GCP SCAPE EAST LIMITED

REGISTERED IN ENGLAND AND WALES
COMPANY NUMBER 08776650

ANNUAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2014

CONTENTS

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
1 More London Place
London SE1 2AF

DIRECTORS' REPORT

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

The Directors present their report and financial statements for the Company for the period from 15 November 2013 to 30 June 2014.

The Directors' report has been prepared in accordance with the special provisions relating to small companies under Sections 415(A) (1) and (2) of the Companies Act 2006.

Principal activity and review of the period

The Company is a wholly-owned subsidiary of GCP Student Living plc (the "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 Parent Company's investment strategy.

Results and dividend

The profit for the period, after taxation, amounted to £4,854,000.

During the period, the Company paid dividends amounting to £nil to the Parent Company. The Directors recommend that no dividend be paid in respect of the period ended 30 June 2014.

Directors

The Directors who served during the period were:

Robert Peto
Peter Dunscombe
Malcolm Naish

Directors' interests

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

The Directors do not hold any shares in the Company nor did they during the period under review. Their interests in the shares of the Parent Company are disclosed in the Parent Company's annual report and financial statements for the period 26 February 2013 to 30 June 2014.

No Director has a contract of service with the Company, and there were no contracts or arrangements at any time during the period ended 30 June 2014, or since, in which a Director of the Company was materially interested, whether directly or indirectly.

Disclosure of Information to Auditor

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

Auditor

The Auditor for the period 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
26 March 2015

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 International Financial Reporting Standards ("IFRS") as adopted by the 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 period ended 30 June 2014 which comprise the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Cash Flow, the Statements of Changes in Equity and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 2014 and of its profit for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; 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 period 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.

Ernst & Young LLP

Ashley Coups (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
10 March 2015

INCOME STATEMENT
For the period 15 November 2013 to 30 June 2014

Continuing operations	Notes	30 June 2014 £'000
Revenue	4	4,301
Property operating expenses	5	(890)
Gross profit		**3,411**
Administration expenses	5	(84)
Operating profit before gains on investment properties		**3,327**
Fair value gains on investment properties	3	3,190
Operating profit		**6,517**
Finance income	6	4
Finance expenses	7	(1,667)
Profit before tax		**4,854**
Tax charge on residual income	9	-
Profit for the period		**4,854**

The accompanying notes on pages 13 to 24 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
For the period 15 November 2013 to 30 June 2014

		30 June 2014 £'000
Profit for the period		**4,854**
Other comprehensive income to be reclassified to profit and loss in subsequent periods		
Net gains on cash flow hedges	14	47
Total comprehensive income for the period		**4,901**

The accompanying notes on pages 13 to 24 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 30 June 2014

Assets	Notes	**30 June 2014 £'000**
Non-current assets		
Investment property	3	97,230
Retention account		361
		97,591
Current assets		
Cash and cash equivalents	15	2,216
Trade and other receivables	12	392
Derivative financial instruments	14	47
		2,655
Total assets		**100,246**
Liabilities		
Non-current liabilities		
Interest bearing loans and borrowings	13	(39,456)
Retention account		(361)
		(39,817)
Current liabilities		
Trade and other payables	11	(54,230)
Deferred income	11	(1,298)
		(55,528)
Total liabilities		**(95,345)**
Net assets		**4,901**
Equity		
Share capital	16	-
Hedging reserve		47
Retained earnings		4,854
Total equity		**4,901**

These financial statements were approved by the Board of Directors of GCP Scape East Limited on 26 March 2015 and signed on its behalf by:

RM Naish

Malcolm Naish
Director

The accompanying notes on pages 13 to 24 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the period 15 November 2013 to 30 June 2014

	Share capital £'000	Hedging reserve £'000	Retained earnings £'000	Total £'000
Profit for the period	-	-	4,854	4,854
Other comprehensive income that may be reclassified subsequently to profit and loss				
Net gains on cash flow hedges	-	47	-	47
Total comprehensive income	**-**	**47**	**4,854**	**4,901**
Ordinary shares issued	-	-	-	-
Balance at 30 June 2014	**-**	**47**	**4,854**	**4,901**

The accompanying notes on pages 13 to 24 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
For the period 15 November 2013 to 30 June 2014

