

GCP WEMBLEY LIMITED
REGISTERED IN ENGLAND AND WALES
COMPANY NUMBER 10231975
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

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GCP Wembley Limited
Company Number 10231975
Financial statements for the year ended 30 June 2021

CORPORATE INFORMATION

Directors

David Hunter (Chairman)
Marlene Wood
Malcolm Naish
Gillian Day

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

The Directors present their report and financial statements for GCP Wembley Limited (the "Company") for the year ended 30 June 2021.

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.

The Company is a wholly-owned subsidiary of GCP Holdco 3 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, a holding company for companies providing student accommodation which is in line with the Ultimate Parent Company's investment strategy. The Company received £299,000 (2020: £114,000) in dividends from its subsidiary during the year.

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 has had an impact on the valuation and the level of occupancy of the Company's investment property, which in turn would affect the valuation of the Company's investments in subsidiary companies. 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.

Acquisition of the Ultimate Parent Company

On 11 August 2021 the Ultimate Parent Company published a circular to shareholders containing the details of a Board recommended acquisition of the Ultimate Parent Company by a consortium. On 6 September 2021 shareholders in the Ultimate Parent Company voted in favour of the acquisition.

On 6 December 2021 the Competition and Markets Authority approved the acquisition, and the transaction is expected to complete in the coming days.

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, after taxation, amounted to £22,648,000 (2020: £11,843,000). The Company continues to benefit from the support of its Parent to meet its obligations as they fall due and in the opinion of the Directors remains a going concern.

During the year, the Company paid £3,748,000 (2020: £4,058,000) in dividends to the Parent Company. The Company has not declared a dividend in respect of the year ended 30 June 2021 after the year end (2020: £3,748,000).

The fair value of investment property as at 30 June 2021 was £127,240,000 (2020: £105,380,000).

Share Capital

As at 30 June 2021, the Company had in issue 12 (2020: 12) ordinary shares of £1 each. Equity shareholders' funds totaled £113,765,000 (2020: £94,865,000).

DIRECTORS' REPORT (continued)

Directors

The Directors who served during the year were:

David Hunter
Russell Chambers (Appointed and resigned 1 February 2021)
Gillian Day
Malcolm Naish
Robert Peto (Retired 4 November 2020)
Marlene Wood

Directors' interests

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

The Directors do not hold any shares in the Company nor did they during the year under review. Their interests in the shares of the Ultimate Parent Company are disclosed in the Ultimate Parent Company's annual report and financial statements for the year ended 30 June 2021.

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 2021, 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 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 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.

Auditor

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

By order of the Board

A handwritten signature in black ink, appearing to read 'M. Wood', written over a horizontal line.

Marlene Wood
Director
15 December 2021

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

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 WEMBLEY LIMITED

Opinion

We have audited the financial statements of GCP Wembley Limited (the 'Company') for the year ended 30 June 2021 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 24, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements:

- ▶ give a true and fair view of the Company's affairs as at 30 June 2021 and of its profit for the year then ended;
- ▶ have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006; 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. 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 Directors' Report, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

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 contained within the annual report.

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 WEMBLEY LIMITED (continued)

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 course of 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 this gives to a material misstatement in the financial

statements themselves. 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
- the directors were not entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

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.

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.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GCP WEMBLEY LIMITED (continued)

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

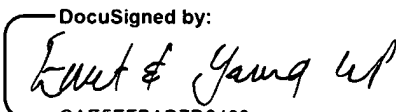
Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (International Accounting Standards in conformity with the requirements of the Companies Act 2006) and relevant tax compliance regulations, including section 1158 of the Corporation Tax Act 2010.
- We understood how GCP Wembley Limited is complying with those frameworks by making enquiries of senior management of the investment manager, and the administrator, as well as the Chairman of the Group Audit and Risk Committee and Directors of the Company. We corroborated our understanding through our review of Board and committee meeting minutes of the Company and papers provided to the Group Audit and Risk Committee.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by meeting with members of senior management to understand where they considered there was susceptibility to fraud. We considered the controls the Company has established to address the risks identified, or that otherwise prevent, deter or detect fraud; and how senior management and the Group audit and risk committee monitor those controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved review of the reporting to the Directors with respect to the application of the documented policies and procedures and review of the financial statements to identify non-compliance with the reporting requirements of the Company.

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.

