

**GCP SCAPE EAST LIMITED**

**REGISTERED IN ENGLAND AND WALES  
COMPANY NUMBER 08776650**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020**



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**CORPORATE INFORMATION**

**Directors**

David Hunter (Chairman)  
Marlene Wood  
Malcolm Naish  
Gillian Day  
Robert Peto (Retired 4 November 2020)

**Secretary and Registered Office**

Link Company Matters Limited  
51 New North Road  
Exeter EX4 4EP  
Tel: 01392 477500

**Independent Auditor**

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

## **DIRECTORS' REPORT**

### **Introduction**

The Directors present the annual report and financial statements for GCP Scape East Limited (the "Company") for the year ended 30 June 2020.

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

The Company is a wholly-owned subsidiary of GCP Holdco Limited (the "Parent Company"). The Company and the Parent Company are part of a group which consists of GCP Student Living plc (the "Ultimate Parent Company") and its subsidiaries (the "Group").

### **Principal activity**

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.

### **Risks and uncertainties**

The UK's recent departure from the EU and the continuing Covid-19 pandemic have created a period of significant uncertainty for the Company, and the longer-term impact of these events remains difficult to quantify. This could have an impact of the valuation and the level of occupancy of the Company's investment property. To address these risks the Directors, together with the Company's advisors, continue to monitor global events as they relate to student numbers and the attractiveness of the UK as a destination for international students, and on the ability of students to attend their universities. The Directors consider the Company and the Group to be defensively positioned to weather any resulting disruption.

### **Strategic Report**

The Directors have taken advantage of the exemption allowed under section 414B of the Companies Act 2006 and have not prepared a strategic report.

### **Results and dividend**

The profit for the year amounted to £14,847,000 (2019: £20,694,000).

During the year, the Company paid dividends amounting to £5,304,000 (2019: £5,432,000) to the Parent Company. The Directors have declared a dividend in respect of the year ended 30 June 2020 of £2,856,000 (2019: £5,304,000) after the year end.

The fair value of investment property at 30 June 2020 was £164,390,000 (2019: £154,520,000). There was a valuation increase of £9,686,000 in the year ended 30 June 2020 (2019: £15,507,000).

### **Share Capital**

As at 30 June 2020, the Company had in issue 51,508,283 (2019: 51,508,283) ordinary shares of £1 each. Equity shareholders' funds totalled £127,188,000 (2019: £117,645,000).

### **Directors**

The Directors who served during the year were:

David Hunter  
Marlene Wood  
Malcolm Naish  
Gillian Day  
Robert Peto (Retired 4 November 2020)

**DIRECTORS' REPORT (continued)**

**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 either the Company or the Parent 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 2020.

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 2020, or since, in which a Director of the Company was materially interested, whether directly or indirectly.

**Auditor**

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

**Disclosure of Information to the Auditor**

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

By order of the Board



Marlene Wood  
Director  
11 December 2020

#### **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 European Union (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**

### **Opinion**

We have audited the financial statements of GCP Scape East Limited (the "Company") for the year ended 30 June 2020 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, Statement of Cash Flows and the related notes 1 to 21, including a summary of significant accounting policies. 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.

In our opinion, the financial statements:

- ▶ give a true and fair view of the Company's affairs as at 30 June 2020 and of its profit for the year 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.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the provisions available for small entities, in the circumstances set out in the Director's Report of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

### **Emphasis of matter**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2.2 to the financial statements concerning the material valuation uncertainty in the assessment of fair value of investment properties.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

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

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

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

We have nothing to report in this regard.

**Opinions on other matters prescribed by the Companies Act 2006**

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

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

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

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

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

- adequate accounting records have not been kept, 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

**Responsibilities of directors**

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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



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

**Auditor's responsibilities for the audit of the financial statements**

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

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

**Use of our report**

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

*Ernst & Young LLP*

Nargis Yunis (Senior statutory auditor)