	30 June 2014 £'000
Cash flows from operating activities	
Operating profit	6,517
Adjustments to reconcile profit for the period to net cash flows:	
Gain from change in fair value of investment properties	(3,190)
Decrease in other receivables and prepayments	357
Increase in other payables and accrued expenses	(121)
Net cash flow generated from operating activities	**3,563**
Cash flows from investing activities	
Acquisition of investment properties	-
Acquisition of subsidiaries, net of cash acquired	-
Net cash used in investing activities	**-**
Cash flows from financing activities	
Proceeds from issue of ordinary share capital	-
Cash received from parent company	3,553
Net amounts paid to group entities	(17,800)
Loan drawn down	14,866
Loan arrangement fees	(655)
Finance income	4
Finance expenses	(1,315)
Net cash flow generated from financing activities	**(1,347)**
Net increase in cash and cash equivalents	**2,216**
Cash and cash equivalents at start of the period	-
Cash and cash equivalents at end of the period	**2,216**

During the period there was a significant non-cash transaction. Information regarding this is detailed in note 15 to the financial statements.

The accompanying notes on pages 13 to 24 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the period 15 November 2013 to 30 June 2014

1. General information
The Company is a company incorporated in England and Wales on 15 November 2013. The registered office of the Company is Beaufort House, 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 Parent Company which are available from the Secretary.

2. Basis of preparation
These financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") as adopted by the European Union. 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 sterling and all values are rounded to the nearest thousand pounds (£'000), except when otherwise indicated.

2.1 Changes to accounting standards and interpretations
The following accounting standards and their amendments were in issue at the period end but will not be in effect until after this financial period. They are not expected to impact significantly the financial statements.

IAS 27 Separate Financial Statements (as amended in 2011) – amendments for investment entities (effective for annual periods beginning on or after 1 January 2014).

IAS 32 Financial Instruments: Presentation – amendments to application guidance on the offsetting of financial assets and financial liabilities (effective for annual periods beginning on or after 1 January 2014).

IFRS 10 Consolidated Financial Statements – amendments for investment entities (effective for annual periods beginning on or after 1 January 2014).

IFRS 12 Disclosure of Interests in Other Entities – amendments for investment entities (effective for annual periods beginning on or after 1 January 2014).

The following new standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning after 1 January 2014 or later periods, but the Company has decided not to early adopt them.

IFRS 11 Joint Arrangements – amendments regarding the accounting for acquisitions of an interest in a joint operation (effective for annual periods beginning on or after 1 January 2016).

IFRS 14 Regulatory Deferral Accounts (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 2017).

IFRS 9 Financial Instruments (effective for annual periods beginning on or after 1 January 2018).

The Company does not expect that 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
For the period 15 November 2013 to 30 June 2014

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 the 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 Sterling and the Company's performance is evaluated in Sterling. Therefore, the Directors consider 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.

NOTES TO THE FINANCIAL STATEMENTS
For the period 15 November 2013 to 30 June 2014

2.3 Summary of significant accounting policies (continued)

b) Investment property (continued)
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.

c) Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and short-term deposits with an original maturity of three months or less.

d) Rent and other receivables
Rent and other receivables are recognised at their original invoiced value. Where the time value of money is material, receivables are carried at amortised cost. 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) Revenue recognition

i) Rental income
Rental income 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. (Premiums received to terminate or extend leases are recognised in the statement of comprehensive income when they arise).

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

iii) 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.

iv) Service charge income
Service charges are received to cover expenditure on hard and soft facilities management. These are paid to the landlord and then on to the Asset Manager and reimbursed to the Company via the Company's nominations agreement.

g) Tenant deposits
Tenant deposits received which create corresponding liabilities are initially recognised at fair value and subsequently measured at amortised cost where material. Any difference between the initial fair value and the nominal amount is included as a component of operating lease income and recognised on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS
For the period 15 November 2013 to 30 June 2014

2.3 Summary of significant accounting policies (continued)

h) Taxes
Corporation tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. 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 investment 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 period if applicable, using tax rates enacted or substantively enacted at the balance sheet date.

i) Interest bearing loans and borrowings
All loans and borrowings are initially recognised at cost net of directly attributable transaction costs. All 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.

j) Dividends to shareholders
Dividends due to the Company's shareholders are recognised when they become payable. For interim dividends this will be when they are paid and for final dividends when approved by shareholders.

k) Derivatives and hedging
The Company uses interest rate swaps to hedge its risks associated with interest rates. 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.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Company will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income, while any ineffective portion is recognised immediately in profit or loss. Amounts taken to other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognised in other comprehensive income are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in other comprehensive income remain in equity until the forecast transaction or firm commitment occurs.

NOTES TO THE FINANCIAL STATEMENTS
For the period 15 November 2013 to 30 June 2014

3. UK investment property

	30 June 2014 £'000
Transfer of property from parent Company	94,040
Fair value gains on revaluation of investment property	3,190
Valuation at the end of the period	**97,230**

The property was transferred from GCP Student Living plc to the Company by way of an intercompany loan.