DocuSigned by:

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James Beszant

For and on behalf of Ernst & Young LLP, Statutory Auditor
London
15 December 2021

GCP Wembley Limited
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Financial statements for the year ended 30 June 2021

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2021

		Year ended 30 June 2021	Year ended 30 June 2020
	Notes	£'000	£'000
Continuing operations			
Revenue	5	1,540	4,231
Dividends from subsidiary		299	114
Net rental income		1,839	4,345
Administration expenses	6	(151)	(25)
Operating profit before gains on investment properties		1,688	4,320
Fair value gains on investment property	3	21,918	8,222
Fair value (loss)/gain on investment in subsidiary company	4	(219)	109
Operating profit		23,387	12,651
Finance income	7	-	1
Finance costs	8	(739)	(809)
Profit before tax		22,648	11,843
Tax charge for the year	10	-	-
Profit for the year		22,648	11,843

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.

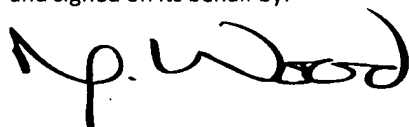
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STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

Assets	Notes	As at 30 June 2021 £'000	As at 30 June 2020 £'000
Non-current assets			
Investment property	3	127,240	105,380
Investment in subsidiary company	4	292	511
		127,532	105,891
Current assets			
Trade and other receivables	12	1,736	3,748
Cash and cash equivalents	13	540	547
		2,276	4,295
Total assets		129,808	110,186
Liabilities			
Current liabilities			
Interest bearing loans and borrowings	14	(14,985)	(14,784)
Amounts due to Group company	15	(980)	(397)
Trade and other payables	15	(78)	(140)
Total liabilities		(16,043)	(15,321)
Net assets		113,765	94,865
Equity			
Share capital	16	-	-
Share premium	17	61,000	61,000
Retained earnings	18	52,765	33,865
Total equity		113,765	94,865

These financial statements were approved by the Board of Directors of GCP Wembley Limited on 15 December 2021 and signed on its behalf by:



Marlene Wood
Director

Company Number 10231975

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

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STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2021

	Notes	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
Balance at 1 July 2020		-	61,000	33,865	94,865
Total comprehensive income		-	-	22,648	22,648
Dividends	11	-	-	(3,748)	(3,748)
Balance at 30 June 2021		-	61,000	52,765	113,765

For the year ended 30 June 2020

	Notes	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
Balance at 1 July 2019		-	61,000	26,080	87,080
Total comprehensive income		-	-	11,843	11,843
Dividends	11	-	-	(4,058)	(4,058)
Balance at 30 June 2020		-	61,000	33,865	94,865

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

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STATEMENT OF CASH FLOWS

For the year ended 30 June 2021

	Notes	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Cash flows from operating activities			
Operating profit		23,387	12,651
Adjustments to reconcile profit for the year to net cash flows:			
Gains from change in fair value of investment properties	3	(21,918)	(8,222)
Loss/(gain) from change in fair value of subsidiary	4	219	(109)
Dividends from subsidiary		(299)	(114)
Net recharges from other Group companies		(1,415)	(4,235)
Decrease in other receivables and prepayments		-	4
Decrease in other payables and accrued expenses		(4)	(14)
Net cash flow used in operating activities		(30)	(39)
Cash flows from investing activities			
Payments on properties under construction		-	(7)
Net cash flow generated from/(used in) investing activities		-	(7)
Cash flows from financing activities			
Dividends paid to Parent Company	11	(3,748)	(4,058)
Net cash received from Group companies		4,309	6,985
Finance costs		(538)	(608)
Interest bearing loans and borrowings		-	(2,150)
Net cash flow generated from financing activities		23	169
Net (decrease)/increase in cash and cash equivalents		(7)	123
Cash and cash equivalents at start of the year		547	424
Cash and cash equivalents at end of the year	13	540	547

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 2021

1. General information

The Company was incorporated in England and Wales on 15 June 2016. The registered office of the Company and the Parent 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 are publicly available at Companies House.

2. Basis of preparation

These financial statements are prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements have been prepared on a going concern basis and under the historical cost convention, except for investments in subsidiary and investment property which have been measured at fair value. The audited financial statements are presented in Pound Sterling and all values are rounded to the nearest thousand pounds (£'000), except when otherwise indicated.

Under IFRS 10, the Company is not required to prepare consolidated financial statements as it meets all of the following conditions:

- It is a wholly owned subsidiary of another entity;
- Its debt or equity instruments are not traded in a public market;
- It did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market; and
- Its immediate parent produces financial statements available for public use that comply with IFRSs, in which subsidiaries are consolidated or are measured at fair value through profit or loss in accordance with IFRS 10.