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

Date: 11 December 2020

**STATEMENT OF COMPREHENSIVE INCOME**  
For the year ended 30 June 2020

		Year ended 30 June 2020	Year ended 30 June 2019
<b>Continuing operations</b>	<b>Notes</b>	<b>£'000</b>	<b>£'000</b>
Revenue	4	8,805	8,786
Property operating expenses		(1,740)	(1,736)
<b>Net rental income</b>		<b>7,065</b>	<b>7,050</b>
Administration expenses		(641)	(603)
<b>Operating profit before gains on investment properties</b>		<b>6,424</b>	<b>6,447</b>
Fair value gains on investment properties	3	9,686	15,507
<b>Operating profit</b>		<b>16,110</b>	<b>21,954</b>
Finance income	5	1	1
Finance expenses	6	(1,264)	(1,261)
<b>Profit before tax</b>		<b>14,847</b>	<b>20,694</b>
Tax charge for the year	8	-	-
<b>Profit for the year</b>		<b>14,847</b>	<b>20,694</b>

There were no items of other comprehensive income and therefore, profit for the year is equal to total comprehensive income for the year.

The accompanying notes on pages 14 to 26 form an integral part of these financial statements.

**STATEMENT OF FINANCIAL POSITION**  
As at 30 June 2020

		As at 30 June 2020 £'000	As at 30 June 2019 £'000
<b>Assets</b>	<b>Notes</b>		
<b>Non-current assets</b>			
Investment property	3	164,390	154,520
Retention account		-	308
		<b>164,390</b>	<b>154,828</b>
<b>Current assets</b>			
Trade and other receivables	11	4,496	5,728
Retention account		308	-
Cash and cash equivalents	12	553	622
		<b>5,357</b>	<b>6,350</b>
<b>Total assets</b>		<b>169,747</b>	<b>161,178</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Loan payable to related party	13	(41,063)	(41,063)
Retention account		-	(308)
		<b>(41,063)</b>	<b>(41,371)</b>
<b>Current liabilities</b>			
Deferred income	13	(1,134)	(2,100)
Trade and other payables	13	(54)	(62)
Retention account		(308)	-
		<b>(1,496)</b>	<b>(2,162)</b>
<b>Total liabilities</b>		<b>(42,559)</b>	<b>(43,533)</b>
<b>Net assets</b>		<b>127,188</b>	<b>117,645</b>
<b>Equity</b>			
Share capital	14	51,508	51,508
Retained earnings	15	75,680	66,137
<b>Total equity</b>		<b>127,188</b>	<b>117,645</b>

These financial statements were approved by the Board of Directors of GCP Scape East Limited on 11 December 2020 and signed on its behalf by:



Marlene Wood  
Director

Company number 08776650

The accompanying notes on pages 14 to 26 form an integral part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY**  
For the year ended 30 June 2020

	Notes	Share capital £'000	Retained earnings £'000	Total £'000
<b>Balance at 1 July 2019</b>		<b>51,508</b>	<b>66,137</b>	<b>117,645</b>
Total comprehensive income		-	14,847	14,847
Dividends	9	-	(5,304)	(5,304)
<b>Balance at 30 June 2020</b>		<b>51,508</b>	<b>75,680</b>	<b>127,188</b>

For the year ended 30 June 2019

	Notes	Share capital £'000	Retained earnings £'000	Total £'000
<b>Balance at 1 July 2018</b>		<b>51,508</b>	<b>50,875</b>	<b>102,383</b>
Total comprehensive income		-	20,694	20,694
Dividends	9	-	(5,432)	(5,432)
<b>Balance at 30 June 2019</b>		<b>51,508</b>	<b>66,137</b>	<b>117,645</b>

The accompanying notes on pages 14 to 26 form an integral part of these financial statements.

**STATEMENT OF CASH FLOWS**  
For the year ended 30 June 2020

	Year ended 30 June 2020 £'000	Year ended 30 June 2019 £'000
<b>Cash flows from operating activities</b>		
Operating profit	16,110	21,954
Adjustments to reconcile profit for the year to net cash flows:		
Gain from change in fair value of investment property	(9,686)	(15,507)
Recharges from other group entities	1,300	1,277
(Increase)/decrease in other receivables and prepayments	(1,262)	298
Decrease in other payables and accrued expenses	(927)	(196)
<b>Net cash flow generated from operating activities</b>	<b>5,535</b>	<b>7,826</b>
<b>Cash flows from investing activities</b>		
Additional expenditure on investment property	(184)	(13)
<b>Net cash flow used in investing activities</b>	<b>(184)</b>	<b>(13)</b>
<b>Cash flows from financing activities</b>		
Net cash received paid to group entities	(117)	(2,410)
Dividends paid to Parent Company	(5,304)	(5,432)
Finance income	1	1
<b>Net cash flow used in financing activities</b>	<b>(5,420)</b>	<b>(7,841)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(69)</b>	<b>(28)</b>
Cash and cash equivalents at start of the year	622	650
<b>Cash and cash equivalents at end of the year</b>	<b>553</b>	<b>622</b>

The accompanying notes on pages 14 to 26 form an integral part of these financial statements.

