iQ Student Accommodation

GIVING OUR STUDENTS THEIR BEST YEAR YET

Annual Report **2017**

2017 HIGHLIGHTS

FINANCIAL HIGHLIGHTS

£155m
ANNUALISED REVENUE
For the 12 months to 30 September 2017 (£113.6million for 9 months to 30 September 2017)

6%
LIKE-FOR-LIKE RENTAL GROWTH
For the 12 months to 30 September 2017

98%
AVERAGE CORE OCCUPANCY
in the 2016/17 academic year

75%
ANNUALISED NOI MARGIN
For the 12 months to 30 September 2017

£95.5m
ANNUALISED EBITDA
For the 12 months to 30 September 2017 (£66.9million for 9 months to 30 September 2017)

£2.22bn
PROPERTY VALUATION

Change to Accounting Reference Date
We have changed our Accounting Reference Date from 31 December to 30 September, to closer align with the academic year. Accordingly these financial statements have been prepared for the nine months to 30 September 2017.

OPERATIONAL HIGHLIGHTS

55
NUMBER OF PROPERTIES

24,027
NUMBER OF PORTFOLIO BEDS

1,984
DEVELOPMENT PIPELINE BEDS
(1,455 subject to planning consent)

528
EMPLOYEES

- Another period of strong performance, only 20 months since the formation of the Group
- Full merger integration, including rebrand and launch of new vision and values
- Acquired 655 beds across three new sites
- Invested £16.6m on refurbishing 2,077 beds and adding 34 new beds in Summer 2017
- Post period end, acquired 11 new sites from Pure Student Living, taking iQ's portfolio value to over £3billion and total beds to 28,000. Following the acquisition, iQ is now the market leader in Central London by bed numbers

WE ARE iQ

We are one of the largest providers of student accommodation in the UK. Our vision is to build a world class business, re-imagining the student accommodation experience and giving our students their best year yet.

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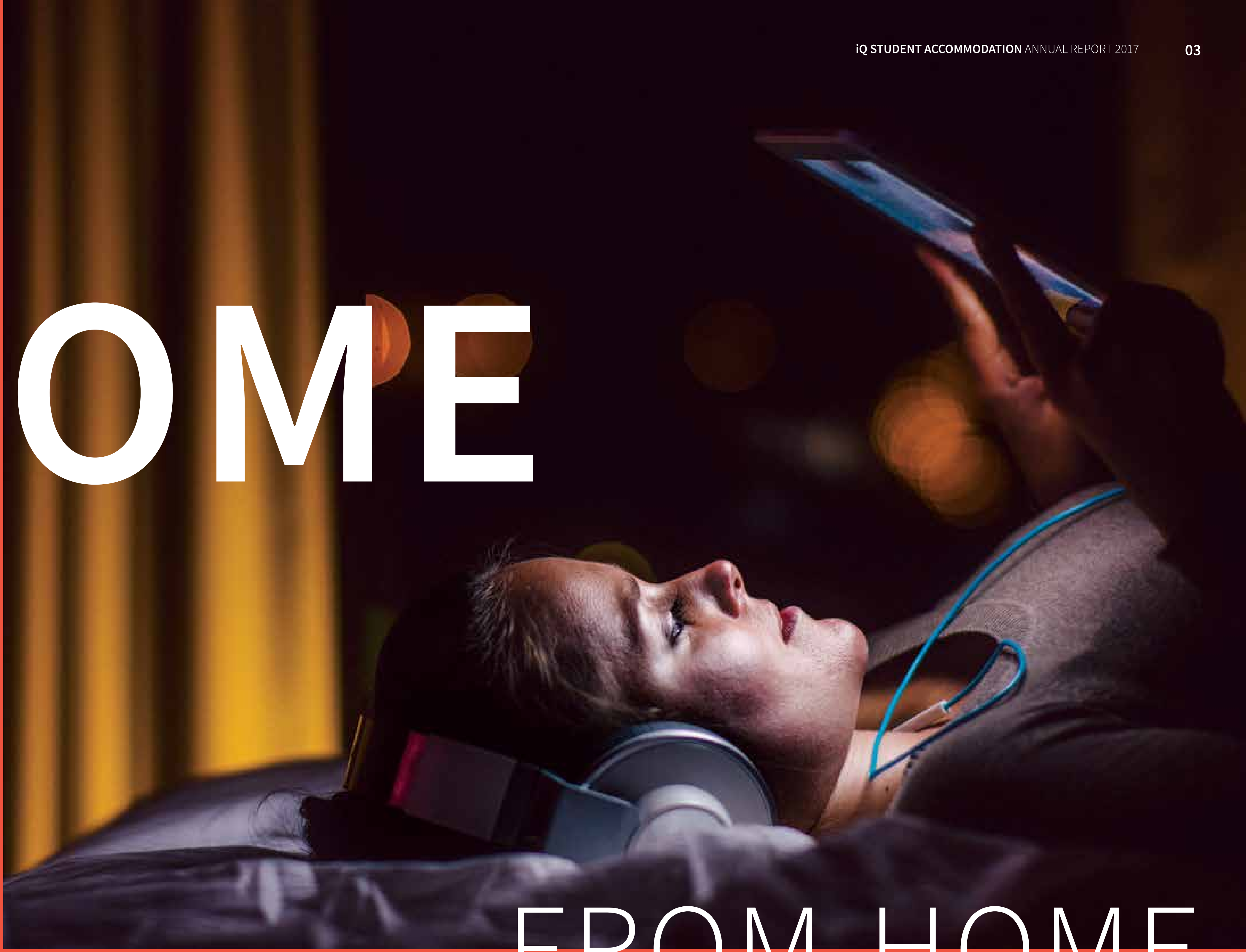
A HOME



FROM HOME

STRATEGIC REPORT

GROUP OVERVIEW

We are one of the largest providers of student accommodation in the UK.

Our portfolio is well located and diversified, with a strong presence in Russell Group and multi-university cities and towns. Our high quality accommodation provides the best home-from-home environment from which thousands of students from all over the world can confidently make the most of the opportunities open to them. As at the year end, iQ Student Accommodation (iQ) owned and managed 55 student premises in 25 cities and towns across the UK.

In the reporting period, 655 beds were added to our portfolio. We entered the 2017/18 academic year with the opening of a brand-new development in Glasgow and a pipeline of 1,984 new beds, with 529 of these in development and 1,455 subject to planning consent, creating the opportunity to give even more students a truly exceptional accommodation experience.

Post financial year end, we increased our number of beds to 28,000 through acquiring 11 more sites through Pure Student Living.

LOCATION CHART*

	Location	Sites	Beds
1	London	8	3,919
2	Manchester	10	3,612
3	Sheffield	6	2,435
4	Leeds	2	1,612
5	Lincoln	2	1,553
6	Huddersfield	2	1,382
7	Leicester	2	943
8	Birmingham	2	897
9	Bradford	1	752
10	Preston	1	679
11	Plymouth	2	646
12	Edinburgh	2	644
13	Nottingham	3	627
14	Bournemouth	1	590

	Location	Sites	Beds
15	Salford	1	541
16	Dundee	1	498
17	Bangor	1	382
18	Bristol	1	367
19	Brighton	1	351
20	Newcastle	1	329
21	Glasgow	1	324
22	Wolverhampton	1	296
23	Liverpool	1	294
24	Kingston	1	214
25	Oxford	1	140
	Total	**55**	**24,027**

* Excludes hotel operations

55
PROPERTIES

25
CITIES

24,027
BEDS

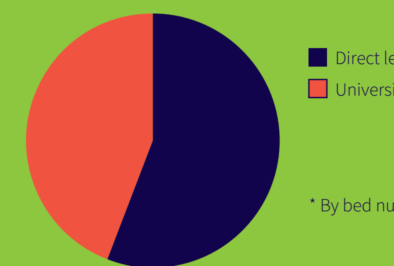
£2.22bn
PROPERTY VALUE

655
NEW BEDS VIA ACQUISITION

98%
OCCUPANCY

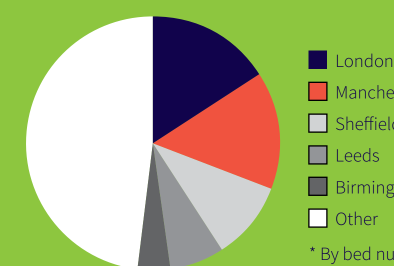
1,984
BEDS IN DEVELOPMENT PIPELINE (1,455 BEDS SUBJECT TO PLANNING CONSENT)

Portfolio breakdown by lease type*



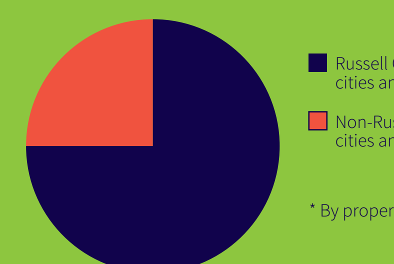
* By bed numbers

Portfolio breakdown by region*



* By bed numbers

Portfolio breakdown by Russell Group cities and towns*



* By property value

BUSINESS MODEL

We are iQ Student Accommodation. We are one of the largest providers of student accommodation in the UK.

Our vision is to build a world class business, re-imagining the student accommodation experience and giving our students their best year yet.

Read more about the student accommodation market on page 08

Read more about our portfolio on page 04

Our activities and how we add value

DELIVERING AGAINST OUR STRATEGIC PRIORITIES

- Curating a fantastic student experience which is exceptional value for money
- Nurturing a winning team and culture
- Building a world-class find, tour and booking journey
- Enhancing our market-leading portfolio
- Operating efficient and effective ways of working
- Delivering unrivalled business performance metrics

Read more about our strategy on page 10

Delivering value for all our stakeholders

Customers
We provide our 24,000 students with a fantastic experience in a safe and fun environment to give them their best year yet. Our connection with our students is at the heart of our business.

Educational institutions
We have strong partnerships with many educational institutions across the UK to accommodate and care for their students. We value the role we play supporting our partners to give students the best home-from-home.

Employees
We create a fun place to work where our 528 customer focused people feel motivated, empowered and able to achieve their full potential.

Suppliers
We have partnerships with many suppliers in the UK across a wide range of services. In regions where our properties are located we strive to support local businesses.

Local community
Supporting local communities is important to us and we continue to look at ways we can expand our community impact across the UK.

Investors
We deliver long term shareholder value through strong financial returns, which is underpinned by strong revenue growth year-on-year.

Read more about stakeholder engagement on page 24

OUR OPERATING MODEL

Well-located, vibrant properties
Our well-located, high quality and value for money accommodation provides the best home-from-home environment from which students can confidently make the most of the opportunities available to them. This drives rebooking rates which in turn drives dynamic pricing.

Safe and secure environments
We have staff and security teams on hand and on site around the clock. Our energetic, talented staff provide both friendly faces and the smooth running of our students' living environment.

A sense of belonging
With student wellbeing at the heart of our business, we make it as easy as possible for students to become part of their new local community through shared social and study spaces, free leisure facilities and events across all our properties.

Digital innovation
Our end to end digital customer journey makes it easier for students to interact with us – from booking to virtual tours to leveraging the technology investments we make on site to offer them enhanced services.

All-inclusive and flexible
We know the cost of university can be a key issue, and so we offer accommodation that appeals to a range of students and their parents, and have developed an all-inclusive rent policy to make budgeting simpler. We also offer flexible contracts to suit individual student needs.

Value adding partnerships
As well as our long term university partners, we also work with organisations that add to our students' experience.

MARKET ENVIRONMENT

The Purpose Built Student Accommodation (PBSA) landscape remains strong with demand for UK tertiary education well in excess of available places.

Today there are 2.3 million students – of which 1.8 million are full-time – in the UK's world leading higher education system, a sector that contributes £95billion to our economy. With approximately 62% of full time students choosing to study away from home, accommodation plays an important role in their overall experience. And more and more, students are choosing to spend their university years living in PBSA – a growing and thriving industry.

There was another strong year of student applications in 2017, with demand for UK university places continuing to outstrip supply. A total of 699,850 applications were received, with 533,890 accepted onto courses. The demand-supply gap is felt domestically as well as internationally, with 109,340 of the total of 572,285 UK students who applied for university places not obtaining acceptances. This demand-supply imbalance presents a long-term opportunity for UK universities, particularly since the removal of the cap on university enrolments in 2015/16, and highlights the ongoing potential for growth in the UK's PBSA market.

We fully expect the UK's prestigious education system to continue to be a strong draw for both UK and international students.
The outstanding quality of the UK higher education system has been recognised in the Times Higher Education World University Rankings 2018, with Oxford, Cambridge and London's Imperial College receiving top 10 status, and a further seven UK institutions in the global top 100.

Despite applications from other-EU nationals decreasing by 4.4% in the 2017 cycle, the UK continues to attract a strong number of international students – applications from non-EU nationals were up 2.8% in 2017 versus the previous year.

Of the 2.3 million students studying in the UK, 81% of these students are British citizens with the balance comprising 13% from non-EU countries and 6% from other-EU countries. There is particularly strong growth in the number of students coming from China, a trend iQ has seen with over 50% of our international students coming from this region in the 2017/18 academic year.

An increasing number of applicants are seeking to study at prominent universities in the UK, with the Russell Group representing 24% of all undergraduate acceptances in the 2016 cycle. Of the total 24 Russell Group universities in the UK, spread across 20 cities and towns, iQ has a strong presence in 12 of these and is well placed to benefit from this growing demand.

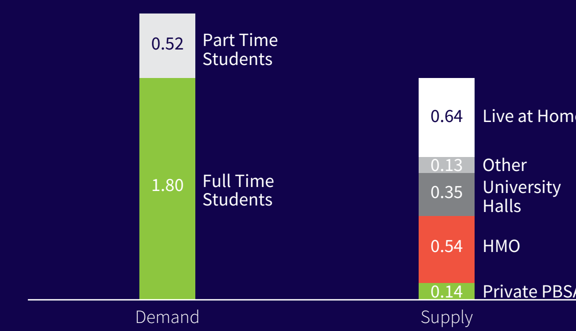
More students choosing to live in PBSA
There is a growing trend for students who choose to live in PBSA – with location, quality of accommodation and the all-inclusive nature of the costs being a major draw. In the 2016/17 academic year, there were over 1.0 million full-time students living away from home – 14% of whom chose to live in private PBSA, compared with 52% in HMO and the remainder in university halls. There are currently approximately 280,000 private PBSA beds in the market – with iQ owning 8% of those at the financial year end.

Despite ongoing development and a significant pipeline, the market still suffers from structural levels of undersupply. This undersupply is particularly evident in London where the London Plan suggests a need for between 20,000 and 31,000 additional bed spaces by 2025.

Opportunity for growth
Investment in the PBSA sector continues to grow as demand grows. Key players in the PBSA sector are all operating at near-full levels of occupancy, particularly in prominent cities and towns across the UK where growth is higher than the national average.