The financial statements are in respect of the year ended 30 June 2021. Comparative figures are for the year ended 30 June 2020.

2.1 Changes to accounting standards and interpretations

In the current period, the Company has applied a number of amendments to IFRS including IFRS16 Covid-19 related rent concessions and changes to interest rate benchmark reform. The adoption of these updates has not had a significant impact on the Company's financial statements. These also include annual improvements to IFRS, changes in standards, legislative and regulatory amendments, changes in disclosure and presentation requirements, including updates relating to Covid-19.

Further to the above, there are no new IFRS or IFRIC interpretations that are issued but not effective that would be expected to have a significant impact on the Company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2021

2. Basis of preparation (continued)**2.2 Significant accounting judgements and estimates**

The preparation of these audited financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and 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 Group's investment properties are valued at fair value as determined by the external valuer in accordance with the RICS Valuation Global Standards 2020 and IFRS 13. Refer to note 19 for further details of the judgements and estimates made in determining the valuation of property.

Valuation of investment in subsidiary

Investment in the subsidiary company is valued at fair value. The Directors consider that the net asset value ("NAV") of the subsidiary company is equivalent to fair value. Further details of the valuation techniques are disclosed within note 19 of the financial statements.

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 a period of twelve months from the date that these financial statements are approved.

In making the assessment, the Directors have considered the announcement made by the Ultimate Parent Company on 6 September 2021 that its shareholders had approved the sale of the Ultimate Parent Company to a consortium of investors. On 6 December 2021 the Competition and Markets Authority approved the acquisition, and the transaction is expected to complete in the coming days. The Directors have considered the public announcements made by the consortium in relation to the acquisition and their intentions for the entities comprising the Group should the acquisition complete, and are satisfied the acquisition does not affect the Company's ability to continue as a going concern.

The Directors have also considered the possible impacts of the continuing Covid-19 pandemic on the Company, its operations and the investment property. Whilst the economic future is uncertain, the Directors believe it is possible that the Company could experience further reductions in income and/or property valuations, however based on the stress testing performed by the Directors on the Group and forecasting for the Company this should not be to a level which would threaten the Company's ability to continue as a going concern.

The Directors, and the Company's 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. Therefore, the financial statements have been prepared on the going concern basis.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2021

2. Basis of preparation (continued)

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 statement of comprehensive income 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) Investment in subsidiary company

Investment in the subsidiary company owned by the Company is valued at Net Asset Value, which in the opinion of the Directors is equivalent to fair value. Changes in fair value of the investment and gains on the sale of investments are recognised as they arise in the Company's statement of comprehensive income.

d) Cash and cash equivalents

Cash and cash equivalents comprise of cash at bank.

e) 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 collectable, the gross carrying value of the asset is written off against the associated provision.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2021

2. Basis of preparation (continued)

2.3 Summary of significant accounting policies (continued)

f) Trade and other payables

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

g) Revenue recognition

i) Rental income

Rental income comprises of turnover rent receivable.

ii) Finance income

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

iii) Dividends from subsidiary

Dividends from subsidiary are recognised when they are received.

h) Administration expenses

Administration expenses are charged to the statement of comprehensive income and are accounted for on an accruals basis.

i) Finance costs

Finance costs consist of interest and other costs that the Company incurs in connection with bank and other borrowings.

j) Taxation

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

The Company is part of a REIT group, which 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.

Non-qualifying profits and gains of Group companies (the residual business) continue to be subject to corporation tax. As the Company has no property rental business, all the Company's profits are subject to corporation tax to the extent they cannot be group-relieved by excess management expenses from the residual business of other Group companies. 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 statement of financial position date.

k) Interest bearing loans and borrowings

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

l) Dividends to shareholders

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

3. Investment property

	30 June 2021 £'000	30 June 2020 £'000
Valuation at the start of the year	105,380	97,280
Additional expenditure on investment property	(58)	(122)
Fair value gains on revaluation of investment property	21,918	8,222
Valuation at the end of the year	127,240	105,380

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2021

4. Investment in subsidiary company

	30 June 2021 £'000	30 June 2020 £'000
Valuation at the start of the year	511	402
Fair value (loss)/gain on investment in subsidiary company	(219)	109
Valuation at the end of the year	292	511

Investment in subsidiary company relates solely to the investment in GCP Wembley 2 Limited, a 100% owned subsidiary company. The principle place of business and country of incorporation is Beaufort House, New North Road, Exeter, United Kingdom EX4 4EP.