## **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2020

### **1. General information**

The Company was 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 Company's financial results are included within the consolidated financial statements of the Ultimate Parent Company which represent both the largest and smallest group for which financial statements are prepared and of which the Company is a member. The Group's consolidated financial statements and the Parent Company's financial statements are publicly available at Companies House.

### **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 that has been measured at fair value. The audited financial statements are presented in Pound Sterling and all values are rounded to the nearest thousand pounds (£'000), except when otherwise indicated.

The financial statements are in respect of the year ended 30 June 2020. Comparative figures are for the year ended 30 June 2019.

#### **2.1 Changes to accounting standards and interpretations**

There are no new standards, amendments to standards and interpretations which came into effect for accounting periods starting on or after 1 July 2019 that have had an impact on the financial statements.

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 2020 or later periods. The Company has decided not to adopt them early.

- IFRS 3 Business Combinations – Definition of a business, to be applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020. Whilst this will not affect historic transactions of the Company, as and when an acquisition takes place the accounting treatment will be reviewed in line with the new standard.

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 2020

### 2. Basis of preparation (continued)

#### 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.

#### Valuation of property

The Company's investment property is held at fair value as determined by the external valuer in accordance with the RICS Valuation Global Standards 2017 and IFRS 13. Refer to note 16 for further details of the judgements and estimates made in determining the valuation of property. For the valuation of the properties as at 30 June 2020, the valuer has included the following valuation considerations in its report:

*"The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. In the UK, market activity is being impacted in all sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. Our valuation(s) is/are therefore reported on the basis of 'material valuation uncertainty' per VPGA 10 of the RICS Valuation – Global Standards. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of this property under frequent review.*

*For the avoidance of doubt, the inclusion of the 'material valuation uncertainty' declaration above does not mean that the valuation cannot be relied upon. Rather, the phrase is used in order to be clear and transparent with all parties, in a professional manner that – in the current extraordinary circumstances – less certainty can be attached to the valuation than would otherwise be the case. The material uncertainty clause is a disclosure, not a disclaimer."*

Post year end, the Company has been notified that with effect from 7 July 2020, its valuations will no longer be subject to this qualification.

#### Operating lease commitments – Company as a 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.

#### 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 being a period of at least 12 months from the date that these financial statements are approved. In making the assessment, the Directors have considered the likely impacts of the current Covid-19 pandemic on the Group, operations and the investment portfolio. The Directors noted the cash balance exceeds any short-term liabilities, and have performed stress testing and reverse stress testing. Whilst the economic future is uncertain, the Directors believe it is possible the Company could experience further reductions in income and/or property valuations, however this should not be to a level which would threaten the Company's ability to continue as a going concern.

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

For the year ended 30 June 2020

### **Going concern (continued)**

The Directors, the Investment Manager and other service providers have put in place contingency plans to minimise disruption. 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 and the Company's financial position in respect of its cash flows, borrowing facilities and investment commitments. The Directors also noted a letter of support received from the Company's ultimate parent which confirmed that the parent intends to continue to provide sufficient funding to meet liabilities. 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 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.

#### **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 without penalty.

#### **d) Trade and other receivables**

Trade and other receivables are recognised initially at fair value and subsequently carried at amortised cost less provision for impairment. Where the time value of money is material, receivables are carried at amortised cost using the effective interest method. Impairment provisions are recognised on the expected credit loss model detailed within IFRS 9.

The Company recognises a loss allowance for expected credit losses ("ECL") on trade and other receivables where necessary. The loss allowance is based on lifetime expected credit losses. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition. The expected credit losses on these financial assets are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date. Impaired balances are reported net, however impairment provisions are recorded within a separate provision account with the loss being recognised within administration costs within the statement of comprehensive income. On confirmation that the trade receivable will not be



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

For the year ended 30 June 2020

collectable, the gross carrying value of the asset is written off against the associated provision for the year ended 30 June 2020 were not material.