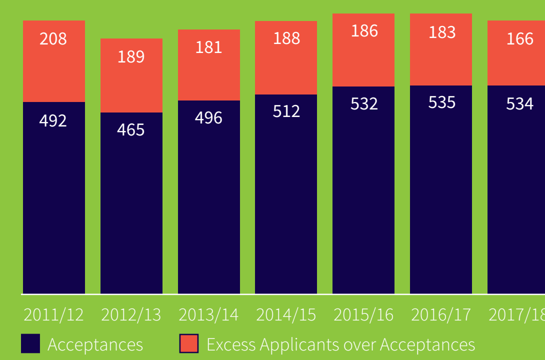
The UK remains an attractive place to study and investment in student property remains high. Although Brexit has created some uncertainty, student numbers in tertiary education are robust – with continued growth from international students.

Structural demand-supply imbalance in PBSA



Source: HESA 2016/17
Note: 'University Halls' includes beds let to Universities from the Private PBSA market. 'Other' students includes 'unknown' and 'not in attendance'.

The demand for student places continues to outstrip supply
University applications and acceptances (000's)



Source: UCAS

2.3m
STUDENTS STUDYING IN THE UK

62%
OF FULL TIME STUDENTS LEAVE HOME TO STUDY

WHAT THIS MEANS FOR iQ

The UK PBSA market continues to grow year on year, and the UK remains a global destination for students. The outlook for our market remains strong with structural growth and continued investment being supported by an ongoing demand for our world-class universities, and an increased appetite for quality living accommodation. iQ is well placed to benefit from these market dynamics.

CEO'S REVIEW

ROB ROGER

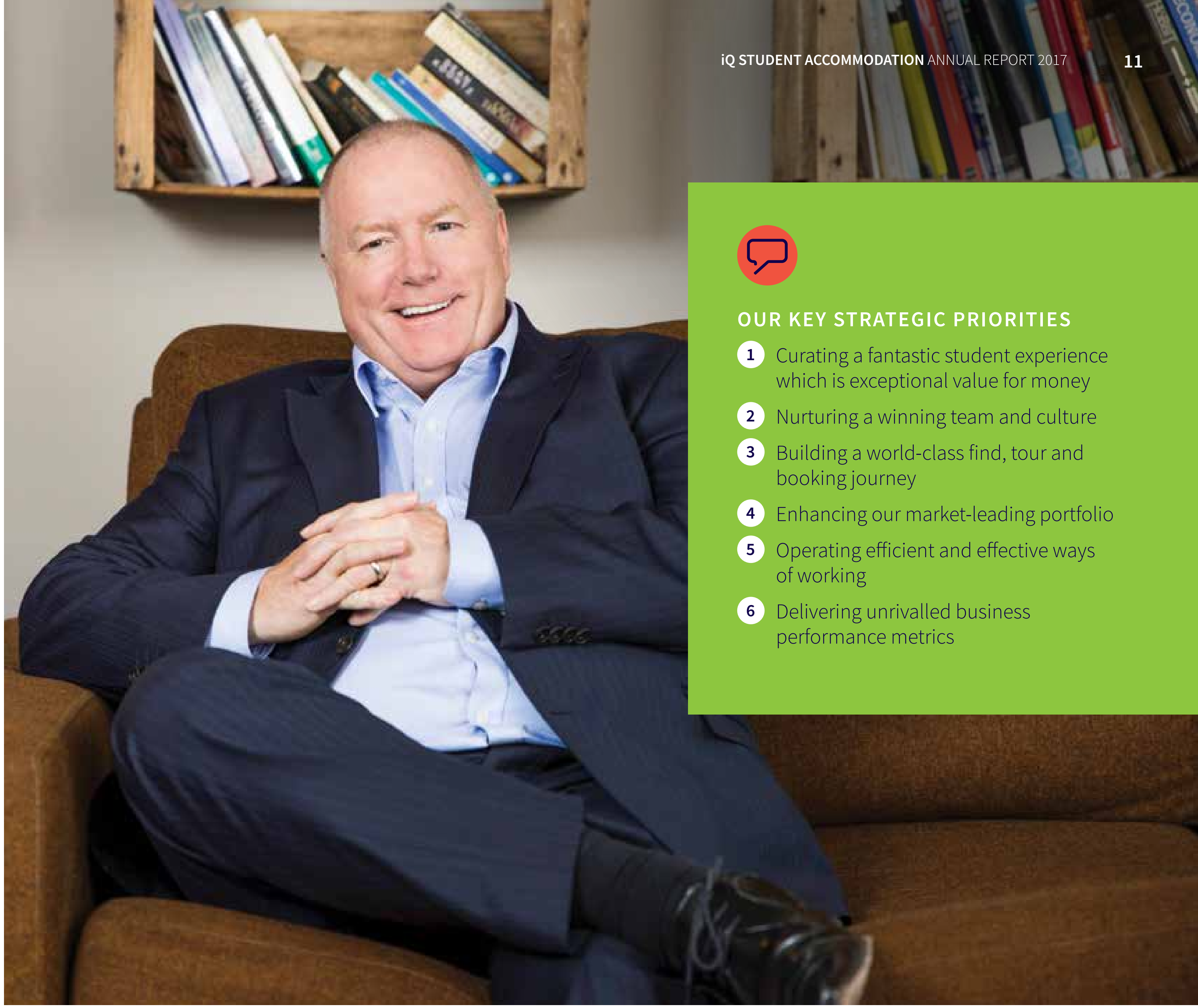
The 2016/17 academic year has been an exciting year for our business.

Having joined in July 2016, I am delighted to have served my first full academic year as Chief Executive and to have seen the business fully integrated as iQ Student Accommodation, following a successful merger with Prodigy Living in February 2016. We made our new home in our London Bridge head office and launched our new vision, strategic priorities and values to our board and our 528-strong team, placing students and their experience at the very core of our business.

PBSA is a fast-developing industry, with 2.3 million students currently in the UK's world leading higher education system. Where students live during their formative university years plays a crucial role in their experience.

Our well-located, high quality accommodation provides the best environment from which 24,000 students from across the globe can confidently make the most of their experience of studying and living away from home. It is our ambition that they look back on their time with us and say it was their best year yet. As well as providing welcoming homes and consistently good service for our students, we continue to focus on providing them with a great experience and we know our efforts are working. For the 2016/17 academic year, 56% of our rooms were directly let, showing that students are actively choosing iQ for their accommodation needs. We also had 44% of our rooms let through strategic partners, including strong relationships with 27 higher educational institutions across the UK, complementing our strong direct let business.

As part of our integration, we have elected to shift our financial reporting period to a September year end. The primary reason for this change is to further enhance our transparency by more closely aligning our reporting period with the academic year. As such, we are reporting on nine months of performance to 30 September 2017 in the financial section of this report. On an annualised basis the Group has performed strongly with revenue of £155million for the 12 months to September 2017 (£113.6million for the nine month period), underpinned by average occupancy of 98%, and underlying annual rental growth of 6% on a like-for-like basis. Our balance sheet position has also been strengthened during the nine-month period, with an increase in net assets from £550.1million to £695.7million, representing an uplift of 26.4%, delivered largely through our strong earnings and incremental value in our high-quality property portfolio.



OUR KEY STRATEGIC PRIORITIES

1. Curating a fantastic student experience which is exceptional value for money
2. Nurturing a winning team and culture
3. Building a world-class find, tour and booking journey
4. Enhancing our market-leading portfolio
5. Operating efficient and effective ways of working
6. Delivering unrivalled business performance metrics

YEAR IN REVIEW 2017

JAN

Investment in our people
Investment in platform to deliver training to the far reaches of the UK, earning recognition from the Learning Technology Awards in late 2017

Introduction of new online reward and recognition platform

MAR

Best in class training
Development of an ILM accredited leadership training programme

APR

Launch of iQ's booking system across the business
With full integration into the financial management system, a key addition to our operating platform

Acquisition of Collingwood site, Newcastle
A development with 272 beds with planning consent, due for completion in July 2018 in advance of the 2018/19 academic year

MAY

New Home
Moved to new head office in London Bridge

'Ones to Watch'
Employee engagement rating from Best Companies

Building a winning team and culture
Launch of our Vision & Values

JUN

Acquisition of Newland House and Newtown House, Nottingham
Two properties adding 350 beds to our Nottingham presence

AUG

Acquisition of Technopole site, Newcastle
A development property due for completion in 2020/21, subject to planning

SEP

Elgin Place, Glasgow open for business
Accommodation for 324 students, open for the 2017/18 academic year

Acquisition of Century Square, Sheffield
A 305-bed operational property added to our Sheffield portfolio

Launch of iQ's Business Intelligence tool
Access to real time data throughout the booking cycle to monitor trends and maximise revenue via dynamic pricing

CEO'S REVIEW
CONTINUED

This strong performance has given us a solid platform from which to continue to invest in our portfolio and in the student experience, further cementing iQ's position as a market leader.

Giving students their 'best year yet'
University is an exciting time when students can spread their wings and transition into resilient, independent adults. We know that being away from home can be daunting and occasionally lonely, which is why we make it as easy as possible for students to become part of their new community through the design and operations of our buildings – shared social and study spaces, free leisure facilities, gyms and a full calendar of events.

We also know that students are spending the majority of their time in their accommodation, and so ensuring that we provide the welcoming home and consistently good service that our students and university partners expect of us is a key priority for our teams. In Summer 2017 we invested £16.6million in the refurbishment of 25 sites across our portfolio, keeping our properties in line with the changing needs and tastes of our students.

We continue to prioritise the delivery of tech-enabled services to improve the overall student experience and the efficiency of our business; this is an area where we will invest significantly in the coming year. In 2016, as part of our successful integration, we launched our booking and management system, fully integrating it with our financial management system. This is a key addition to our operating platform, giving students a one-stop system to manage their booking, receive key communications, and lodge maintenance requests with their local teams.

We know how important it is for students to be greeted by a friendly and familiar face, so we prioritise having staff and security teams on hand and on site around the clock. Our commitment to developing unrivalled teams has been acknowledged, with our Learning and Development team being recognised for Best Learning Platform Implementation at the 2017 Learning Technologies Awards.

£155m
ANNUALISED REVENUE
(12 MONTHS PERFORMANCE TO 30 SEPTEMBER 2017)

6%
LIKE-FOR-LIKE RENTAL GROWTH

Student wellbeing is at the heart of our business. We give our students peace of mind by creating safe, comfortable, well-managed and serviced environments. Part of this commitment is placing the highest priority on health and safety. Following the devastating fire at Grenfell Tower in June 2017, we conducted a proactive and comprehensive review of our properties around the country, including all aspects of our fire and life safety systems, including cladding. Whilst all buildings complied with the relevant safety standards, we identified improvement works at three properties to enhance the measures already in place, namely at Allen Court and Atlantic 1 in Sheffield, and Penworks House in Birmingham. At Penworks House, we undertook an improvement programme to remove and replace the cladding system. The decision to close the property was in the interest of minimising the impact on students, only impacting the 2017/18 academic year. We were able to offer alternative accommodation options to all those impacted by the decision to close the site. We commenced work at the end of July 2017 and the site is due to reopen in Summer 2018, with bookings already being made.

Growing our unbeatable portfolio
iQ owns and operates all of its sites across the UK, and as of 30 September 2017 managed an unrivalled £2.22billion portfolio and 24,027 beds across the UK. Our strong financial performance and access to financing enables us to continue to grow this portfolio.

In planning this growth and development, we worked with KMPG to analyse all university cities in the UK. This resulted in the identification of 24 key target cities where we want to build strong market share and increase our presence. These include key metropolitan, multi-university cities like London and Manchester, as well as those with heavy alignment to Russell Group Universities, such as Sheffield, Glasgow, Nottingham and Edinburgh. This focus has helped us to develop a strong proposition in these markets, and has given us the confidence to invest in and deliver a strong value for money, direct let strategy. As of the end of 2017, 80% of iQ's value was in these 24 target cities.

In line with our strategy of expanding our unique brand proposition across target cities, the iQ offering was extended into Glasgow in 2017, bringing a new standard of student accommodation to this bustling university city. Our 324 rooms were completed for the start of the 2017/18 academic year and were fully let before the site had officially opened, demonstrating the strength of iQ's appeal. We have also expanded our presence in Nottingham and Sheffield, also two target cities, with the addition of 655 beds. These schemes were fully let for the 2017/18 academic year.

CEO'S REVIEW

CONTINUED

We have a strong pipeline of 1,984 beds – 529 of these in development, and 1,455 subject to planning consent – across Sheffield, Newcastle and Manchester. In Manchester, where iQ is the private PBSA market leader by bed numbers, we have an exciting scheme in planning. All of those are focused new developments in key target cities where we have strong existing market penetration.

Through our highly experienced management team we have the capability to grow in university locations where we already have a footprint, allowing us to optimise our strong central functions, delivering economies of scale. We continue to look for expansion opportunities and new markets, focusing our growth on cities and towns with a high degree of domestic and international student growth – with strong and growing universities, and a limited supply of quality accommodation. iQ is well represented in the top university cities and towns across the UK. Of the total 24 Russell Group universities in the UK, spread across 20 cities and towns, iQ has a strong presence in 12 of these – representing 75% of iQ's property value and 63% of total beds. We are well placed to benefit from the growing demand for places in these top institutions.

Delivering sector leading growth
Across the period we delivered strong like-for-like rental growth, and we are set to continue this trend. Our strong focus on delivering a differentiated proposition and experience for our students will set iQ apart from others in the market, and further boost our strong re-booker profile.

Driving summer revenue outside our core occupancy period is a key opportunity. Our presence in key markets where we have scale, particularly in London and Manchester, presents us with strategic opportunities to heighten the income we generate over the summer. Our summer revenue for the period ending 30 September 2017 was £3.5million, and our established relationships with agents and language schools continue to deliver a strong pipeline of students set to stay with us over the coming summer period.

75%

OF iQ'S PROPERTY VALUE IS IN RUSSELL GROUP CITIES AND TOWNS
(AS AT 30 SEPTEMBER 2017)

After the reporting period, we were successful in our bid to acquire 11 Pure Student Living sites in the key target cities of London, Edinburgh, York, Bath and Brighton. Following this acquisition iQ is the largest provider of PBSA in the UK by value, with a portfolio value of over £3billion and 28,000 beds. iQ is the market leader in Central London by bed numbers – an area of strategic growth for the company.
In addition, we are now able to offer an even wider choice of accommodation in London with 6,724 rooms in 15 sites from zones 1 to 4. This growth – giving us access to new markets in Bath and York, and expanding our presence in Edinburgh – means that 71% of iQ's sites and 80% of iQ's property value are now in Russell Group cities and towns. The sites will be fully integrated into the portfolio and rebranded as iQ in Spring 2018.