4. Revenue
The following table analyses rental income received in the period to 30 June 2014:

	30 June 2014 £'000
Nomination rental income	1,244
Direct let rental income	2,669
Teaching space income	259
Retail space income	24
	4,196
Sundry income	105
Total revenue	**4,301**

5. Property operating and administration expenses

	30 June 2014 £'000
Property operating expenses	
Asset Managers' fees	372
Utilities	207
Insurance	15
Sales and marketing	55
Life cycle costs	91
Payroll recharge	150
	890
Administration expenses	84
Total	**974**

6. Finance income

	30 June 2014 £'000
Income from cash and short term deposits	4
Total	**4**

7. Finance expenses

	30 June 2014 £'000
Bank charges	2
Swap interest	232
Loan interest	676
Loan arrangement fees amortised	111
Swap break fees	646
	1,667

NOTES TO THE FINANCIAL STATEMENTS
For the period 15 November 2013 to 30 June 2014

8. Auditor's remuneration

	30 June 2014 £'000
Audit fee	6
Other services	-
Total	**6**

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 business is subject to corporation tax at a rate of 22.55%, representing the best estimate of the average annual effective tax rate expected for the full year, applied to the pre-tax income for the period. No tax charge has arisen on residual income for the period 15 November 2013 to 30 June 2014.

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 a small number or commercial leases on teaching and retail spaces and a number of nomination agreements whereby blocks of beds are rented out for a set number of years.

Future minimum rentals receivable under non-cancellable operating leases as at 30 June 2014 are as follows:

	30 June 2014 £'000
Within one year	2,246
Between one and five years	5,157
More than five years	10,411
Total	**17,814**

11. Other payables and accrued expenses

	30 June 2014 £'000
Deferred income	1,298
Property operating expenses payable	222
Accruals	7
Finance expense payable	241
Amounts due to group companies	53,760
Total	**55,528**

12. Trade and other receivables

	30 June 2014 £'000
Prepayments	45
Rent receivable	321
Amounts receivable from subsidiary companies	26
Total	**392**

NOTES TO THE FINANCIAL STATEMENTS
For the period 15 November 2013 to 30 June 2014

13. Interest bearing loans and borrowings

	30 June 2014 £'000
Initial loan transferred from Parent Company	25,134
Further loan drawn down on 2 December 2013	13,500
Further loan drawn down on 29 May 2014	1,366
Total loans drawn down	**40,000**
Loan arrangement fees	(655)
Loan arrangement fees amortised to date	111
Total	**39,456**

During the period from 15 November 2013 to 30 June 2014, loans were drawn down under the Company's existing debt facility to the sum of £40 million. An initial loan of £25.1 million was transferred from the Parent Company. An additional loan of £13.5 million was drawn down on 2 December 2013 and a further loan of £1.4 million was drawn down on 29 May 2014. The facility is due to be fully repaid on 20 April 2019.

At 30 June 2014, the interest rate on the loans of £25.1 million and £13.5 million was 3.027% with the interest rate on the loan of £1.4 million being 3.004%.

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

The debt facility includes loan-to-value of and interest cover covenants that are measured at a Company level and the Company has maintained significant headroom against all measures throughout the financial period. The Company is in full compliance with all loan covenants at 30 June 2014.

14. Financial derivatives and hedging

	Hedged amount £'000	Pay fixed rate	Receive 3M LIBOR	Maturity	30 June 2014 Total £'000
Interest rate swap at fair value	20,000	1.440%	0.5090%	02/05/2017	47
Fair value of financial derivatives					**47**

Cash flow hedges
The Company has entered into interest rate swap contracts with notional amounts of £20m whereby it pays a fixed rate of interest of 1.440% and receives a variable rate based on 3 month LIBOR on the notional amount. The swap is used to hedge the exposure to the variable interest rate payments on the variable rate element of the Company's secured loans.

Cash flows are expected to occur between the reporting date and May 2017 and will be recognised through profit or loss at that time.

The fair value of the interest rate swap at the end of the reporting period was an asset of £47,000.
Derivatives are classified in Level 2 in the fair value hierarchy under IFRS 13.

NOTES TO THE FINANCIAL STATEMENTS
For the period 15 November 2013 to 30 June 2014

15. Cash and cash equivalents

	30 June 2014 £'000
Cash and cash equivalents	2,216
	2,216

Significant non-cash transactions:
During the period, the following assets and liabilities were transferred to the Company by way of an intercompany loan.

