000	30 June 2015 £'000
Within one year	7,947	5,307
Between one and five years	12,313	12,548
More than five years	19,645	22,647
<b>Total</b>	<b>39,905</b>	<b>40,502</b>

### 11. Trade and other receivables

	30 June 2016 £'000	30 June 2015 £'000
Prepayments	52	52
Cash held by rent agent	313	-
Rent receivable	422	1,232
Amounts due from rental agent	76	-
Amounts receivable from related parties	4,719	1,050
<b>Total</b>	<b>5,582</b>	<b>2,334</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

### 12. Cash and cash equivalents

	30 June 2016 £'000	30 June 2015 £'000
Cash at bank	626	1,950
<b>Total</b>	<b>626</b>	<b>1,950</b>

### 13. Other payables and accrued expenses

	30 June 2016 £'000	30 June 2015 £'000
Property operating expenses payable	-	128
Accruals	28	32
Finance expense payable	-	233
Amounts due to related parties	41,063	85
Corporation tax	2	1
Trade and other payables	41,093	479
Deferred income	1,678	1,534
<b>Total</b>	<b>42,771</b>	<b>2,013</b>

Amounts due to related parties are unsecured and payable on demand. The Company's parent charges interest on the loan at a rate of 3.07%.

### 14. Interest bearing loans and borrowings

	30 June 2016 £'000	30 June 2015 £'000
Balance at the beginning of the year	40,000	40,000
Repayment of loan	(40,000)	-
Total loan drawdown	-	40,000
Loan arrangement fees	(655)	(544)
Prior year amortisation	224	113
Amortised in year	431	-
<b>Total</b>	<b>-</b>	<b>39,569</b>

During the year, the £40,000,000 loan with Barclays and interest rate swap were repaid by the Parent Company using the proceeds from the new borrowings. The Group entered into new financing arrangements with Pricoa Mortgage Capital, and in order to facilitate the drawdown of the facility, the Group was restructured. This has resulted in a loan balance with the Parent Company, which as at year end amounted to £41,063,000.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

### 15. Financial derivatives and hedging

	Hedged amount £'000	Maturity	30 June 2016 £'000	30 June 2015 £'000
Interest rate swap at fair value:	20,000	02/05/2017		
Fair value at start of period			(214)	47
Change in valuation			-	(261)
Termination of swap contract			214	-
<b>Fair value of financial derivatives</b>			<b>-</b>	<b>(214)</b>

#### Cash flow hedges

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

The interest rate swap was used to hedge the exposure to the variable interest rate payments on the variable rate element of the Company's secured loans. The swap is no longer required as the Company does not have any variable interest rate loans.

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

### 16. Share capital

	30 June 2016 Number of shares	30 June 2015 Number of shares
Issued and fully paid:		
At the start of the period	51,508,283	2
Issued during the period	-	51,508,281
<b>Total</b>	<b>51,508,283</b>	<b>51,508,283</b>

The share capital comprises one class of ordinary shares. At general meetings of the Company, 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.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

### 17. Capital and Reserves

#### *Share capital*

Share capital is the nominal amount of the Company's ordinary shares in issue. This equates to £1 per ordinary share.

#### *Hedging reserve*

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments.

#### *Retained earnings*

Retained earnings represent the profits of the Company and other distributable amounts less dividends paid to date. It should be noted that unrealised gains on the revaluation of investment properties contained within this reserve are not distributable until the gains crystallise on the sale of the investment property.

Retained earnings comprise the following cumulative amounts:

	30 June 2016	30 June 2015
	£'000	£'000
Total unrealised gains on investment properties	32,050	19,920
Total revenue profits	5,969	5,234
<b>Retained earnings</b>	<b>38,019</b>	<b>25,154</b>

### 18. 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.

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

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 – Professional Standards (incorporating the International Valuation Standards).

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

### 18. Fair value (continued)

The following tables show an analysis of the fair values of financial instruments recognised in the statement of financial position by level of the fair value hierarchy<sup>1</sup>:

Assets and liabilities measured at fair value	30 June 2016			Total £'000
	Level 1 £'000	Level 2 £'000	Level 3 £'000	
Investment property	-	-	126,090	126,090
	-	-	126,090	126,090

Assets and liabilities measured at fair value	30 June 2015			Total £'000
	Level 1 £'000	Level 2 £'000	Level 3 £'000	
Investment property	—	—	113,960	113,960
Financial derivatives	—	(214)	—	(214)
	—	(214)	113,960	113,746

<sup>1</sup> Explanation of the fair value hierarchy:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 – use of a model with inputs (other than quoted prices included in Level 1) that are directly or indirectly observable market data; and

Level 3 – use of a model with inputs that are not based on observable market data.

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

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

- estimated rental value ("ERV");
- rental growth;
- tenancy period;
- sundry income;
- facilities management cost; and
- initial yield.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

### 18. Fair value (continued)

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

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

The following table analyses:

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

Class	Fair value	Valuation technique	Key unobservable inputs	Range
<b>Student property 30 June 2016</b>	£126,090,000	Income capitalisation	MR – 2015/16 Rental Growth Tenancy Period Sundry Income Facilities Management Cost Initial Yield	£232 - £407 per week 3.0% 51 weeks £100 per bed per annum £2,050 per bed per annum 5.00% blended (4.9% - 7.50%)
Student property 30 June 2015	£113,960,000	Income capitalisation	ERV Rental Growth Tenancy Period Sundry Income Facilities Management Cost Initial Yield	£215 - £340 per week 3.0% 51 weeks £100 per bed per annum £1,800 - £1,900 per bed per annum 5.33% blended (5.25% - 7.50%)

Gains and losses recorded in profit or loss for recurring fair value measurements categorised within Level 3 of the fair value hierarchy amount to £12,130,000 (2015: £16,730,000) 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 are considered to be the same as their fair value.