Over and above the obvious market advantages of acquiring Pure, an acquisition of this size will enable us to improve NOI margin across our business in the future, and drive further utilisation from our platform cost structure as we drive procurement and efficiency synergies across the bigger business.

Outlook
Despite macro uncertainties around Brexit, the outlook for our market remains optimistic with structural growth and continued investment being supported by an ongoing demand for our world-class universities, increasing participation rates and strong international student numbers.

iQ is well placed to benefit from these market dynamics, with average core occupancy at 98% for the 2017/18 academic year. With a strong pipeline for growth in our target markets, and a clear focus on driving the best student experience in the sector, we are confident that 2017/18 will be another strong year for iQ and expect revenue to increase by over 6% from our existing schemes.

Whilst 2017 was a highly successful one for iQ, it was also tempered with sadness at the passing of our Chairman, Dr John Hughes CBE, who was instrumental in iQ's development during his time on the Board. We are delighted to have appointed Penny Hughes CBE as Chair with effect from 12 February 2018. Penny's appointment – with her wealth of skills and experience in consumer facing businesses – is testament to the growing interest in the PBSA sector and iQ's strong position within it.

ROB ROGER
CEO

"We continue to look for expansion opportunities, focusing our growth on cities and towns with a high degree of domestic and international student growth – with strong and growing universities, and a limited supply of quality accommodation. Our strong direct let business is complemented by our strategic partnerships with educational institutions, and underpinned by our commitment to providing a fantastic student experience."

Read more about the Market Environment on page 08

OUR PERFORMANCE METRICS

We measure performance against our strategy though a mix of financial and non-financial performance measures.

We will use these as a basis for tracking performance going forwards.

£155.0m
ANNUALISED REVENUE
(FOR 12 MONTHS TO 30 SEPTEMBER 2017)

Measurement
Our annualised revenue generated by our student accommodation business, and our hotel operation

Commentary
Our revenue has continued to grow by driving incremental revenue from the existing portfolio, and acquisitions in Nottingham and Sheffield during the reporting period

STRATEGIC PRIORITIES 1 3 4 6

6%
LIKE-FOR-LIKE RENTAL GROWTH
(FOR 12 MONTHS TO 30 SEPTEMBER 2017)

Measurement
Our annual growth in student accommodation rental income, measured on a like-for-like basis

Commentary
Strong like-for-like rental growth has been driven by improved occupancy levels, select asset management initiatives and underlying market growth

STRATEGIC PRIORITIES 1 3 4 6

98%
AVERAGE CORE OCCUPANCY
IN THE 2016/17 ACADEMIC YEAR

Measurement
Our average student occupancy over the core occupancy period in the 2016/17 academic year

Commentary
We continue to achieve strong occupancy levels, which is underpinned by the premium quality of our portfolio and our excellent student offering

STRATEGIC PRIORITIES 1 3 4 6

75%
ADJUSTED NOI MARGIN
(FOR 12 MONTHS TO 30 SEPTEMBER 2017)

Measurement
Net operating income divided by total revenue, excluding the Group's hotel operations, expressed as a percentage

Commentary
We have continued to capture operational efficiencies through the benefits of our scalable operating platform, and the successful delivery of an integration programme post the merger of the Group in February 2016

STRATEGIC PRIORITIES 1 3 4 5 6

£95.5m
EBITDA
(FOR 12 MONTHS TO 30 SEPTEMBER 2017)

Measurement
The Group's EPRA earnings before charging interest, tax, depreciation and amortisation

Commentary
Our EBITDA is underpinned by the strong performance of our core student accommodation business, including efficiencies at an operational and corporate level

STRATEGIC PRIORITIES 1 3 4 5 6

£2.22bn
PROPERTY VALUATION

Measurement
The aggregate value of each property in our portfolio as at 30 September 2017

Commentary
Strong growth in the aggregate value of our wholly owned portfolio is driven by the premium quality of our existing assets and select acquisitions during the period

STRATEGIC PRIORITIES 4 6

26.4%
NET ASSET GROWTH

Measurement
Increase in net asset value from 31 December 2016 (our last reporting period) to 30 September 2017

Commentary
Our strong net asset growth has been delivered through our sustainable growth in earnings and incremental property values

STRATEGIC PRIORITIES 1 4 5 6

21%
RE-BOOKER RATE
(2016/17 RESIDENTS RETURNING FOR THE 2017/18 ACADEMIC YEAR)

Measurement
The number of direct let residents who rebook with us for the following academic year

Commentary
Our focus on driving a differentiated student experience drives our strong re-booker profile.

STRATEGIC PRIORITIES 1 2 3 4

Read more about the strategic priorities on page 10

SETTING A NEW BENCHMARK FOR THE STUDENT EXPERIENCE

ELGIN PLACE

CITY: GLASGOW
BEDS: 324
EMPLOYEES: 7

Rooftop terrace

DJ and performance space

Creative studio

The opening of our new development, Elgin Place, in Summer 2017 saw iQ's first entry into the vibrant city of Glasgow, a student rich city which houses over 56,000 full-time students.

The opening, timed to welcome its first intake of students for the 2017/18 academic year, was a significant achievement for iQ, and the building has redefined what students can expect from their accommodation experience.

Elgin Place was our first full development following the merger with Prodigy Living in 2016. The successful delivery of this major project, on time and within budget, and the outstanding outcome demonstrate iQ's strong credentials to undertake similar future developments.

The parcel of land, located on Bath Street in Glasgow city centre, was acquired in 2015. It has an iconic location in the city and is within walking distance of the University of Glasgow, Glasgow Caledonian, the University of Strathclyde, Glasgow City College, Royal Conservatoire and the Glasgow School of Art – making it the perfect choice for students.

What we did
We undertook the entire development of Elgin Place, a property offering 324 studios and cluster flat rooms over 14 floors, with a large retail space on the ground floor.

Elgin Place was designed to the highest specification, and features a wide choice of bedrooms all with en suite bathrooms. In keeping with our commitment to make it as easy as possible for students to feel part of their new community, the property has multiple social spaces, including an exceptional rooftop bar offering sweeping views of the city, relaxation spaces, a BBQ area and outdoor snug, a fully equipped gym, gaming rooms and a creative studio. The development also includes a film and presentation auditorium, private dining rooms, and a choice of quiet areas and study spaces.

RESULTS

iQ has delivered a high-profile project in a prime city centre location, on time and on budget. The team has created a highly desirable property, more akin to a fashionable hotel, that has set a new benchmark for student accommodation in the city and in the rest of the UK.

- Fully occupied for the 2017/18 academic year
- £28.0million capital invested in the development

GOING FOR GROWTH IN RUSSELL GROUP CITIES

NEWTOWN HOUSE AND NEWLAND HOUSE

CITY: NOTTINGHAM
BEDS: 350
EMPLOYEES: 9

Social hub

Onsite gym

Regular events

In June 2017, iQ acquired Newtown House and Newland House in Nottingham, two student accommodation properties, located at the heart of this 52,000 full-time student city.

The properties, located within a short walk from each other, were originally office developments that were converted in 2016 to provide 350 large, high quality studios. Newtown House and Newland House comprise 126 and 224 studios respectively, many of which benefit from excellent views over the city centre and Nottingham Castle. Occupying a prime position on Maid Marian Way, the properties are ideally located for access to both Nottingham Trent University and the University of Nottingham.

What we did

Bookings for the coming academic year in both properties were particularly low at the time of the acquisition in June 2017. Acquired with 19% occupancy and relatively late into the student booking cycle, our challenge was to market and sell the remaining rooms before the commencement of the academic year, a short period of three months. This would allow us to fully maximise revenue and cash flow generation from both acquisitions.

The benefits of our scalable operating platform and strong customer focus came to the fore as soon as we took possession of Newtown House and Newland House. Driven by our high-quality website, and supported by a wide range of sales and marketing initiatives, we delivered full occupancy across both properties in time for the commencement of the 2017/18 academic year – a major achievement in such a short period of time.

RESULTS

The acquisition of these two prime properties has seen us double our number of beds in Nottingham and close in on double digit private PBSA market share in this Russell Group university city. We now have plans to transform the facilities by upgrading the existing communal spaces and adding new studios across both sites.

- 100% occupied for 2017/18 academic year (19% at the time of the acquisitions)
- Doubled our number of beds in Nottingham

DELIVERING OUTSTANDING RETURNS THROUGH OUR CONTINUED INVESTMENT

iQ BRISTOL

CITY: BRISTOL
BEDS: 367
EMPLOYEES: 6

In Summer 2017, we embarked on the first of a two-part refurbishment of our iQ Bristol property located in the heart of this bustling city, where 40,000 full-time students have chosen to study. The property is situated within half a mile of the University of Bristol, a member of the Russell Group.

The refurbishment, the majority of which was completed in 2017, will see the modernisation of all student rooms, as well as a full upgrade of the property's amenity spaces – including a gym and study spaces, and the creation of spaces like a new mezzanine level. It sets a new benchmark for the sector and further enhances the premium accommodation experience we bring to this key market. Our investment in Bristol is driven by our commitment to giving students the best home-from-home experience.

Music practice room | **Onsite gym** | **Fantastic social spaces**

What we did

Our challenge in Bristol was to transform our property in line with its unrivalled location, bringing a market leading offer to the city. The project commenced in summer 2017 with the refurbishment of 177 ensuite and studio beds, bringing in modern colour schemes, new lighting and flooring, and new comfy beds. The reception was relocated, giving students a brighter, more open and modern entrance to the building, which is better suited to busy check-in days and our series of social events.

Brand new communal facilities were also created, including a fully-equipped gym, study spaces and new digitally enabled laundry rooms. One of the key student highlights from the refurbishment was the construction of a music room to complement the music courses taken by a number of our residents, and their desire to practice together. In addition, six new rooms were added, increasing the rental income generated by the site.

Following this highly successful first phase, the refurbishment will complete in Summer 2018, with the modernisation of the remaining rooms.

RESULTS

Refurbished to an extremely high standard, Bristol is now a stand-out choice for students. The refurbishment of the site, made possible by exceptional project and site teams, has further enhanced the premium quality of the iQ portfolio.

- Fully occupied
- Renovation Premium: £9-11 per week rental uplift
- 6 additional rooms increasing revenue, resulting in 367 beds

OUR APPROACH TO BUSINESS

We know the important role accommodation plays in the overall experience and happiness of students when they are away from home. At iQ, we want to play a positive role in the world by doing the right thing; first and foremost for our students and employees.

We work closely with our stakeholders, listening carefully to feedback. We run regular satisfaction surveys with students. A focus on customer experience and service is at the heart of our operations, and identifying areas for continuous improvement is a key output from these surveys.

We run regular open forums and an annual engagement survey to ensure that we understand how we are doing as an employer.

We have formal relationships with 27 higher education providers, and strong relationships with many others, across the country – working closely with them throughout each academic cycle.

Student wellbeing at the heart of our business

Being able to reach our full potential in life requires us to feel good in ourselves. How we live our lives – where we call home, what we do, the way we do it and why we do it, has a major impact on how good we feel.

We see wellbeing – our physical and mental health – as something to be nurtured and proactively looked after. It's not just about getting help when things feel tough and you can't cope. It's about increasing your resilience, making you stronger and happier – mentally and physically. This is why wellbeing is so central to iQ, for both our students and employees.

We want to create the right living environment for students who make their home with iQ, so that they can be the best of themselves and make the most of their time at university. Wellbeing is a central tenet running through our business, and over the next 12 months we are expanding our wellbeing programme to give more support to students. This includes continued investment in the design of our buildings – from the use of natural light in study areas, to creating the most inspiring social spaces, offering gym facilities and running events that promote social cohesion and make it easy for students to settle into their university home and feel a part of their new community. Feeling safe at home is vitally important, and we provide staff and security teams in our buildings around-the-clock.

We are also conscious of the cost of higher education – so we offer a range of accommodation options that appeal to all students and their parents. Our all-inclusive approach means that when students pay their rent, all the ancillary costs like utilities, gym membership, insurance and Wi-Fi are already included and paid for. There are no hidden surprises.

"I love the feel of iQ! The building is designed in such a way that it makes it easier to socialise with everyone and make new friends"

iQ RESIDENT,
Birmingham

Investment in our digital platforms will give students access to a range of useful content, ranging from exercise tips to advice on coping with exam stress, all created in close collaboration with a range of expert partners.

iQ maintains the highest standards in the field of health and safety and we continuously strive to improve on these standards. Our leadership team strongly champions the importance of, and a common-sense approach to, health and safety in the workplace.

Management is committed to developing, maintaining and promoting systems that ensure there is a positive and proactive health and safety culture that brings about safe working practices at iQ. There is commitment in all areas of the business to ensure all employees have a good knowledge and understanding of health and safety. There are clear lines of upward and downward communication and adequate resources to support and maintain the Health and Safety management system.

It is our overall objective to prevent exposure to risks, injuries and work-related ill health to our employees and those who are engaged in or affected by iQ's activities. It is our policy to do all that is reasonably practicable to protect our staff, student residents, visitors and members of the public from hazards which may occur as a result of the Company's activities.

Engaging with our student residents

Regular interaction with our student residents allows us to understand what is important to their experience and therefore their propensity to rebook with us for another year.

Student satisfaction is very important to us, and we engage with students across their year to understand how they feel about their experience at iQ, starting with a survey at six weeks from check-in that focuses on the critical initial period of settling in to their new home. Building a deep understanding of how they feel about iQ is important to encouraging them to rebook with us or recommend us to their friends. Of our direct let bookings for the 2017/18 academic year, 21% were made by re-bookers. As we continue to strengthen our connection with our students, we expect to see benefits through an increase in our re-booker rate in the 2018/19 academic year.

OUR APPROACH TO BUSINESS

CONTINUED

Creating spaces with sustainability in mind

We believe in creating spaces that students want to spend time in, and that are operated sustainably.

As a business that has grown largely through acquisition, our challenge is to transform our buildings into spaces that students love spending time in and that contribute to their overall experience. We do this through a focus on good design and placing a high premium on amenities that create vibrant hubs of student life.

In addition, iQ, its students and employees care about being environmentally responsible. Our work in this space will take shape over the coming year, focused on engaging and educating our students on the reduction in energy consumption and providing our teams with robust management information that will enable them to contribute positively to reduced energy consumption and carbon footprint, and engage student residents on these matters.

In 2018, we will be embarking on a technical optimisation programme to deliver energy saving opportunities, including a capital projects programme that will deliver significant reduction in maintenance and energy costs.

Breaking down the barriers between our properties and the communities around them is important to us. Our site teams are passionate about making a difference, and we give them the flexibility to support the charities and causes that are locally relevant and important to them and their student residents. Our teams engage in a number of initiatives, from site fundraising to taking part in events to raise money for charities, such as our North-West team who took part in a dragon boat tournament to raise funds for local charity Pool of Life and Water Aid. In addition, each time we refurbish one of our properties we endeavour to recycle the small electrical items through donation to charities, such as our Kingston refurbishment where 214 rooms were refurbished and over 96% (approximately 135 tonnes) of the waste created was recycled, and two truckloads of reusable items were donated to charities and other good causes.