**2. Basis of preparation (continued)**

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

**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. Income is deferred and unwound to revenue on a straight line basis over the period in which it is earned.

**g) Revenue recognition**

**i) Rental income**

Rental income including direct lets to students net of discounts, leases to universities and commercial tenants receivable under operating leases is recognised on a straight-line basis over the term of the lease.

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

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

**ii) Finance income**

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

**iii) Ancillary income**

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

**h) Operating and administration expenses**

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

**i) Finance income**

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

**j) Finance expenses**

Any finance costs that are separately identifiable and directly attributable to a liability are amortised as part of the cost of the liability. All other finance costs are expensed in the period in which they occur.

**k) Taxes**

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

The Company is part of a REIT group, and Group companies are exempt from corporation tax on the profits and gains from their property rental business, provided the Group continues to meet certain conditions as per REIT regulations.

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

For the year ended 30 June 2020

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.

**l) Dividends to shareholders**

Dividends due to the Company's shareholders are recognised when they are declared.

**3. UK investment property**

	30 June 2020	30 June 2019
	£'000	£'000
Valuation at the start of the year	154,520	139,000
Additional expenditure on investment property	184	13
Fair value gains on investment property	9,686	15,507
<b>Valuation at the end of the year</b>	<b>164,390</b>	<b>154,520</b>

**4. Revenue**

The following table analyses income earned:

	30 June 2020	30 June 2019
	£'000	£'000
Net rental income	8,733	8,694
Ancillary income	72	92
<b>Total</b>	<b>8,805</b>	<b>8,786</b>

**5. Finance income**

	30 June 2020	30 June 2019
	£'000	£'000
Interest from cash and cash equivalents	1	1
<b>Total</b>	<b>1</b>	<b>1</b>

**6. Finance expenses**

	30 June 2020	30 June 2019
	£'000	£'000
Intercompany loan interest	1,264	1,261
<b>Total</b>	<b>1,264</b>	<b>1,261</b>

The loan terms that relate to the above expense is detailed in note 13.

**7. Auditor's remuneration**

	30 June 2020	30 June 2019
	£'000	£'000
Audit fee	5	5
<b>Total</b>	<b>5</b>	<b>5</b>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2020

### 8. Taxation

A description of the Company's tax status is outlined in note 2.3.

Corporation tax charges have arisen as follows:

	30 June 2020 £'000	30 June 2019 £'000
Current tax for current period	-	-
<b>Total tax</b>	-	-

Reconciliation of tax charge to profit before tax:

	30 June 2020 £'000	30 June 2019 £'000
Profit before tax	14,847	20,694
Corporation tax at 19% (2019: 19%)	2,821	3,932
Change in value of investment property	(1,840)	(2,946)
Tax exempt property rental business	(981)	(986)
<b>Total tax</b>	-	-

### 9. Dividends

	30 June 2020 £'000	30 June 2019 £'000
Dividend paid of £0.103 per ordinary share (2019: £0.105 per ordinary share).	5,304	5,432
<b>Total</b>	5,304	5,432

The Directors have declared a dividend in respect of the year ended 30 June 2020 of £2,856,000 after the year end.

### 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 commercial lease and nomination agreements whereby blocks of beds are let out for a set number of years.

Future minimum rentals receivable under non-cancellable operating leases as at 30 June 2020 are as follows:

	30 June 2020 £'000	30 June 2019 £'000
Less than one year	6,213	8,031
One to two years	3,949	4,914
Two to three years	3,381	3,353
Three to four years	3,356	3,353
Four to five years	3,356	3,334
More than five years	8,391	11,838
<b>Total</b>	28,646	34,823

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2020

### 11. Trade and other receivables

	30 June 2020	30 June 2019
	£'000	£'000
Prepayments	130	128
Cash held by rent agent	404	194
Rent receivable	1,096	62
Amounts receivable from Parent Company	2,856	5,304
Other receivables	10	40
<b>Total</b>	<b>4,496</b>	<b>5,728</b>

Amounts receivable from the Parent Company are unsecured and interest free.