### 19. Financial risk management objectives and policies

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

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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 30 June 2016

**19. Financial risk management objectives and policies (continued)**

**Market risk**

Market risk is the risk that future values of investments in property and related investments will fluctuate due to changes in the market price. The total exposure at the statement of financial position date is £126,090,000 (2015: £113,960,000) and to manage this risk the Investment Manager continuously monitors the student accommodation and senior debt markets, which act as an early warning signs for future adverse conditions.

**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 Company is exposed to credit risk from its leasing activities and its financing activities, including deposits with banks and financial institutions and derivatives.

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

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

	30 June 2016	30 June 2015
	£'000	£'000
Deposits account	308	308
Cash and cash equivalents	626	1,950
Trade and other receivables	863	2,334
<b>Total</b>	<b>1,797</b>	<b>4,592</b>

The deposit account and cash and cash equivalents are held with Barclays Bank Plc which holds an A credit rating.

**Liquidity risk**

Liquidity risk is defined as the risk that the Company 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 Company could be required to pay its liabilities earlier than expected. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank deposits and loans.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

### 19. Financial risk management objectives and policies (continued)

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

	On	Less				
	demand	than 3	3 to 12	1 to 2	2 to 5	Total
Period ended 30 June 2016	£'000	months	months	years	years	£'000
Trade and other payables	36,374	-	-	-	-	36,374
Retention account	-	-	-	308	-	308
	<b>36,374</b>	<b>-</b>	<b>-</b>	<b>308</b>	<b>-</b>	<b>36,682</b>

	On	Less				
	demand	than 3	3 to 12	1 to 5	2 to 5	Total
Period ended 30 June 2015	£'000	months	months	years	years	£'000
Interest bearing loans and borrowings	-	259	771	1,028	41,855	43,913
Trade and other payables	-	479	-	-	-	479
Retention account	-	-	-	308	-	308
Derivative financial instruments	-	44	131	146	-	321
	<b>-</b>	<b>782</b>	<b>902</b>	<b>1,482</b>	<b>-</b>	<b>45,021</b>

The disclosed amounts for financial derivatives in the table above are the net undiscounted cash flows.

### 20. Capital management

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

The principle objective of the Company's capital management strategy will be to ensure the Company's ability to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amounts of dividends paid, return capital to the Parent Company or issue new shares. In any circumstances, the Parent Company will provide adequate financial support to ensure its business continuity.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

### 21. Related party transactions

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

Prior to the restructure, fund level expenses and staff costs were recharged directly from GCP Student Living Plc and GCP Operations Limited respectively to GCP Scape East. On 30 September 2015, GCP Holdco Limited acquired 100% of the share capital of GCP Scape East Limited from the GCP Student Living Plc. Subsequent to the restructure, both creditor balance of £212,000 and debtor balances of £447,000 with GCP Student Living Plc and GCP Operations Limited respectively were transferred to GCP Holdco Limited. The Leopard Guernsey Greenwich 2 Limited balance of £85,000 was also transferred from GCP Scape East Limited to GCP Student Living Plc at this time and was subsequently repaid.

The Company's bank loan and interest rate swap were repaid by the GCP Holdco Limited using the proceeds from the new borrowings, resulted in an intercompany loan with the Parent Company, which as at year end, amounted to £41,063,000. The intercompany loan is charged at a rate of 3.07%, which is in line with the interest rate charged on the new facility.

The table below and narrative above discloses the transactions and balances between the Company, its Parent Company and other related parties.

	30 June 2016	30 June 2015
Transactions during the year	£'000	£'000
<b>GCP Operations Limited</b>		
Cash transfers to GCP Operations Limited	118	-
Recharges from GCP Operations Limited	-	(577)
<b>GCP Student Living Plc</b>		
Cash transfers to GCP Student Living Plc	1,980	-
Recharges from GCP Student Living Plc	-	(863)
GCP Scape East Limited distribution paid to GCP Student Living Plc	(2,671)	-
Expenses paid by GCP Student Living Plc on behalf of GCP Scape East Limited	(157)	-
Share capital issued to GCP Student Living plc	-	(51,508)
<b>GCP Holdco Limited</b>		
Management recharges from GCP Holdco Limited	(285)	-
Staff Payroll Costs	(680)	-
Expenses paid by GCP Student Living Plc on behalf of GCP Scape East Limited via GCP Holdco Limited	(62)	-
Other intercompany movements with GCP HoldCo Limited	(274)	-
Cash transfers to GCP Holdco Limited	6,732	-
Interest charged by GCP Holdco Limited	(947)	-
Fixed rate Loan received from GCP HoldCo Limited	(41,063)	-
<b>Balances outstanding at the end of the year</b>		
GCP Student Living plc	-	721
Leopard Guernsey Greenwich 2 Limited	-	(85)
GCP Operations Limited	-	329
GCP Holdco Limited	36,344	-

All the above entities are considered related parties of GCP Scape East Limited by virtue of common control.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 30 June 2016

**22. Ultimate controlling party**

The Company's ultimate parent undertaking is GCP Student Living plc. The Company's financial results are included within these Group accounts which are publicly available at Companies House.