Our values

- Be the best
- Be the leader
- Be the team
- Be the learner
- Be the future
- Be the business

Creating a great workplace for our talented teams

Our talented teams – empowered to make a difference to their local communities – go above and beyond to deliver a fantastic experience for our residents. We want to create a great working environment for our teams, giving them the opportunity to thrive.

We want our people to love coming to work. We made good progress in the back half of the year in embedding our iQ culture across the newly integrated business, including the launch of our united vision, values and strategic priorities – giving our accommodation site teams a clear understanding of our ambitious plans and how we will deliver them. We also ran our first engagement survey and were rated as "Ones to Watch" from Best Companies.

We are committed to empowering our talented teams through a focus on development and training. This year our Learning and Development team have delivered over 4,000 hours of training to our teams. We have also invested heavily in the overhaul of our Learning and Development platforms, earning recognition for our efforts and seeing our employees getting value from this training space – since its re-launch we have seen high levels of engagement with My iQ Learning. Our platform gives employees the opportunity to undertake essential training, and also develop themselves by providing them with access to a range of expert talks and articles that allow them to learn about topics that interest them. We also want our employees to feel their best during their time with us, and as part of our commitment to this, we will be giving them access to wellbeing content across a range of topics from exercise, to money management, to nutrition and mindfulness.

A diverse and inclusive organisation is better able to serve our customers and communities, and to attract and retain the best talent in the sector. We have students from 120 countries living with iQ, and our diverse workforce complements our customer base.

As at 30 September 2017, 53% of our employees were female. We are committed to addressing the gender demographics of our business, particularly in leadership roles, where female representation across the business was 14%.

We are an equal opportunities employer – drawing on what is unique about each of our employees, their different perspectives and experiences will add to the way we do business. We recognise and support our obligation to make reasonable adjustments to accommodate job applicants and employees with disabilities who are able to perform the essential functions of the position. Any employee who becomes disabled whilst in employment will be given the full support of the company to ensure, where possible, they can continue in their existing role.

Our continued growth

We believe that by re-imagining the student experience, maintaining our culture and values, and harnessing our passion for the opportunity, we will drive success now and in the years to come.

iQ is a relatively young business. We are excited about our growth in what is a rapidly developing sector. We are re-imagining the student experience and with that we have the opportunity to try new initiatives and continually improve our offer. The coming twelve months will, no doubt, allow us to innovate across a number of areas – be it wellbeing, sustainability, building design, and the amenities we offer our students. The industry is unrecognisable compared with how it was 10 years ago and we are excited to see what the next decade will bring, both for iQ and the sector more broadly.

We are committed to doing right by our employees, student residents and suppliers, and regularly review our policies and procedures to ensure they are fit for purpose. You can find copies of our policies and position statements on issues such as modern slavery and health and safety on our website at www.iqstudentaccommodation.com.

VALUE ADDING PARTNERSHIPS

MARSDEN HOUSE AND LEEDS BECKETT UNIVERSITY

iQ has formal relationships with 27 higher education providers across the UK, working in close partnership with them to deliver an outstanding accommodation experience for their students.

Marsden House and Leeds Beckett University
In early 2017 we commenced discussions with our partner Leeds Beckett University (LBU), about how we might work more effectively with them to the benefit of the university and iQ, but most importantly the student residents of Marsden House.

The 978-bed site, just a short walk from both the university and the city centre, was acquired out of administration, and whilst it benefited from a long lease with LBU, investment was constrained by annual termination provisions in the lease. We undertook to change this, working closely with the university, taking back one-third of the rooms for iQ to market direct to students and committing to a programme of significant refurbishment of the entire site. Over the Summer of 2017, the direct let rooms and amenity spaces were refurbished. This included the introduction of a "surgery space" for the University's Pastoral Care Services, allowing LBU personnel to regularly meet students on site to discuss any areas of concern they might have.

The additional two-thirds of rooms will be refurbished over the next two years, completing in Summer 2019. Feedback from the University and students has been extremely favourable and Marsden House now ranks as one of LBU's most popular halls of residence.

Beyond the clear benefits to the student residents and the University, this partnership with LBU has also resulted in commercial benefits for iQ. The two parties now have in place a new agreement running to 2031, with option to break in 2028. This means that both the relationship has been strengthened and the certainty of returns for iQ have been improved, with 606 elegantly refurbished rooms fully underwritten on RPI indexed rents for the medium term.

"iQ have been great partners for the last few years, ensuring that the students who have chosen Leeds Beckett University have access to well maintained, comfortable and safe accommodation during their time with us. The management team, with their focus on customer service for both the students and their university partners, have given us the confidence to extend our nomination agreement with them to run until 2028. We look forward to being able to offer a friendly home-from-home to our students with iQ over the coming years."

DAVID COLLETT,
Director of Campus and Residential Services,
Leeds Beckett University

606

ELEGANTLY REFURBISHED ROOMS

FINANCIAL REVIEW

STEPHEN LEUNG
CHIEF FINANCIAL OFFICER

iQ has seen another period of strong performance, with EBITDA for the period of £66.9million and an increase in the value of our portfolio to £2.22billion.

Increased earnings and a strong uplift in valuation have been driven by our high-quality assets, excellent student offering and scalable operating platform.

This reporting period of nine months is the first time we have presented our consolidated financial statements to the end of September, following the initial reporting period of 11 months to 31 December 2016. We have changed our financial year end to closer align our reporting period with the academic year.

Revenue

	30 September 2017
Annualised revenue	£155m
Annual rental growth	6%
Average core occupancy	98%

The Group generated revenue of £113.6million for the nine months to September 2017. Our annualised revenue for the 12 months to 30 September 2017 totalled £155million.

We achieved annual rental growth of 6% on a like-for-like basis for the 12 months to 30 September 2017. In addition to underlying market growth, average core occupancy of 98% for the 2016/17 academic year was a key driver. We also upgraded 2,038 beds in Summer 2016 as part of our asset management programme, which generated renovation rental increases in the 2016/17 academic year.

£115m

NET OPERATING INCOME (NOI)

(12 MONTHS TO 30 SEPTEMBER 2017)

75%

ADJUSTED NOI MARGIN

(12 MONTHS TO 30 SEPTEMBER 2017)

We acquired three new schemes late in the reporting period which generated revenue of £0.4million; two schemes in Nottingham in June, and a scheme in Sheffield in late September. The full impact of these acquisitions will flow through to the Group's revenues in the financial year ending 30 September 2018.

We continue to drive summer revenue outside our core occupancy period, which totalled £3.5million in Summer 2017. Our presence in key markets provides us with strategic opportunities to increase the income we generate during the period, particularly in London and Manchester where we have significant scale and the demand for summer lettings are at a premium.

We launched our Business Intelligence software during the period, which provides us with the tools to dynamically price our direct let beds throughout the booking cycle to maximise revenue. The full benefits of our Business Intelligence platform will be realised in future reporting periods.

Net Operating Income

	30 September 2017
Annualised net operating income	£115m
Annualised adjusted NOI margin	75%

The Group delivered net operating income of £82.3million for the nine months to 30 September 2017, and annualised net operating income of £115million for the 12 months to 30 September 2017. We achieved an adjusted NOI margin of 75% on an annualised basis.

The Group has continued to capture operational efficiencies through the benefits of our scale. During the period we launched our fully integrated student booking and management system across the business, and continued to realise operational synergies as part of the successful delivery of the post-merger integration programme.

With a number of strategic initiatives ongoing, which impact both revenue and property operating costs, we expect to see further improvement in our adjusted NOI margin in the next reporting period.

Earnings

	30 September 2017
Annualised EBITDA	£95.5m
Annualised adjusted EBITDA per bed	£4,100

Profit before tax for the period was £152.6million and includes an aggregate revaluation gain on investment properties of £136.4million.

FINANCIAL REVIEW

CONTINUED

EPRA earnings for the period, excluding revaluation gains, valuation movements on financial instruments and exceptional items was £22.4million.

Underlying EPRA earnings before interest, tax and depreciation (EBITDA) for the period was £66.9million. Annualised EBITDA for the 12 months to 30 September 2017 was £95.5million.

Administration expenses for the period totalled £21.4million and primarily comprises costs incurred centrally to operate the business. Included in this were exceptional costs of £5.5million which were incurred as part of our continuing investment in our operating platform.

Cash Flow

During the nine-month period, the Group saw cash generated from operations of £66.6million.

During the period capital expenditure outflows were £98.8million, the bulk of which relates to the acquisitions in Nottingham and Sheffield, and investment in our asset management programme. Cash inflows from financing activities in the period were £114.2million.

The net change in cash for the period was £53.4 million, increasing cash and cash equivalents to £147.1million at 30 September 2017.

Balance Sheet

Our balance sheet has been further strengthened during the reporting period, with an increase in net assets from £550.1million to £695.7million, an uplift of 26.4% driven by our strong operating performance in the period and resulting increase in valuation.

Property Portfolio

	30 September 2017	31 December 2016
Property valuation	**£2.22bn**	£1.98bn
Average portfolio yield	**5.1%**	5.3%
Net revaluation surplus	**£136.4m**	£0.6m

£95.5m

EBITDA

(12 MONTHS TO 30 SEPTEMBER 2017)

"Increased earnings and a strong uplift in valuation have been driven by our high-quality assets, excellent student offering and scalable operating platform."

The Group's property portfolio is independently valued by CBRE in accordance with the RICS Valuation Professional Standards global January 2014 (redbook). As at 30 September 2017, the aggregate market value of all of the properties in our portfolio totalled £2.22billion, a £242.2million increase from 31 December 2016. The average portfolio yield at 30 September 2017 was 5.1% (compared to 5.3% at 31 December 2016).

The valuation increase was in part attributable to capital expenditure on acquisitions and developments of £61.5million, and £44.3million incurred as part of our refurbishment and asset management programme. The net revaluation surplus for the nine-month period was £136.4million representing an increase of 6.9%.

CBRE value the properties individually and no account has been taken of any premium that may be achieved in the market if the portfolio was marketed as a whole. There have been a number of recent market transactions that achieved portfolio premiums and we believe that the value of iQ, as a whole, to be in excess of the CBRE valuation.

Debt structure

The Group's borrowings comprise a mix of term loans and shareholder mezzanine loan notes. Loans are raised against ring-fenced pools of assets on a non-recourse basis to the rest of the Group.

The Group had net external debt of £1.12billion as at 30 September 2017. The Group's net LTV ratio excluding shareholder loans was 50.4% as at 30 September 2017 compared to 53.2% as at 31 December 2017.

During the period we took the opportunity to refinance part of our existing bank debt increasing tenure and raising £119.4million of incremental debt as part of the process. As at 30 September 2017, the weighted average remaining term of the bank debt including extension options was 4.5 years. The average cost of debt during the period was 2.67%.

Outside of the reporting period, in December 2017, the Group raised a further £525million in connection with the acquisition of the Pure Student Living portfolio. Since the formation of the Group in February 2016, we have raised £1.26billion in proceeds from debt financing. This is a significant achievement in less than two years and demonstrates the confidence lenders have in the Group, our overall business strategy and financial performance outlook.

RISK MANAGEMENT

OUR APPROACH

The Managers of the Company have overall responsibility for the monitoring of risk management across the Group.

In order to assist with the discharge of their obligations, the Managers have engaged the UK advisory board of iQSA Group Limited to oversee risk management across the Group. This is achieved through reviews carried out at board meetings and during meetings of its Audit and Risk Committee. The Audit and Risk Committee reviews the risk management work of the UK operational team, who are responsible for the day-to-day identification, management and ownership of risks.

The Group recognises the importance of identifying and actively monitoring the full range of financial and non-financial risks facing the business. It is in the process of establishing and embedding a properly resourced system for the identification, monitoring and control of risks.

The board of iQSA Group Limited pays particularly close attention to Health & Safety and Compliance matters, with a separate report prepared and discussed at each board meeting. Specific items are also added to agendas to capture particular issues.

OUR ASSESSMENT OF RISK

Risks are assessed on the basis of their likelihood and their financial, safety and reputational impact.

We consider the gross risk for each and then the residual risk that remains after the effect of any mitigating actions and controls. Risks are then scored using a matrix, which enables us to rank them and identify the principal ones for focus.

Individual departments create and maintain their own risk registers.

OUR WORK THIS YEAR

During the course of the year, a specialist firm of risk consultants were engaged by the Group to support the management team in the development of a risk control and reporting framework, both for current and emerging risks.

Individual department heads received training and instruction to assist them in the creation of departmental risk registers on a “bottom up” basis. Senior management were then consulted and asked to identify more strategic and macro risks from the “top down”.

The outputs of this exercise were considered at a number of workshops and specific meetings of the UK executive management team. This culminated in the production of both departmental Group risk registers that were considered again by senior management, with each risk scored and ranked.

This was then scrutinised by the Group’s Audit and Risk Committee. A summary table of the principal risks for the Group, as at 30 September 2017, appears below.

OVERVIEW AND OUTLOOK

The period under review has seen a number of significant domestic and international events that have had a wider impact on the Group’s business.

These have included the immediate aftermath of the UK’s decision to leave the EU, the Grenfell tower disaster and other political changes across the globe. Each has been the subject of much discussion at Board and senior management level.

Although the business of the Group is principally based in the UK, a very significant proportion of its customers, shareholders and investors come from overseas. Management is cognisant of this and the impact international events may have on the development of the business.

The principal risks and uncertainties which the Group faces at the end of the reporting period are set out below.