	30 June 2014 £'000
Investment property at fair value	94,040
Bank loan secured on the investment property	(25,134)
Cash and cash equivalents	3,553
Rent debtor	377
Deferred rental income	(1,253)
Intercompany loan with group company	(50)
	71,533

16. Share capital

	30 June 2014 Number of shares
Issued and fully paid:	
Two ordinary shares of £1	2
	2

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, except for the UK REIT restrictions.

17. 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.

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.

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

The valuation of the Company's investment property at fair value is determined by the external valuer on the basis of market value in accordance with the internationally accepted RICS Valuation – Professional Standards (incorporating the International Valuation Standards).

NOTES TO THE FINANCIAL STATEMENTS
For the period 15 November 2013 to 30 June 2014

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

The following tables shows an analysis of the fair values of financial instruments recognised in the balance sheet by level of the fair value hierarchy*:

	30 June 2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets measured at fair value	**£'000**	**£'000**	**£'000**	**£'000**
Investment properties	-	-	97,230	97,230
Financial derivatives – interest rate swap	-	47	-	47
	-	**47**	**97,230**	**97,277**

* 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

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:

- ERV
- Rental growth
- Long-term vacancy rate
- Discount rate/yield
- Specific to property under development: construction costs, lease up period, construction period and development profit

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

Generally, a change in the assumption made for the ERV (per sqm 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

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

Class	Fair Value	Valuation Technique	Key Unobservable Inputs	Range
Student Property	£97,230,000	Income Capitalisation	ERV	£180.00-£303.75 per week
			Rental Growth	2.5%-3.0%
			Tenancy Period	51 weeks
			Sundry Income	£100 per bed per annum
			Facilities Management Cost	£1,800-£1,950 per bed per annum
			Initial Yield	5.79%-6.23% blended (5.34%-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 £3,190,000 and are presented in the income statement in line item 'fair value gains on investment properties'.

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

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

18. 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 review and agree policies for managing each of these risks which are summarised below.

Market risk
Market risk is the risk that the fair values of financial instruments will fluctuate because of changes in market prices. The financial instruments held by the Company are all fixed terms at fixed rates with the floating elements hedged on 50% of total borrowings. The Company's exposure to market risk is limited to the remaining 50% which is not hedged.

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 relates primarily to the Company's long-term debt obligations with floating interest rates. To manage its interest rate risk, the Company enters into interest rate swaps to hedge the exposure to floating rate movements. At 30 June 2014, the floating interest rate receivable on the swap was 0.5090%, whilst the swap interest payable is fixed at a rate of 1.440%. At 30 June 2014, 50% of the Company's floating rate borrowings were hedged.

With all other factors remaining constant, if interest rates were to increase by 1%, profit before tax would decrease by £200,000 p.a. due to the increase in finance costs.

NOTES TO THE FINANCIAL STATEMENTS
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18. Financial risk management objectives and policies (continued)
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 based on an extensive credit rating scorecard 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 for the period ended 30 June 2014.

	30 June 2014
	£'000
Deposit account	361
Cash and cash equivalents	2,216
Financial derivatives	47
Trade and other receivables	392
Total	**3,016**

The deposit account, cash and cash equivalents and the financial derivatives 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.

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

Period ended 30 June 2014	**On demand £'000**	**Less than 3 months £'000**	**3 to 12 months £'000**	**1 to 5 years £'000**	**Over 5 years £'000**	**Total £'000**
Loans	-	303	908	44,614	-	45,825
Deferred income	-	506	792	-	-	1,298
Trade and other payables	-	54,230	-	-	-	54,230
Retention account	-	-	-	361	-	361
	-	**55,039**	**1,700**	**44,975**	**-**	**101,714**

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19. Capital management
The primary objective of the Company'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 Company 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 Company may 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 Company's 'property profits' and 'property finance costs'. As at the period end, the Company was operating with a property loan to value of 26.7%.

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

20. 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.

The table below discloses transactions and balances between the Company, its parent company and other group entities.

	30 June 2014
Transactions during the period	**£'000**
Assets and liabilities transferred from GCP Student Living plc	71,533
Costs charged by GCP Operations Limited	151
Balances outstanding at the end of the period	
Payable to GCP Student Living plc	(59)
Payable to GCP Student Living plc	(53,701)
Receivable from GCP Operations Limited	26

21. Events after the reporting period
On 25 February 2015, the Company issued a further 51,508,281 £1 ordinary shares for £51,508,000 which was settled by the cancellation of the intercompany loan balance with GCP Student Living plc.

22. Ultimate controlling party
The Company's immediate and ultimate parent undertaking is GCP Student Living plc. The Company is included within these group accounts which are publicly available.