5. Revenue

The following table analyses rental income received:

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Rental income received from Group companies	1,540	4,231
Total	1,540	4,231

Rental income comprises turnover rent received from GCP Wembley 2 Limited. In accordance with the 25 year lease between the Company and GCP Wembley 2 Limited, turnover rent equates to the gross turnover (in GCP Wembley 2 Limited) less management fees and outgoings of GCP Wembley 2 Limited multiplied by the rate of 95%.

6. Administration expenses

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Administration expenses	151	25
Total	151	25

7. Finance income

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Bank interest	-	1
Total	-	1

8. Finance costs

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Loan interest	291	346
Agency fees	25	25
Loan commitment fees	222	237
Amortised loan fees	201	201
Total	739	809

9. Auditor's remuneration

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Audit fee	5	5
Total	5	5

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2021

10. Taxation

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

Corporation tax charges have arisen as follows:

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Current tax for current period	-	-
Total tax	-	-

Reconciliation of tax charge to profit before tax:

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Profit before tax	22,648	11,843
Corporation tax at 19% (2020: 19%)	4,303	2,250
Change in value of investment property	(4,165)	(1,562)
Change in value of investment in subsidiary	42	(21)
Tax exempt property rental business	(180)	(667)
Total tax	-	-

11. Dividends

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Dividend paid of £312,353.83 per ordinary share (2020: £338,132.33 per ordinary share)	3,748	4,058
Total	3,748	4,058

The Company has declared a dividend in respect of the year ended 30 June 2021 of £xxx after the year end.

12. Trade and other receivables

	30 June 2021 £'000	30 June 2020 £'000
Amounts receivable from Group companies	1,736	3,748
Total	1,736	3,748

Amounts receivable from Group companies are unsecured and interest free.

13. Cash and cash equivalents

	30 June 2021 £'000	30 June 2020 £'000
Cash at bank	540	547
Total	540	547

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2021

14. Interest bearing loans and borrowings

	30 June 2021	30 June 2020
	£'000	£'000
Loan at the start of the year	15,000	17,150
Loan drawn down during the year	-	26,070
Repayment of loan during the year	-	(28,220)
	15,000	15,000
Unamortized loan arrangement fees at the start of the year	(216)	(417)
Fees amortised in the year	201	201
Total	14,985	14,784

The Company has a redrawable credit facility of £45 million at a rate of LIBOR +1.85% which is set to mature in July 2021. This facility was amended after the year end, please see note 24 for further details.

15. Other payables and accrued expenses

	30 June 2021	30 June 2020
	£'000	£'000
Amounts due to Group company	980	397
Trade and other payables	78	140
Total	1,058	537

Amounts due to Group company is unsecured and interest free.

16. Share capital

	30 June 2021	30 June 2020
	Number of Shares	Number of Shares
Issued and fully paid:		
At the start of the year	12	12
Total	12	12

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.

17. Share premium

	30 June 2021	30 June 2020
	£'000	£'000
At the start of the year	61,000	61,000
Total	61,000	61,000

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2021

18. 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.

Share premium

Share premium relates to amounts subscribed for share capital in excess of nominal value.

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 2021	30 June 2020
	£'000	£'000
Accumulated unrealised gains on investment property and investment in subsidiary companies	49,570	27,871
Accumulated revenue profits	11,001	10,052
Accumulated dividends paid	(24,806)	(21,058)
Cancelled share premium	17,000	17,000
Retained earnings	52,765	33,865

19. Fair value

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

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

Quarterly valuations of 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 2020 and IFRS13.

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.

Quarterly valuations of subsidiaries are based on NAV. The NAV of the subsidiaries is equal to the fair value of the financial assets and liabilities held by each subsidiary. The valuations are the ultimate responsibility of the Directors, who appraise these quarterly.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2021

19. Fair value (continued)

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

	30 June 2021			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value	£'000	£'000	£'000	£'000
Investment property	-	-	127,240	127,240
Investment in subsidiary companies	-	-	292	292
Total	-	-	127,532	127,532

	30 June 2020			
	Level 1	Level 2	Level 3	Total
Assets and liabilities measured at fair value	£'000	£'000	£'000	£'000
Investment property	-	-	105,380	105,380
Investment in subsidiary companies	-	-	511	511
Total	-	-	105,891	105,891

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

¹ Explanation of the fair value hierarchy:

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

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 2021	£127,240,000	Income capitalisation	ERV – 2021/22 Rental growth Tenancy period Sundry income Facilities management cost Initial yield	£215 - £420 2.50% 41 - 51 weeks £100 per bed per annum £2,500 per annum 4.15%

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2021

19. Fair value (continued)

Class	Fair value	Valuation technique	Key unobservable inputs	Range
Student property 30 June 2020	£105,380,000	Income capitalisation	ERV – 2019/20 Rental growth Tenancy period Sundry income Facilities management cost Initial yield	£182 - £307 2.50% 51 weeks £100 per bed per annum £2,450 per annum 4.65%

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 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 £21,699,000 (2020: £8,331,000) and are presented in the statement of comprehensive income in line item ‘fair value gains on investment property’.