Potential events	Impact	Mitigating Measures
Market risks		
1. DOWNTURN IN CUSTOMER DEMAND		
• Changes in Government immigration/ visa policy; • Changes in Government policy on Higher Education funding; • Brexit and immigration policy imposes restrictions on the number of EU students who study in the UK; • The ability of the universities that we serve to attract students; • The UK becoming less attractive as a place to study compared to other countries due to factors such as affordability; • Increased competition from other providers of purpose built student accommodation; • Alternative course options for students including online/distance learning.	• Lower demand from international students; • Loss of income and reduced profitability; • Potential loss of market share in specific cities/towns	• Government policy is closely monitored and we lobby individually and through trade bodies in order to raise awareness of the impact of new restrictions on student immigration; • Ongoing monitoring of the form of Brexit and its implications; • The Group selectively enters into long term lease contracts with universities, securing guaranteed income over the life of the contracts; • The Group has a well-diversified portfolio of properties across the United Kingdom, which is managed by a highly qualified and experienced team. • The Group has a strong presence in Russell Group university towns and cities, where student growth is particularly strong.
Operational risks		
2. HEALTH & SAFETY (H&S)		
• Changes in compliance climate in respect of building safety, and fire safety in particular.	• Potential major capital expenditure resulting from requirement for significant remedial works; • Potential inability for some works to be completed whilst students in situ; • High incursion of cost.	• The Group conducted a proactive and comprehensive review conducted of all iQ sites which confirmed all sites complied with applicable safety standards; • The Group has commenced remedial works on three properties, including cladding replacement at Allen Court, Atlantic One and Penworks House; • The Group is upgrading all fire alarms to L2 or better; • The Group’s Compliance team closely monitors any proposals for change, working with the Fire Services, University partners, Regulatory Bodies, students and other stakeholders; • The Group has a high-level working group focused on this subject, providing regular board updates.
• Major injury or fatality at an existing property, development site or corporate head office.	• The tragedy of a serious injury or loss of life; • Brand damage/ reputational loss; • Potential damages and/or other liabilities.	• The Group’s Audit and Risk Committee oversees H&S matters, including the monitoring of the Group’s key risks from a H&S perspective; • The Group employs specialist H&S staff to oversee, guide and challenge operations on a day-to-day basis and ensure our policies and procedures meet the minimum compliance standards; • The Group’s H&S metrics are tracked on a frequent basis and compared against benchmarks, which includes review by the Audit and Risk Committee; • Continuous assessment and monitoring of traditional and social media including quick response in the event of inaccurate or negative media reports — Compliance reports produced and discussed at every iQSA Group Board meeting, with updates sent to the Managers.

RISK MANAGEMENT

CONTINUED

Potential events	Impact	Mitigating Measures
3. INFORMATION TECHNOLOGY AND SYSTEMS		
• Cyber security breach leading to loss of major systems; • Loss of major systems (such as booking and financial management systems); • Loss of confidential data into the public domain; • Failure to recover systems after a significant outage.	• Potential loss of revenue due to inability to secure bookings and/or collect rents; • Inability to gather information and report; • Potential damages and/or other liabilities; • Reputational damage.	• The Group provides training for staff on Data Protection and Cyber Security; • The Group has implemented vulnerability management tools and deployed anti-virus software; • Portable devices are encrypted; • Microsoft Cloud in place for booking portal and email services; • Virtual desktops deployed; • Data files and financial management system hosted in 'private Cloud' data centres and benefit from duplicate resilient hardware on site within each data centre; • The Group is currently undergoing a detailed review of its data management, as part of its preparation for the implementation of GDPR.
4. PARTNERS AND SUPPLIERS		
• Major loss of supply chain and/or contract.	• Business unable to function effectively; • Reputational damage; • Potential inability to run sites effectively or collect rents/deposits and pay refunds.	• Robust onboarding process including detailed due diligence of strategic partners; • Contracts with agreed SLAs and penalties for failure to deliver service/goods in place; • Disaggregation of certain key contracts nationally; • The Group has good social media channels for communication in the event of service delivery failure; • Business continuity plans in place.
• Loss of significant university partner relationship.	• Potential contract termination; • Potential litigation; • Damage to reputation; • Potential loss of revenue.	• The Group's Commercial Director maintains close working relationships with key individuals and stakeholders.
Property/development risks		
5. GOVERNMENT REGULATION RELATED TO PBSA AND/OR HOUSING		
• Adverse regulation in respect of PBSA/PRS, for example planning, CIL, letting fees, HMO licensing, rent control, business rates, MDR, VAT and council tax exemption.	• Significant increase in site based costs; • Local or central government regulation impacting EBITDA; • Increase in acquisition/development/disposal costs.	• The Group works closely with BPF and ANUK who provide early information of regulatory trends and lobbies through both groups; • Membership of trade bodies alerts Commercial and Compliance Directors of possible new regulations.

Potential events	Impact	Mitigating Measures
Financing risks		
6. ADVERSE MATERIAL EVENT RELATING TO BANK DEBT ARRANGEMENTS		
• Adverse interest rate or market value movements; • Breach of loan covenant (perhaps due to a fall in the value of assets or reductions in income).	• Reduced profitability; • Requirement to refinance, which may be difficult depending upon the market at the time; • Potential forced sale of assets; • Potential inability to fund corporate and/or capital commitments affecting future growth and performance.	• Each loan facility has headroom so that increases in interest rates or a deterioration in asset values may not cause a default. They also include alternative "cure" rights which are available to prevent a default; • The Group monitors the performance of its business, future cash flow and forward covenant compliance carefully; • Regular bank covenant reporting to the Board, along with sensitivity analysis flagging any issues; • Values and changes to valuation methodology are followed carefully by the Group's Investment Team; • Financial derivatives are in place to hedge most of the interest rate risk; • The Bank of England's views on interest rate movements are closely monitored, in addition to general macroeconomic factors; • Specialist resources manage this ongoing risk within the Group's Treasury Department.
People risks		
7. LOSS OF KEY PERSONNEL		
• Key personnel depart the business due to a lack of career opportunities or development; • Organisational design not matched to deliver the business strategy; • Succession planning for key members of staff is poor.	• Loss of know-how and ability to execute strategy; • Disruption to the business, including the hiring of replacement staff; • Impact on employer reputation; • Cost of hiring replacement staff.	• The Group is committed to employing high quality people and to ensuring that they are properly remunerated and developed to facilitate rewarding careers; • ILM accredited Leadership development programme launched to encourage the growth and development of our people with a view to their advancement within the business; • New operating model introduced at site level to improve clarify on roles and responsibilities and working practices.

PEACE OF MIND

GOVERNANCE

OUR APPROACH TO GOVERNANCE

The Group is committed to adopting those international standards of best practice appropriate for a group of its composition and shareholder base. Good progress has been made with this objective since the Group's formation in February 2016.

THE COMPANY'S OWNERSHIP AND ITS MANAGERS

The Company is Luxembourg incorporated and domiciled. It is the parent of the iQSA Group of companies and was formed by a joint venture made in early 2016.

Its principal shareholders are companies controlled by Goldman Sachs Group, Inc. ("**Goldman Sachs**") and the Wellcome Trust ("**Wellcome**").

The Managers of the Company are appointed by those shareholders, with Goldman Sachs appointing four and Wellcome appointing two. The names of these Managers are set out in the Directors Report section of this Annual Report.

THE GOVERNANCE AND MANAGEMENT STRUCTURE OF OUR GROUP

The Managers of the Company are responsible for the operation, oversight and governance of the Group.

In order to assist with the discharge of these obligations, the Company has formally appointed its UK incorporated and resident subsidiary, iQSA Group Limited ("**iQSA Group**"), to oversee the day to day operations and execution of strategy within its UK business.

This appointment is made on the basis of a formal governance matrix, which sets out matters that are specifically reserved for the Company to determine, thus ensuring that it exercises control over appropriate strategic, financial, operational and regulatory issues. Decisions that are reserved to the Company include the approval of the following (or any amendment thereto):

- The appointment of Directors to the iQSA board
- The Group's budget, business plan and strategy
- Capital expenditure within the Group
- Any acquisitions, disposals, developments or refinancing by the Group
- Any other significant events

iQSA Group is required to make proposals to the Company with regard to strategy, corporate activity and financing.

The board of iQSA Group is comprised of four non-executive directors. Two of these are employees of Goldman Sachs, one an employee of Wellcome and the other is an independent director who acts as chairman. As Rob Roger explains in his Chief Executive's review, the chairman of iQSA Group, John Hughes, sadly passed away earlier in the year. Penny Hughes CBE, has been appointed with effect from 12 February 2018.

iQSA Group has established a UK management company which employs specialist management who are responsible for the day to day running of the UK business. The members of this team and their profiles are set out below.

BOARD MEETINGS

The Board of managers of the Company meets quarterly for a full review of the Group's activities and on many other occasions to consider matters reserved to it.

The board of iQSA Group is scheduled to meet eight times a year, with one meeting taking place over two days to consider the Group's strategy. Members of the UK Management team attend at the invitation of the Chairman.

Each board meeting reviews a number of standing agenda items, which include a thorough review of health and safety matters and other items which focus on the performance and progress of the business. Meetings typically also include proposals for corporate development and other business initiatives.

The Group's secretary arranges and attends all Board and committee meetings.

iQSA GROUP'S BOARD COMMITTEES

In order to assist it in the discharge of its responsibilities for oversight of the Group's UK operations, iQSA Group has established separate Audit and Risk Committee and Remuneration Committees.

Each Committee has detailed terms of reference terms of reference that have been approved by the board of iQSA Group and the Managers of the Company. Both committees are comprised of one employee of Goldman Sachs, one from the Wellcome Trust and the independent chairman.

Both Committees are constituted as advisory committees to the board of iQSA Group and their roles are summarised briefly below. The iQSA Group board considers the advice and suggestions received from the committees and uses it to make suggestions and recommendations to the Board of the Company.

AUDIT AND RISK COMMITTEE

The committee's purpose is to assist and advise the Board on the oversight of audit, compliance, business, operational and reputational risks and in the adoption and review of processes for ensuring the effectiveness of the Group's systems of risk management and internal control.

The principal areas of its responsibility are the:

- integrity of the Group's financial statements
- appointment and remuneration of external auditors and valuers and a review of their work
- systems of internal control
- identification and management of keys risks, and
- production and maintenance of the Group's risk register

During the year under review, the committee met to review the Group's financial statements for the period to 31 December 2016 and the report of the independent auditors, PricewaterhouseCoopers, thereon. During that meeting, the committee also received a presentation from the Group's valuers, CBRE on their annual valuation of the Group's portfolio. This valuation makes a significant contribution to the Group's results and is carefully scrutinised both by the committee and the Group's auditors.

In addition, the committee commissioned the production of a Group risk register and scrutinised an initial draft of the principal risks facing the Group and proposals for their mitigation. The finalisation of this register and its embedding within the Group is a key aim for the committee in the coming year.

REMUNERATION COMMITTEE

The committee was established to assist and advise the Board on the establishment of a remuneration policy for the UK business, setting remuneration for senior employees and to have oversight for remuneration across the rest of the Group.

In determining the remuneration policy, the committee takes into account all legal and regulatory as requirements as well as best practice in the UK.

During the course of the year, the committee put in a place a remuneration policy with the support of its external advisors, PwC. The objective of the policy is to attract, retain and motivate executive management of the quality required to run the UK business successfully without paying more than is necessary and having regard to views of the Company and its shareholders.

The remuneration policy also has regard to the risk appetite of the Group and alignment to the business' long strategic term goals. This is discharged by ensuring the correct balance between short and long term pay.

The committee considered benchmarking studies for the pay of senior managers, established a new bonus structure for the UK business and progressed the establishment of a long term incentive plan. It also considered the payment of bonuses across the Group following a review of the achievement of business targets as well as set annual pay increases.

OUR UK OPERATIONAL TEAM

iQ has a strong operational management team, with significant combined experience across the real estate, student accommodation, hospitality and leisure sectors. With headquarters in London and Manchester, the management team leads a 528-strong workforce, empowered to contribute to the success of the business through locally based decision making.

The management team attaches high priority to effective communications with the Company's Managers and other providers of capital to the business.

Operating an open culture is important to the management team, and employees are encouraged to share their views through meetings with their managers, regular forums and during leadership visits to our properties around the UK.

ROB ROGER
CHIEF EXECUTIVE OFFICER

Rob has been Chief Executive Officer at iQ since June 2016. Prior to this, Rob was the CEO of Spire Healthcare for five years, having previously held the position of CFO for the company since 2007 and was successful in floating the company as a FTSE 250 PLC in April 2014. In addition, Rob held the role of CFO at Tussauds Group for nine years, leading the company's sale to Merlin Entertainment PLC. Rob is a Chartered Accountant, with substantial experience in strategy, finance, operations and business development.

ILIYA BLAZIC
CHIEF INVESTMENT OFFICER

Iliya joined iQ as Managing Director in 2015, before being appointed CIO in 2017. Iliya was a key leadership figure in the merger with Prodigy Living in 2016 and has built a highly experienced property investment and development team that continues to grow the iQ portfolio. Iliya has over 20 years' experience in the commercial and residential real estate sectors, having previously been in The Wellcome Trust investment team and at LaSalle Investment Management prior to that. Iliya qualified as a Chartered Surveyor with Jones Lang LaSalle.

ADRIAN DE SOUZA
GENERAL COUNSEL AND COMPANY SECRETARY

Adrian has been General Counsel and Company Secretary at iQ since February 2016, having previously held positions at Land Securities Group and SABMiller plc. Prior to that he worked in private practice with Clifford Chance. Adrian is a solicitor.

STEPHEN LEUNG
CHIEF FINANCIAL OFFICER

Formerly Director of Corporate Finance and Treasury at Land Securities Group PLC, a FTSE100 company and the UK's largest REIT (Real Estate Investment Trust), Stephen joined iQ as CFO in 2015. Stephen has more than 15 years' commercial property experience, and is also a fellow of The Association of Corporate Treasurers. Stephen qualified as ACA with Deloitte.

MATT MERRICK
CHIEF OPERATING OFFICER

Matt joined iQ in April 2017 following twelve years with Virgin Active where he held various leadership positions including Finance Director, UK Managing Director and more recently European COO. During his time at Virgin Active, Matt led successful integrations following two major mergers and was responsible for the launch of the company's luxury offer, The Collection. Matt brings a passion for the customer experience to iQ. He is a Chartered Accountant having previously trained with KPMG.

DAVID TYMMS
COMMERCIAL DIRECTOR

David has been with iQ since 2008, and brings over 25 years' experience in the Higher Education sector to the role. David is responsible for the development and nurturing of iQ's strategic partnerships with universities across the UK. David has held senior roles at a number of UK institutions including Goldsmiths', SOAS and UCLAN and most recently as Director of Residential Services at the London School of Economics and Political Science. He is also a founding member and current chairman of the British Property Federation's Student Accommodation Committee.

MANAGERS' REPORT

FOR THE NINE-MONTH PERIOD ENDING 30 SEPTEMBER 2017

The Managers are pleased to present their report for the period. Company law requires a number of specific disclosures, which are either set out or cross referred to in this report.

PRINCIPAL ACTIVITIES
The Group's principal activities are to own, manage, develop and lease student accommodation located in the UK.

DIVIDENDS
The Company did not pay any dividends during the financial period (2016: £nil). The Managers do not recommend the payment of a final dividend (2016: £nil).

MANAGERS
The Managers of the Company who were in office during the period and up to the date of signing the financial statements were:

- Marielle Stijger
- Alexis de Montpellier d'Annevoie
- Grenville Carr-Jones
- Eloise N'takpe
- Peter John Pereira Gray
- Richard Spencer

ACCOUNTING PRINCIPLES
Details of the significant accounting principles adopted are disclosed in Note 3 in these financial statements.

FINANCIAL RISK MANAGEMENT
Details of the key financial risk management are disclosed in Note 5 of these financial statements.