### 12. Cash and cash equivalents

	30 June 2020	30 June 2019
	£'000	£'000
Cash at bank	553	622
<b>Total</b>	<b>553</b>	<b>622</b>

### 13. Liabilities

	30 June 2020	30 June 2019
	£'000	£'000
Accruals	54	62
Deferred income	1,134	2,100
Retention	308	-
<b>Total current liabilities</b>	<b>1,496</b>	<b>2,162</b>
Long term loan payable to the Parent Company	41,063	41,063
Retention	-	308
<b>Total non-current liabilities</b>	<b>41,063</b>	<b>41,371</b>
<b>Total</b>	<b>42,559</b>	<b>43,533</b>

The loan payable to the Parent Company is unsecured and Interest is charged on the loan at a rate of 3.07%. The Parent Company is not expected to seek repayment of the loan until September 2024 at the earliest, when the Parent Company's external loan facility is due for renewal.

A breakdown of the balance due to each related party has been summarised in note 19.

### 14. Share capital

	30 June 2020	30 June 2019
	Number of shares	Number of shares
Issued and fully paid:		
At the start of the year	51,508,283	51,508,283
<b>Total</b>	<b>51,508,283</b>	<b>51,508,283</b>

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 2020

### 15. 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.

#### *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 2020	30 June 2019
	£'000	£'000
Accumulated unrealised gains on investment properties	69,992	60,306
Accumulated revenue profits	28,580	23,419
Accumulated dividends paid	(22,892)	(17,588)
<b>Retained earnings</b>	<b>75,680</b>	<b>66,137</b>

### 16. Fair value

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

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

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 Company's investment property is held at fair value as determined by the external valuer in accordance with the RICS Valuation Global Standards 2017 and IFRS13. The valuation issued by the external valuer at the Company's year end includes a disclosure of "material valuation uncertainty", refer to note 2.3 for further details.

The determination of the fair value of investment property requires the use of estimates such as future cash flows from assets (such as lettings and 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 2020

### 16. Fair value (continued)

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

30 June 2020				
	Level 1	Level 2	Level 3	Total
Assets and liabilities measured at fair value	£'000	£'000	£'000	£'000
Investment property	-	-	164,390	164,390
	-	-	164,390	164,390

  

30 June 2019				
	Level 1	Level 2	Level 3	Total
Assets and liabilities measured at fair value	£'000	£'000	£'000	£'000
Investment property	-	-	154,520	154,520
	-	-	154,520	154,520

There have been no movements between the level's during the year.

#### <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.

#### Valuation techniques and significant inputs with the valuation of investment properties

The following table analyses:

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

Class	Fair value	Valuation technique	Key unobservable inputs	Range
Student property 30 June 2020	£164,390,000	Income capitalisation	Market Rate – 2019/20	£255 - £475 per week
			Rental Growth	2.50%
			Tenancy Period	51 weeks
			Sundry Income	£100 per bed per annum
			Facilities Management Cost	£2,250 per bed per annum
			Initial Yield	4.42% blended (4.30% - 7.50%)

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2020

### 16. Fair value (continued)

Class	Fair value	Valuation technique	Key unobservable inputs	Range
Student property 30 June 2019	£154,520,000	Income capitalisation	Market Rate – 2018/19 Rental Growth Tenancy Period Sundry Income Facilities Management Cost Initial Yield	£245 - £450 per week 3.00% 51 weeks £100 per bed per annum £2,100 per bed per annum 4.58% blended (4.50% - 7.50%)

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

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

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

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

Gains and losses recorded in profit or loss for recurring fair value measurements categorised within Level 3 of the fair value hierarchy amount to £9,686,000 (2019: £15,507,000) 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.

### 17. Financial risk management objectives and policies

The Company has trade and other receivables, trade and other payables and cash and short-term deposits that arise directly from its operations.

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

#### Market risk

Market risk is the risk that future values of investments in property will fluctuate due to changes in market prices. The total exposure at the statement of financial position date is £164,390,000 (2019: £154,520,000) and to manage this risk, regular updates on the student accommodation market and senior debt market are provided to the Board of Directors to act as an early warning signal of any adverse market conditions ahead.