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 financial assets and liabilities are considered to be the same as their fair value.

20. Financial risk management objectives and policies

The Company has trade and other receivables, trade and other payables, loans and borrowings, and cash 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 £127,240,000 (2020: £105,380,000) 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 Directors continue to keep the valuation of the Company’s investment properties held within the Company’s subsidiary under frequent review.

The following sensitivity analysis has been prepared by the valuer:

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2021

20. Financial risk management objectives and policies (continued)

Market risk (continued)

	30 June 2021			
	-3% change in rental income	+3% change in rental income	-0.25% change in yield	+0.25% change in yield
	£'000	£'000	£'000	£'000
(Decrease)/increase in the fair value of the investment properties	(3,960)	3,950	8,440	(7,480)

	30 June 2020			
	-3% change in rental income	+3% change in rental income	-0.25% change in yield	+0.25% change in yield
	£'000	£'000	£'000	£'000
(Decrease)/increase in the fair value of the investment properties	(3,290)	3,280	7,510	(5,640)

The key assumptions for the investment properties are net initial yields, and rental income which is based on 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.

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 2021	30 June 2020
	£'000	£'000
Cash and cash equivalents	540	547
Trade and other receivables	1,736	3,748
Total	2,276	4,295

The cash and cash equivalents at 30 June 2021 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:

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2021

20. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

	Less than 3 months £'000	3 to 12 months £'000	1 to 2 years £'000	2 to 5 years £'000	More than 5 years £'000	Total £'000
Year ended 30 June 2021						
Interest bearing loans and borrowings	15,000	-	-	-	-	15,000
Amounts due to Group company	980	-	-	-	-	980
Trade and other payables	78	-	-	-	-	78
Total	16,058	-	-	-	-	16,058

	Less than 3 months £'000	3 to 12 months £'000	1 to 2 years £'000	2 to 5 years £'000	More than 5 years £'000	Total £'000
Year ended 30 June 2020						
Interest bearing loans and borrowings	80	237	15,000	-	-	15,317
Amounts due to Group company	397	-	-	-	-	397
Trade and other payables	140	-	-	-	-	140
Total	617	237	15,000	-	-	15,854

21. 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.

22. 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 or a member of key management personnel of the reporting entity or of a parent of the reporting entity.

The Company owns 100% of the share capital of GCP Wembley 2 Limited registered number 10182391, registered in England and Wales.

The table below discloses transactions and balances between the Company, its Parent Company and other Group entities.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2021

22. Related party transactions (continued)

	30 June 2021	30 June 2020
Transactions during the year	£'000	£'000
Turnover rent receivable from GCP Wembley 2 Limited	1,540	4,235
Management costs recharged by GCP Holdco 3 Limited	(125)	-
Net cash transferred to GCP Student Living plc	-	(2,047)
Net cash transferred from GCP Holdco 3 Limited	1,861	3,752
Net cash transferred to GCP Wembley 2 Limited	(2,422)	(4,632)
Dividend from GCP Wembley 2 Limited	299	114
Dividend paid to GCP Holdco 3 Limited	(3,748)	(4,058)
Balances outstanding at the end of the year	£'000	£'000
GCP Wembley 2 Limited	(980)	(397)
GCP Holdco 3 Limited	1,736	3,748

23. Ultimate controlling party

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

24. Events after the reporting period

On 26 July 2021, the Company revised its redrawable credit facility with Wells Fargo. The facility was extended to January 2023 and the interest rate revised to 2.1% above three-month SONIA, reducing to 1.95% when the debt yield is 9.0% or higher. A further £9.1 million was drawn on the facility.

On 11 August 2021 the Ultimate Parent Company published a circular to shareholders containing the details of the Board recommended acquisition of the Ultimate Parent Company by a consortium. On 6 September 2021 shareholders in the Ultimate Parent Company voted in favour of the acquisition.

On 6 December 2021 the Competition and Markets Authority approved the acquisition, and the transaction is expected to complete in the coming days.