ACQUISITION OF OWN SHARES
The Company did not acquire any of its own shares during the period.

MANAGERS' INDEMNITIES AND INSURANCE
The Company has agreed to indemnify each Manager and other officer against liabilities incurred in relation to acts of omissions arising in the ordinary course of their duties. The indemnity applies only to the extent permitted by law.

The Group has in place appropriate Directors & Officers Liability insurance cover in respect of potential legal action against its Managers, Directors and Officers.

POLITICAL DONATIONS
The Company has not made any political donations during the period and does not intend to in the coming financial year.

FINANCIAL INSTRUMENTS DISCLOSURE
The use of financial instruments is disclosed in the notes of these financial statements.

RESEARCH AND DEVELOPMENT DISCLOSURE
The Group does not undertake any research and development activity.

INDEPENDENT AUDITORS
The Managers of the Group resolved to reappoint PricewaterhouseCoopers Société coopérative as auditors of the Company.

REGISTERED OFFICE
The registered office of the Company is at:
2, rue du Fossé,
L-1536 Luxembourg
RCS Luxembourg B 202.733

SUBSEQUENT EVENTS
On 21 December 2017 the Group acquired LTS Student Holdco S.a.r.l and Pure Student Living Limited for an estimated consideration of £869million, adjusted for other elements primarily relating to working capital. The final consideration is subject to a completion true up. LTS Student Holdco S.a.r.l owns and manages 11 student accommodation sites, seven of which are based in London, with further sites in Bath, Brighton, Edinburgh and York.

To fund the acquisition, additional external debt of £525million was raised, which is secured on the properties acquired.

The estimated fair value of total Investment property portfolio of the Group following this acquisition, is over £3billion.

There are no other events that have occurred subsequent to the balance sheet date and through the date of approval of the financial statements by the Directors that would require adjustment to or disclosure in the consolidated financial statements.

OTHER INFORMATION
In addition to the information set out above, the Managers are also required to draw your attention to the following information that appears in other sections of this report:

- Details of the Group's approach to Health & Safety are set out on page 25.
- Information about the future developments for the Group can be found in the CEO's Review.
- A summary of the Group's policy on the employment of disabled persons appears on page 27.

STATEMENT OF MANAGERS' RESPONSIBILITIES
The Managers are responsible for preparing and publishing the Managers' Report and the financial statements in accordance with applicable law and regulations. In addition, the Managers have elected to prepare a strategic report.

Accounting law requires the Managers to prepare financial statements for each financial year. As permitted by the law, the Managers have prepared the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The financial statements must give a true and fair view of the Company's assets, liabilities, financial position and results.

In preparing these financial statements, the Managers are responsible for:

- The implementation of internal controls they determine necessary to enable the preparation of financial statements free of material misstatements, due to fraud or errors;
- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable;
- Assess the Company's ability to continue as a going concern and disclose, as applicable, matters relating to going concern and using going concern basis of accounting unless it is inappropriate to presume that the Company will continue in business.

The Managers 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 enable them to ensure that the financial statements comply with applicable law and regulation.

By order of the Board

ALEXIS DE MONTPELLIER D'ANNEVOIE
Manager

FRIENDLY

FACES

FINANCIAL STATEMENTS

To the Partners of
IQSA Holdings S.à r.l.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of IQSA Holdings S.à r.l. (the "Company") and its subsidiaries (the "Group") as at 30 September 2017, and of its consolidated financial performance and its consolidated cash flows for the period from 1 January 2017 to 30 September 2017 in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 30 September 2017;
- the consolidated statement of comprehensive income for the period from 1 January 2017 to 30 September 2017;
- the consolidated statement of changes in shareholders equity for the period from 1 January 2017 to 30 September 2017;
- the consolidated cash flows statement for the period from 1 January 2017 to 30 September 2017; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under those Law and standards are further described in the "Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the consolidated financial statements" section of our report.

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

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements. We have fulfilled our other ethical responsibilities under those ethical requirements.

Other information

The Board of Managers is responsible for the other information. The other information comprises the information stated in the Annual report including the Strategic report and Governance report but does not include the consolidated financial statements and our audit report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Managers and those charged with governance for the consolidated financial statements

The Board of Managers is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Board of Managers determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Managers is responsible for assessing the Group'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 Board of Managers either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the consolidated financial statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit 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 the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF 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 consolidated financial statements.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Managers;
- conclude on the appropriateness of the Board of Managers'use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The Managers' report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

PricewaterhouseCoopers, Société coopérative
Luxembourg, 13 March 2018

Represented by

MERoussel

Marie-Elisa Roussel

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 9-month period ended 30 September 2017

	Notes	9 month period ended 30 September 2017 £m	11 month period ended 31 December 2016 £m
Rental income	15	**108.9**	130.3
Other income	15	**4.7**	6.2
Total revenue		**113.6**	136.5
Cost of sales		**(31.3)**	(34.8)
Administrative expenses	17	**(21.4)**	(27.8)
Profits from operating activities		**60.9**	73.9
Profit from operating activities before exceptional items		**66.4**	84.0
Exceptional items	19	**(5.5)**	(10.1)
Profits from operating activities after exceptional items		**60.9**	73.9
Net valuation gains on investment properties	7	**136.4**	0.6
Profit before net financing costs		**197.3**	74.5
Loan interest and similar charges	18	**(44.0)**	(54.3)
Net valuation loss on derivative financial instruments		**(0.7)**	(0.4)
Finance costs		**(44.7)**	(54.7)
Interest income	18	**–**	0.1
Net financing costs		**(44.7)**	(54.6)
Profit before income tax		**152.6**	19.9
Income tax expense	10	**(6.9)**	(7.5)
Other tax		**(0.1)**	–
Profit for the period		**145.6**	12.4
Profit attributable to:			
Equity holders of the company		**145.6**	12.4
		145.6	12.4
Other comprehensive income		**–**	–
Total comprehensive income		**145.6**	12.4

The accompanying notes form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

	Notes	30 September 2017 £m	31 December 2016 £m
Assets			
Non-current assets			
Intangible assets	9	**2.1**	1.9
Investment property	7	**2,219.1**	1,972.7
Investment property under development	7	**7.9**	12.1
Plant and equipment	8	**1.1**	0.9
Total non-current assets		**2,230.2**	1,987.6
Current assets			
Trade and other receivables	11	**21.4**	21.6
Derivative financial instruments	5	**0.7**	1.0
Cash and cash equivalents		**147.1**	93.7
Total current assets		**169.2**	116.3
Total assets		**2,399.4**	2,103.9
Liabilities			
Current liabilities			
Trade and other payables	14	**74.7**	63.1
Borrowings	13	**5.6**	4.7
Current income tax liabilities	10	**8.7**	7.0
Total current liabilities		**89.0**	74.8
Non-current liabilities			
Deferred tax liability	10	**3.7**	2.1
Borrowings	13	**1,611.0**	1,476.9
Total non-current liabilities		**1,614.7**	1,479.0
Total liabilities		**1,703.7**	1,553.8
Equity			
Equity attributable to equity holders of the Company			
Share capital	12	**3.8**	3.8
Share premium		**533.9**	533.9
Retained earnings		**158.0**	12.4
Total equity		**695.7**	550.1
Total equity and liabilities		**2,399.4**	2,103.9

The accompanying notes form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

As at 30 September 2017

	Notes	Share capital £m	Share premium £m	Retained earnings £m	Total Equity £m
Balance as at 1 February 2016		–	–	–	–
Issue of ordinary shares on formation of company	12	3.8	533.9	–	537.7
Profit for the period		–	–	12.4	12.4
Balance as at 31 December 2016		3.8	533.9	12.4	550.1
Issue of ordinary shares		–	–	–	–
Profit for the period		–	–	145.6	145.6
Balance as at 30 September 2017		**3.8**	**533.9**	**158.0**	**695.7**

The accompanying notes form an integral part of these consolidated financial statements

CONSOLIDATED CASH FLOW STATEMENT

For the 9-month period ended 30 September 2017

	Notes	**Period ended 30 September 2017 £m**	Period ended 31 December 2016 £m
Cash flows from operating activities			
Profit before income tax		**152.6**	19.9
Adjustments for:			
Depreciation of plant and equipment	8	**0.2**	0.1
Amortisation of intangible assets	9	**0.3**	0.1
Net valuation gains on investment properties	7	**(136.4)**	(0.6)
Net change in fair value of financial instruments at fair value through profit or loss		**0.7**	0.4
Net financing costs	18	**44.0**	54.2
Impairment charge for trade and other receivables	11	**0.3**	1.0
Other non cash items		**(0.9)**	-
Lease incentive receivable	11	**1.2**	-
(Increase)/decrease in trade and other receivables		**0.2**	(6.2)
Increase/(decrease) in trade and other payables		**4.4**	6.4
Cash generated from operations		**66.6**	75.3
Interest expense paid		**(23.2)**	(36.2)
Interest income received		**–**	0.1
Income tax paid	10	**(5.4)**	(0.9)
Net cash generated from operating activities		**38.0**	38.3
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	20	**(51.9)**	–
Acquisition of investment property	7	**(5.8)**	–
Subsequent expenditure on investment property	7	**(40.2)**	(37.0)
Purchases of intangible assets	9	**(0.5)**	(2.0)
Purchases of plant and equipment	8	**(0.4)**	(1.0)
Net cash used in investing activities		**(98.8)**	(40.0)
Cash flows from financing activities[1]			
Proceeds from borrowings		**119.4**	667.6
Repayments of borrowings		**–**	(670.5)
Loan arrangement fees	13	**(5.2)**	–
Net cash generated from/ (used in) financing activities		**114.2**	(2.9)
Net increase/(decrease) in cash and cash equivalents		**53.4**	(4.6)
Cash and cash equivalents at the beginning of the period		**93.7**	98.3
Cash and cash equivalents at the end of the period		**147.1**	93.7

The accompanying notes form an integral part of these consolidated financial statements

1 Reconciliation of financing activities

		Cash Flows			non-cash changes			
	Balance at 1 Jan 2017 £m	Proceeds from borrowings £m	Repayments of borrowings £m	loan refinancing costs £m	Repayment of interest classified as operating activities £m	capitalised interest £m	amortisation of loan costs £m	**Balance at 30 Sep 2017 £m**
Long term borrowings – non-current	1,476.9	119.4	–	(5.2)	–	16.9	3.0	**1,611.0**
Short term shareholder loans	4.7	–	–	–	(23.2)	24.1	–	**5.6**
Total liabilities from financing activities	**1,481.6**	**119.4**	**–**	**(5.2)**	**(23.2)**	**41.0**	**3.0**	**1,616.6**

NOTES TO THE FINANCIAL STATEMENTS

For the 9-month period ended 30 September 2017

1. GENERAL INFORMATION

IQSA Holdings S.à.r.l. (the "Company") is incorporated under the laws of the Grand Duchy of Luxembourg. The Company's registered office is located at 2, rue du Fossé, L-1536 Luxembourg.

With effect from 17 January 2017 the name of the Company was changed from Vero Holdings S.à.r.l. to IQSA Holdings S.à.r.l.

The principal activities of the Company and its subsidiary undertakings (collectively referred to as the "Group") are described in the Managers' Report.

The Group's financial year starts on 1 October and ends on 30 September of each year. Until 31 December 2016 the financial year started on 1 January and ended on 31 December. In January 2017 the Board of Managers resolved to change the financial year-end of the Company and its subsidiaries from 31 December to 30 September to align with the academic year. As a consequence, the current financial period starts on 1 January 2017 and ends on 30 September 2017. The period ending 31 December 2016, however, commenced on 1 February 2016 – the date of the Group's formation. As a result of the above, the amounts presented in the consolidated financial statements are not entirely comparable.

The consolidated financial statements of the Group for the period ended 30 September 2017 comprise those of the Company and its subsidiary undertakings.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) and adopted by the European Union ("IFRSs") and approved by the Board of Managers (the "Managers") on 12 March 2018.

2. BASIS OF PREPARATION

a. Measurement convention

The financial statements are prepared on a going concern basis applying the historical cost convention except for the measurement of investment property, investment property under development and interest rate caps, all of which are stated at their fair value.

b. Income and cash flow statements

The Group has elected to present a single statement of comprehensive income and presents its expenses by nature.

The Group reports cash flows from operating activities using the indirect method. Interest received and interest paid are presented within operating cash flows. The acquisition of investment properties are disclosed as cash flows from investing activities because this most appropriately reflects the Group's business activities.

c. Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entities operate (the "functional currency"). The consolidated financial statements are presented in sterling (£), which is the Company's functional currency and the Group's reporting currency. In all the Group's subsidiaries the functional and reporting currency is also sterling (£).

d. Accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and report amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Judgements made by the Managers, in the application of IFRS that have significant effect on the financial statements and estimates with a significant risk of material adjustment are discussed in Note 7.

e. European Public Real Estate Association (EPRA) best practice

Whilst the financial statements are prepared in accordance with IFRS, the Managers manage the business based on EPRA earnings as best practice recommendations (see Note 4 EPRA earnings).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

3.1. GOING CONCERN

The Group's business activities and the factors likely to affect its future development, performance and position are set out in the Strategic Report. The financial position of the Group, its cash flows, liquidity position, borrowings, use of financial instruments, exposure to credit risk and its objectives and processes for managing its capital and financial risk are described in the financial risk management section of these financial statements in Note 5.

The Group's principal business activity involves providing student accommodation across the UK. To meet its day to day working capital requirements, it uses cash generated from operating activities.

The Managers have considered the Group's funding requirements, its current and future opportunities and its available loan facility. Having reviewed the latest projections, including the application of reasonable downside sensitivities, the Managers believe that the Group is well placed to manage its business risks successfully. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

3.2. BASIS OF CONSOLIDATION

The Group's financial statements include the financial statements of the Company and its subsidiaries. Subsidiaries are entities controlled by the Group and control exists when the Group is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The statements of subsidiaries are included in the consolidated statements from the date that control commences until the date that control ceases.

For the period ended 31 December 2016 all Group companies had 31 December as their year-end apart from a new subsidiary formed in November 2016 which was aligned with the remainder of the Group in 2017. For the period ended 30 September 2017 all subsidiaries have 30 September as their year-end. Subsidiaries incorporated or acquired in May, June and September 2017 are included in the consolidation from the date the Company obtained control over them. Consolidated financial statements are prepared using uniform accounting policies. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Intra-Group balances and transactions and any gains and losses arising from intra-Group transactions are eliminated in preparing the consolidated financial statements.

Accounting for asset acquisitions

For acquisition of subsidiaries not meeting the definition of a business, the Group allocates the cost between the individual identifiable assets and liabilities in the Group based on their relative fair values at the date of acquisition. Such transactions or events do not give rise to goodwill.

3.3. IMPACT OF NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2017:

- Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12, and
- Disclosure initiative – amendments to IAS 7.