The outbreak of the Covid-19 pandemic has impacted global financial markets and travel restrictions have been implemented by many countries. In the UK, market activity is being impacted in all sectors. Given the unknown future impact that Covid-19 might have on the real estate market, the Director's continue to keep the valuation of the Company's investment property under frequent review.

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

For the year ended 30 June 2020

The following sensitivity analysis has been prepared by the valuer:

30 June 2020				
	-3% change in rental income £'000	+3% change in rental income £'000	-0.25% change in yield £'000	+0.25% change in yield £'000
(Decrease)/increase in the fair value of the investment properties	(4,809)	5,409	10,310	(9,180)

  

30 June 2019				
	-3% change in rental income £'000	+3% change in rental income £'000	-0.25% change in yield £'000	+0.25% change in yield £'000
(Decrease)/increase in the fair value of the investment properties	(4,576)	4,556	9,055	(7,535)

The key assumptions for the commercial properties are net initial yields, current rent and rental growth. A movement of 3% in passing rent and 0.25% in the net initial yield will not have a material impact on the financial statements.

**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.



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

For the year ended 30 June 2020

**17. 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.

Credit risk is managed by requiring tenants to pay rents in advance. 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 2020	30 June 2019
	£'000	£'000
Retention account	308	308
Cash and cash equivalents	553	622
Trade and other receivables	4,496	5,728
<b>Total</b>	<b>5,357</b>	<b>6,658</b>

The cash and cash equivalents at 30 June 2020 are held with Barclays Bank plc which has been given an A-1 credit rating by Standard & Poor's.

***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.

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

	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	Total
<b>Year ended 30 June 2020</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Trade and other payables	54	-	-	-	-	54
Retention account	-	308	-	-	-	308
Related party loan	-	-	-	-	41,063	41,063
	<b>54</b>	<b>308</b>	<b>-</b>	<b>-</b>	<b>41,063</b>	<b>41,425</b>

	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	Total
<b>Year ended 30 June 2019</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Trade and other payables	62	-	-	-	-	62
Retention account	-	-	308	-	-	308
Related party loan	-	-	-	-	41,063	41,603
	<b>62</b>	<b>-</b>	<b>308</b>	<b>-</b>	<b>41,063</b>	<b>41,433</b>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2020

### 18. Capital management

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

The primary objective of the Company's capital management is 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, issue new shares or return capital to the Parent Company. In any circumstances, the Parent Company and the Ultimate Parent Company will provide adequate financial support to ensure the Company's business continuity.

### 19. 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 related parties.

	30 June 2020	30 June 2019
	£'000	£'000
<b>Transactions during the year</b>		
Costs recharged from GCP Holdco Limited	(1,300)	(1,277)
Interest charged by GCP Holdco Limited	(1,264)	(1,261)
Net cash transferred to GCP Holdco Limited	5,421	7,841
Distribution to GCP Holdco Limited	(5,304)	(5,432)
<b>Balances outstanding at the end of the year</b>		
Net balance due to GCP Holdco Limited	(38,205)	(35,758)

Details of the terms associated with the net balance due to GCP Holdco Limited are set out in note 11 and 13.

### 20. Ultimate controlling party

The ultimate parent company is GCP Student Living plc. In the opinion of the Directors, there is no ultimate controlling party.

### 21. Events after the reporting period

On 27 August 2020, the Company entered into a new property management agreements with the Property Manager, Scape. Under the terms of the new property management arrangements, with effect from 1 July 2020, Scape will be entitled to an annual property management fee (payable quarterly in arrears) in respect of the management of PBSA of 4% of the total income and 1.25% of net operating income attributable to the Company's Purpose Built Student Accommodation managed by Scape. An annual property management fee (payable quarterly in arrears) of 2% of income shall be payable in respect of the management of the Company's non-PBSA commercial space. The new property management agreements are effective from 1 July 2020.

On 7 July 2020, the Company was informed by the Valuer that it will be following the recommendation made by the RICS Material Valuation Uncertainty Leaders Forum (UK) in relation to the valuation of professionally managed student housing of institutional grade that a material valuation uncertainty may no longer be appropriate for the Company's property and that its valuations will no longer be subject to this qualification. The valuation provided by the Valuer at 30 September 2020 excluded the aforementioned uncertainty.