The Group also elected to adopt the following amendments early:

- Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2;
- Annual Improvements to IFRS Standards 2014-2016 Cycle; and
- Transfers of Investment Property – Amendments to IAS 40.

The adoption of these amendments did not have any impact on the amounts recognised in prior periods and will not materiality affect the current or future periods.

The amendments to IAS 7 require disclosure of changes in liabilities arising from financing activities, Refer to footnote 1 of the cash flow statement.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the 9-month period ended 30 September 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

New and amended standards not yet adopted by the Group

At the date of approval of these financial statements the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and, in some cases, have not yet been adopted by the EU.

IFRS 9 "Financial Instruments": addresses the classification, measurement and recognition of financial assets and financial liabilities. The standard replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group does not expect IFRS 9 to have any impact on the accounting for derivatives.

IFRS 15 "Revenue from Contracts with Customers": "Revenue from contracts with customers" deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18, "Revenue" and IAS 11, "Construction contracts" and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group expects IFRS 15 to have an immaterial impact on the provision of services income that fall under the scope of IFRS 15.

IFRS 16 "Leases": "Leases" was issued in January 2016. For lessees, it will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases will be removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short term and low-value leases. The accounting for lessors will not significantly change. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted. As a lessor, the Group expects IFRS 16 to have an immaterial impact on its current accounting practices. As a lessee, the Group does not expect IFRS 16 to have a material impact on its financial position.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

3.4. INVESTMENT PROPERTY

The Group's wholly owned investment property portfolio is held in two groups on the balance sheet at the carrying values detailed below.

i) Investment property

These are the assets that Group hold to earn income or≈for capital appreciation and that are not occupied by the companies in the Group. On creation of the Group, the assets were contributed at fair value in the statement of financial position with subsequent changes to the fair value recognised in the statement of profit or loss. Any subsequent acquisition of investment property will be measured initially at its cost, including related transaction costs. After initial recognition, the investment property will be carried at fair value.

ii) Investment property under development

These are assets which are in the process of construction and which will be transferred to "investment property" on completion. The assets were measured at fair value in the statement of financial position on the creation of the Group with subsequent changes to the fair value recognised in the statement of profit or loss.

Subsequent expenditure on investment property is capitalised within the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

The valuation of the properties is performed once a year based on valuation reports prepared by external, independent valuers, who have an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. The fair values are based on market values as defined in the RICS Appraisal and Valuation Manual, issued by the Royal Institution of Chartered Surveyors. CB Richards Ellis Ltd were the valuers for the periods ending 31 December 2016 and 30 September 2017.

The fair value of investment property reflects rental income from current leases, operating expenses and other assumptions market participants would make when pricing the property under current market conditions.

Rental income from investment property is accounted for as described below in Note 3.15.

The valuation is based on both:

- Information provided by the Group such as current rents, occupancy, operating costs, terms and conditions of leases and nominations/reservation agreements, capital expenditure etc. This information is derived from the Group's business systems and is subject to the Group's overall control environment;
- Assumptions and valuation models used by the valuers – the assumptions are typically market related, such as typical operating costs, yield and discount rates. These are based on their professional judgement and market observations.

The information provided to the valuers and the assumptions and the valuation models used by the valuers are reviewed by the Chief Financial Officer and the Chief Information Officer on behalf of the Board.

3.5. PLANT AND EQUIPMENT

All Plant and Equipment is stated at historical cost less depreciation.

Where parts of an item of Plant and Equipment have different useful lives, they are accounted for as separate items of Plant and Equipment.

Cost of an item of Plant and Equipment includes its purchase price and any directly attributable costs and excludes the costs of day to day servicing of an item of Plant and Equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of those parts that are replaced is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation, based on a component approach, is calculated using the straight-line method to allocate the cost over the assets' estimated useful lives, as follows:

- Fixtures and fittings: 3–10 years; and
- Computer Hardware: 3–10 years.

The assets' residual value and useful economic lives are reviewed, and adjusted if appropriate, at least at each financial year-end. An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its recoverable amount.

Any gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the income statement.

3.6. INTANGIBLE ASSETS

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation is charged to the income statement on a straight line basis over the estimated useful life of the asset unless such life is indefinite.

The estimated useful life is as follows:

- Software: 3-5 years.

3.7. LEASES

a. Group is the lessor in an operating lease

Properties leased under operating leases are included in investment property in the consolidated statement of financial position (see Note 8 Investment property).

b. The Group is the lessee in an operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to income statement on a straight line basis over the period of the lease.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the 9-month period ended 30 September 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

3.8. IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

3.9. FINANCIAL INSTRUMENTS

a. Financial assets

Financial assets are classified as financial assets at fair value recognised through profit and loss, or loans and receivables, as appropriate. The Group determines the classification of its financial assets at initial recognition.

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset and transfers substantially all risks and rewards of ownership.

When financial assets are recognised initially, they are measured at fair value.

The Group's financial assets consist of cash and cash equivalents, receivables and derivatives.

Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at cost less provision for impairment (see below).

Cash and cash equivalents

Cash and cash equivalents includes cash in hand and deposits held at call with banks and are recognised at fair value.

Derivatives

Derivative financial assets are classified as financial assets at fair value through profit or loss, or held for trading. Derivative financial assets comprise interest rate caps purchased for hedging against interest rate variability on the external bank debt. The Group has chosen not to apply hedge accounting in accordance with IAS 39. Recognition of the derivative financial instruments takes place when the economic hedging contracts are completed. They are measured initially and subsequently at fair value, and transaction costs are included directly in finance costs. Gains or losses on derivatives are recognised in profit or loss.

Impairment

The Group assesses at each financial position date whether there is evidence that a financial asset or group of financial assets may be impaired. If there is objective evidence (such as significant financial difficulty of the obligor, breach of contract, or it becomes probable that the debtor will enter bankruptcy), the asset is tested for impairment.

In relation to trade receivables, a provision for impairment is made when there is objective evidence that the Group will not be able to collect all the amounts due under the original terms of the invoice or rental agreement. Impaired debts are derecognised when they are assessed as uncollectible.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in the statement of profit or loss.

b. Financial liabilities

Liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, or other liabilities, as appropriate.

A financial liability is derecognised when the obligation under the liability is discharged, or cancelled or has expired.

Borrowings

Borrowings are recognised initially at fair value less attributable transaction costs. Borrowings are stated at amortised cost using the effective interest method, subsequent to initial recognition.

Trade and Other Payables

Trade and other payables including deferred income are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Student Deposits

Certain Group companies obtain deposits from students as a guarantee for returning the property at the end of the lease term in a specified good condition, or for advance lease payments for periods ranging from 1 to 24 months. Such deposits are treated as financial liabilities in accordance with IAS 39 and they are initially recognised at fair value. The difference between fair value and cash received is considered to be part of the minimum lease payments received for the operating lease (refer to Note 3.15 for the recognition of rental income). The deposit is subsequently measured at amortised cost.

3.10. PREPAYMENTS

Prepayments are carried at cost less any accumulated impairment losses.

3.11. SHARE CAPITAL

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

3.12. CURRENT AND DEFERRED INCOME TAX

The tax expense for the period represents the sum of Luxembourg and UK current and deferred income taxes. Tax is recognised in the statement of profit or loss, except to the extent that it relates to items recognised directly in other comprehensive income or equity, in which case, the tax is also recognised in other comprehensive income or equity.

Current tax is the expected tax payable on the taxable income or loss for the year and any adjustment in tax payable related to previous years. The current tax charge is based on tax rates that are enacted or substantially enacted at the end of the financial period at the date of the statements of financial position. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation, and establishes provisions, where appropriate, based on amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is determined using tax rates (and laws) that are enacted or substantially enacted at the date of preparation of the statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.13. EMPLOYEE BENEFITS

The Group operates a defined contribution pension plan.

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contribution. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of profit or loss in the periods during which services are rendered by employees.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the 9-month period ended 30 September 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

3.14. PROVISIONS

A provision is recognised in the statement of financial position when:

- there is a legal or a constructive obligation as a result of a past event;
- it is probable that an outflow of resources will be required to settle the obligation; and
- the amount can be reliably estimated.

If the effect is material, provisions are determined by discounting the expected future cash flows using a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where the Group, as lessee, is contractually required to restore a leased property to an agreed condition prior to release by a lessor, provision is made for such costs as they are identified.

3.15. REVENUE RECOGNITION

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue includes rental income from property leased out under operating leases (comprising direct lets to students and leases to Universities and commercial tenants) and other ancillary income from properties.

Rental income from short term occupants is recognised on a straight line basis over the lease term. When the Group provides incentives to its occupants, the cost of incentives is recognised over the lease term, on a straight line basis, as a reduction of rental income.

Rental income from long term Universities lettings may be uplifted by a) Retail Price Index, b) fixed percentages or c) combination of both at every anniversary of the lease. Where these leases have fixed uplift and no break clauses uplifts have been straight lined over the length of the lease.

3.16. DIVIDEND DISTRIBUTION

Dividend distribution to the Group's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved. No dividend was declared in the period.

3.17. INTEREST INCOME AND EXPENSE

Interest income and expense are recognised within "finance income" and "finance costs" in the statement of comprehensive income using the effective interest rate method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

3.18. OPERATING EXPENSES

Expenses include head office costs and legal, auditing and other fees. They are recognised in the statement of profit or loss in the period in which they are incurred on an accrual basis.

3.19. COST OF SALES

Cost of sales include all expenses directly incurred in managing the Group's investment properties and are recognised in the statement of comprehensive income they are incurred on an accrual basis.

3.20. EXCEPTIONAL ITEMS

Exceptional items are items that are unusual because of their size, nature or incidence and which the Group's management consider should be disclosed separately to enable a full understanding of the Group's results. An amount of £5.5million (period ended 2016: £10.1million) has been charged in the Group's consolidated statement of comprehensive income in respect of costs incurred in the formation of the Group and subsequently in the integration of the businesses contributed to it.

4. EUROPEAN PUBLIC REAL ESTATE ASSOCIATION (EPRA) EARNINGS

EPRA earnings excludes movements in relation to changes in values of investment properties and derivative instruments. Also excluded below are exceptional items related to the formation and integration of the Group, and income taxation.

EPRA earnings	Notes	Period ended 30 September 2017 £m	Period ended 31 December 2016 £m
Rental and other income	15	**113.6**	136.5
Cost of sales		**(31.3)**	(34.8)
Net operating income		**82.3**	101.7
Administrative expenses (excl. depreciation and exceptional items)		**(15.4)**	(17.5)
EBITDA		**66.9**	84.2
Depreciation		**(0.5)**	(0.2)
Net financing costs excluding valuation loss on derivative financial instruments	18	**(44.0)**	(54.2)
Operating result		**22.4**	29.8
EPRA earnings		**22.4**	29.8

IFRS reconciliation to EPRA earnings	Notes	Period ended 30 September 2017 £m	Period ended 31 December 2016 £m
EPRA earnings		**22.4**	29.8
Net valuation gains on investment property		**136.4**	0.6
Net valuation loss on derivative financial instruments		**(0.7)**	(0.4)
Exceptional items		**(5.5)**	(10.1)
Profit before tax		**152.6**	19.9
Income tax		**(6.9)**	(7.5)
Other tax		**(0.1)**	–
Profit after tax		**145.6**	12.4

5. FINANCIAL RISK MANAGEMENT

5.1 FINANCIAL RISK FACTORS

The operations of the Group expose it to a number of financial risks, primarily interest rate risk, credit risk and liquidity risk.

Risk management is carried out by senior management of the Group under the policies monitored by the Audit Committee.

a. Capital management

The Group's target debt level is set and monitored by the principal shareholders through the Board. Regular reports on compliance with debt facilities and utilisation thereof are presented to the management board for consideration and approval.

b. Interest rate risk

The Group's interest rate risk principally arises from long-term borrowings (Note 13). Borrowings issued at variable rates expose the Group to cash flow interest rate risk. All bank borrowings have floating rates of interest and therefore have no significant exposure to the fair value of such borrowings.

The shareholder mezzanine loan notes are at a fixed rate of 6.5% and therefore the Group is exposed to fair value changes in relation to movements in market interest rates relating to this debt. Bank borrowings bear average coupons of 2.67% annually.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the 9-month period ended 30 September 2017

5. FINANCIAL RISK MANAGEMENT CONTINUED

The Group's policy is to fix a ceiling on the interest rate on its variable interest borrowings. To manage this, the Group enters into interest rate caps. At 30 September 2017, the Group held interest rate caps with a notional value of £1,242.7million (2016: £1,118.8million) representing 97.9% (2016: 97.3%) of bank borrowings.

Key terms of the interest rate caps instruments outstanding at 30 September 2017 are as follows:

	Fair value £m	Notional principal £m	less than 3 months £m	From 3 to 12 months £m	From 12 months to 2 years £m	From 2 to 5 years £m
Interest rate caps	**0.7**	**1,242.7**	**0.0**	**443.3**	**0.0**	**799.4**

Key terms of the interest rate caps instruments outstanding at 31 December 2016 are as follows:

	Fair value £m	Notional principal £m	less than 3 months £m	From 3 to 12 months £m	From 12 months to 2 years £m	From 2 to 5 years £m
Interest rate caps	1.0	1,118.8	0.0	200.3	238.5	680.0

The interest rate caps have cap rates ranging between 2.4% and 3.0%.

As of 30 September 2017, if interest rates had been 50 basis points higher with all other variables held constant, pre-tax profit for the period would have been £5.7million (2016: £2.5million) lower. If interest rates had been 50 basis points lower with all other variables held constant, pre-tax profit for the period would have been £5.7million (2016: £2.5million) higher.

c. Credit risk

Credit risk is the risk that a counterparty to a financial instrument will cause a financial loss to the Group by failing to discharge an obligation and arises from rent and other receivables, cash and cash equivalents held at banks and financial derivatives.

The Group maintains cash balances and enters into derivative financial instruments with banks that have investment grade credit ratings.

The Group's maximum credit risk exposure by financial asset class, other than derivatives, is as follows:

Trade and other receivables (Note 11):	**2017 £m**	2016 £m
Rent receivables from lessees	**9.6**	15.3
Other financial assets	**11.8**	6.3
Cash and cash equivalents	**147.1**	93.7
Total	**168.5**	115.3

The Group offers rental contracts to Universities and individual students based on the academic year. The Group's exposure to credit risk is influenced by the characteristic of each student and University lease. The Group holds student deposits of £ 4.7million (2016: £3.7million). Part or all of these deposits may be withheld by the Group in part or in whole if receivables due from the student are not settled or in case of other breaches of contract. There is no significant concentration of credit risk with respect to trade receivables as the Group leases to a large number of students and Universities with no single lessee representing more than 5% of total rental income.

Credit risk exposure

Trade receivables:	**2017 £m**	2016 £m
– Receivables from Universities	**5.5**	6.2
– Receivables from individual students	**5.0**	8.3
– Other receivables	**0.7**	2.1
– Impairment provision	**(1.6)**	(1.3)
Total trade receivables	**9.6**	15.3

Past due analysis	**2017 £m**	2016 £m
– Less than 30 days overdue	**6.4**	13.6
– Over 30 days overdue	**4.8**	3.0
Total past due but not impaired	**11.2**	16.6

Individually determined to be impaired (gross):	**2017 £m**	2016 £m
– 30 to 90 days overdue	**–**	–
– 90 to 180 days overdue	**1.6**	1.3
Total individually determined to be impaired	**1.6**	1.3
Total trade receivables, net of provision for impairment	**9.6**	15.3

d. Liquidity risk

Liquidity risk is defined as the risk that the Group will not be able to settle or meet its obligations on time or at a reasonable price. Prudent liquidity risk management involves maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Management monitors the Group's net liquidity position through rolling forecasts based on expected cash flows on a regular basis.

Of the £147.1million (2016: £93.7million) of cash and cash equivalents £4.7million (2016: £3.7million) relates to student's deposits and £29.6million (2016: £24.1million) is restricted in usage under the terms of the Group's loan facilities.

The amounts disclosed in the tables below are the contractual undiscounted cash flows. As such, amounts may not always reconcile to amounts disclosed in the statement of financial position. Undiscounted cash flows in respect of balances due within 12 months generally equal their carrying amounts in the statement of financial position, as the impact of discounting is not significant.

The maturity analysis of financial assets and liabilities at 30 September 2017 is as follows:

	Demand and less than 1 month £m	From 1 to 12 months £m	From 12 months to 2 years £m	From 2 to 5 years £m	Later than 5 years £m	Total £m
Assets						
Cash and cash equivalents	147.1	–	–	–	–	147.1
Trade receivables	9.6	–	–	–	–	9.6
Other financial assets	10.6	–	–	–	–	10.6
Liabilities						
Bank borrowings	(5.6)	(33.8)	(49.1)	(1,270.2)	–	(1,358.7)
Mezzanine debt		–	–	–	(603.1)	(603.1)
Trade and other payables:						
Student deposits	–	(4.7)	–	–	–	(4.7)
Trade payables	(8.5)	–	–	–	–	(8.5)
Accruals	(18.4)	–	–	–	–	(18.4)
Total	134.8	(38.5)	(49.1)	(1,270.2)	(603.1)	(1,826.1)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the 9-month period ended 30 September 2017

5. FINANCIAL RISK MANAGEMENT CONTINUED

The maturity analysis of financial assets and liabilities at 31 December 2016 was as follows:

	Demand and less than 1 month £m	From 1 to 12 months £m	From 12 months to 2 years £m	From 2 to 5 years £m	Later than 5 years £m	Total £m
Assets						
Cash and cash equivalents	93.7	–	–	–	–	93.7
Trade receivables	15.3	–	–	–	–	15.3
Other financial assets	6.3	–	–	–	–	6.3
Liabilities						
Bank borrowings	(2.5)	(33.9)	(496.5)	(701.2)	-	(1,234.1)
Mezzanine debt	–	–	–	–	(614.0)	(614.0)
Trade and other payables:						
Student deposits	–	(3.7)	–	–	–	(3.7)
Trade payables	(8.1)	–	–	–	–	(8.1)
Accruals	(12.2)	–	–	–	–	(12.2)
Total	92.5	(37.6)	(496.5)	(701.2)	(614.0)	(1,756.8)

Other risks

Foreign currency risk: The impact of foreign currency transactions on the consolidated financial position and results of the Group is limited since primary transactions such as funding, invoicing, incurring operational costs and investment in property are all denominated in GBP (£).

Certain head office costs of the Luxembourg operations are denominated in Euros. This exposure, however, is limited given the proportion of these expenses in the context of the overall Group. The currency exposure with respect to these transactions is not considered material by the Managers of the Group.

5.2 FAIR VALUE ESTIMATION

a. Assets and liabilities carried at fair value

When measuring the fair value of a financial or non-financial asset or liability, the Group uses market observable data as far as possible. Fair values are categorised under IFRS 13 into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the hierarchy as the lowest level input that is significant to the entire measurement.

The fair value of interest rate caps is determined based on observable market inputs including interest rate curves and is calculated by an independent third party. These are classified at Level 2 in the IFRS 13 fair value hierarchy.

b. Assets and liabilities not carried at fair value but for which fair value is disclosed

The following table analyses within the fair value hierarchy the Group's assets and liabilities (by class) which are not measured at fair value at 30 September 2017 but for which fair value is disclosed.

	Level 1 £m	**Level 2 £m**	**Level 3 £m**	**Total £m**
Assets				
Trade and other receivables	**–**	**21.4**	**–**	**21.4**
Cash and cash equivalents	**147.1**	**–**	**–**	**147.1**
Total assets	**147.1**	**21.4**	**–**	**168.5**
Liabilities				
Trade and other payables	**–**	**70.0**	**–**	**70.0**
Tenant deposits	**–**	**4.7**	**–**	**4.7**
Borrowings	**–**	**1,616.6**	**–**	**1,616.6**
Total liabilities	**–**	**1,691.3**	**–**	**1,691.3**

The following table analyses within the fair value hierarchy the Group's assets and liabilities (by class) which are not measured at fair value at 31 December 2016 but for which fair value is disclosed.

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets				
Trade and other receivables	–	21.6	–	21.6
Cash and cash equivalents	93.7	–	–	93.7
Total assets	93.7	21.6	–	115.3
Liabilities				
Trade and other payables	–	59.4	–	59.4
Tenant deposits	–	3.7	–	3.7
Borrowings	–	1,481.6	–	1,481.6
Total liabilities	–	1,544.7	–	1,544.7

The assets and liabilities included in the above table are carried at amortised cost.

The fair value of cash and cash equivalents, trade and other receivables, tenant deposits, current financial liabilities and borrowings approximate their carrying amount largely due to the short term nature of these instruments.

Trade receivables include the contractual amounts for settlement of trades and other obligations due to the Group. Trade and other payables and student deposits represent contract amounts and obligations due by the Group.

A substantial portion of the Company's long term debt has been contracted at floating rates of interest, which reset at short intervals. Accordingly, the carrying value of such long term debt approximates its fair value.

Of the total borrowings, £356.7million (2016: £339.9million) is the shareholder mezzanine loan notes which has a fixed rate of interest. As at 30 September 2017 the carrying value of the shareholder mezzanine loans approximates their fair value.

There were no transfers between levels 1 and 2 during the period.

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the 9-month period ended 30 September 2017

6. CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

Estimates and judgements are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors.

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will not always equal the related actual results. The estimates, assumptions and management judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

a. Investment property

The fair value of investment properties is determined by using valuation techniques. Further details of the judgements and assumptions made are set out in Note 7.

b. Income taxes

The Group is subject to income taxes in two jurisdictions. Significant estimates are required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provisions.

7. INVESTMENT PROPERTY

The Group's investment properties are held for long term rental income and are measured at fair value. The movements in the carrying value of the Group's investment property portfolio are shown in the table below.

The Group holds 62 (2016: 54) investment properties all located in the UK, including two properties under development. The Group's investment properties are primarily student accommodations.

a. Reconciliation of carrying amount

	UK Student Accommodation £m	Investment property (under development) £m	Other £m	Total £m
Fair Value at 1 February 2016	1,927.0	5.9	14.3	1,947.2
Additions:	25.3	11.7	–	37.0
Net gain/(loss) from fair value adjustments on investment property	10.9	(5.5)	(4.8)	0.6
Fair value at 31 December 2016	1,963.2	12.1	9.5	1,984.8
Additions:				
Direct Acquisitions	–	2.6	3.2	5.8
Acquisitions through subsidiaries	55.7	–	–	55.7
Capital expenditure	24.9	19.3	0.1	44.3
Transfer to/(from) investment property under development	25.5	(25.5)	–	–
Net gain/(loss) from fair value adjustments on investment property	136.8	(0.6)	0.2	136.4
Fair value at 30 September 2017	**2,206.1**	**7.9**	**13.0**	**2,227.0**
Lease incentive receivable	1.2	–	–	1.2
Market value per external valuation report at 30 September 2017	2,207.3	7.9	13.0	2,228.2

The net gain/loss from fair value adjustment on investment properties reflects a decrease of £1.2million for lease incentive receivable.

b. Measurement of fair values

i. Fair value hierarchy

The fair value measurement for all the investment properties has been categorised as a level 3 fair value based on the inputs to the valuation technique used.

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There were no transfers between levels 3 and 2 during the period.

ii. Valuation technique and significant unobservable inputs

Valuation technique

The valuation technique for investment properties is based on direct capitalisation approach (income approach) using the following inputs: future rental cash inflows including ancillary income taking into account expected market rental growth, expected occupancy rates, tenancy length, estimated future operating expense from the properties and net initial and exit yield. For all investment property their current use equates to the highest and best use.

The valuation technique for investment properties under development is the gross development value less cost to complete including a reasonable profit margin. The Gross Development Value is based on discounted cash flow assuming the development is completed, let and stabilised at market rents.

There were no changes to the valuation techniques during the year.

Significant unobservable inputs

- Expected market rental growth: 2.0% to 3.5% per annum (2016: 3.0% to 3.5% per annum)
- Net initial yield: 2.5% to 9.0% (2016: 3.25% to 10.0%).
- Average net initial yield at the level of portfolio: 5.06% (2016: 5.28%)
- Exit yield: Net initial yield + 50 basis points (2016: Net initial yield + 50 basis points)
- Purchaser costs: 2.80%-6.79% (2016: 2.80%-6.79%)
- Occupancy rate: 98.5% (2016: 98%)
- Tenancy period: 42-51 weeks (2016: 42-51 weeks)
- Completion date for property under development: For properties the two properties held under development in 2017, completion is expected for August 2018 and August 2019. The property held under development in 2016 was completed in August 2017.

Inter-relationship between key unobservable inputs and fair value measurement

The estimated fair value would increase/(decrease) if:

- expected market rental growth were higher (lower);
- net initial and exit yield were lower (higher);
- occupancy rates were higher (lower);
- occupancy period was longer (shorter);
- construction costs were lower (higher);
- completion date is shorter (longer).

Revenues are derived from a number of Universities and individual students and no single lessee or group under common control contributes more than 5% of the Group's revenues.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the 9-month period ended 30 September 2017

8. PLANT AND EQUIPMENT

	Plant and equipment £m	Fixtures & fittings £m	Total £m
Cost			
At 1 January 2017	0.1	0.9	1.0
Additions	0.2	0.2	0.4
Disposals	–	–	–
At 30 September 2017	**0.3**	**1.1**	**1.4**
Depreciation			
At 1 January 2017	–	(0.1)	(0.1)
Provided in period	(0.1)	(0.1)	(0.2)
Disposals	–	–	–
At 30 September 2017	**(0.1)**	**(0.2)**	**(0.3)**
Net book value			
At 30 September 2017	**0.2**	**0.9**	**1.1**
At 31 December 2016	0.1	0.8	0.9

9. INTANGIBLE ASSETS

	Total £m
Cost	
At 1 January 2017	2.0
Other acquisitions – externally purchased	0.5
At 30 September 2017	2.5
Amortisation and Impairment	
At 1 January 2017	(0.1)
Amortisation for the period	(0.3)
Impairment charge	–
At 30 September 2017	**(0.4)**
Net book value	
At 30 September 2017	**2.1**
At 31 December 2016	1.9

Intangible assets include the costs incurred in relation to the development and implementation of the business and financial systems.

10. INCOME TAX

	Period ended 30 September 2017 £m	Period ended 31 December 2016 £m
On profit for the period		
Current tax expense for the period	**4.7**	5.4
Deferred tax expense for current period	**2.2**	2.1
Tax expense in the consolidated statement of comprehensive income	**6.9**	7.5

	30 September 2017 £m	31 December 2016 £m
Income tax liabilities as of beginning of the period	**7.0**	2.5
Income tax liability acquired (refer to Note 20)	**2.4**	–
Current tax expense for the period	**4.7**	5.4
Payments on account during the period	**(5.4)**	(0.9)
Income tax liabilities as of period end	**8.7**	7.0

	Period ended 30 September 2017 £m	Period ended 31 December 2016 £m
Tax reconciliation		
Profit before tax	**152.6**	19.9
Reconciliation:		
Profit (loss) taxable In UK at statutory rate of 20.00% / 19.00% (Period ended 2016: 20.00%)	**163.2**	30.3
Profit (loss) taxable in Luxembourg at statutory rate of 27.08% (Period ended 2016: 29.22%)	**(10.6)**	(10.4)
	152.6	19.9
Income tax expense at statutory rate before adjustments	**29.6**	3.0
Add: Luxembourg net wealth tax	**0.2**	0.5
Total income tax expense at statutory rate	**29.8**	3.5
Reconciliation:		
Use of previously unrecognised loss carried forward	**(0.1)**	(0.3)
Unrecognised loss carried forward UK	**0.8**	0.3
Unrecognised loss carried forward Luxembourg	**3.3**	3.8
Income tax provision adjustment	**0.2**	(0.4)
Deferred tax provision adjustment	**0.6**	0.9
Non-deductible expenses	**0.1**	0.1
Non-taxable income	**(27.4)**	0.2
Tax impact change of rate for deferred tax liability	**(0.6)**	–
Other	**0.2**	(0.6)
Tax expense in the consolidated statement of comprehensive income	**6.9**	7.5

Effective 1 January 2017, the statutory tax rate in Luxembourg was reduced from 29.22% to 27.08%.

Effective 1 April 2017, the statutory corporation tax rate in the UK was reduced from 20% to 19%. The applicable tax rate for Luxembourg companies taxed on their UK operations remained at 20%.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the 9-month period ended 30 September 2017

10. INCOME TAX CONTINUED

Deferred income tax liabilities have not been recognised for the net gains on investment properties as such gains are not subject to capital gain taxes or corporate income taxes upon disposal.

Refer to line item non-taxable income of £27.4million (2016: £0.2million) in the above tax reconciliation for related tax impact on current income taxes.

	Period ended 30 September 2017 £m	Period ended 31 December 2016 £m
Total tax expense in the consolidated statement of comprehensive income	**6.9**	7.5
Reconciliation:		
UK Taxation at 20%/19% (Period ended 2016: 20.00%)	**4.1**	4.2
Deferred income tax UK	**2.2**	2.1
Luxembourg Taxation at 27.08% (Period ended: 29.22%)	**0.4**	0.7
Luxembourg Net Wealth Tax	**0.2**	0.5
Total tax expense in the consolidated statement of comprehensive income	**6.9**	7.5

Deferred tax liabilities recognised at 17.0%

Balance as at 30 September 2017	Net balance at 1 January £m	Recognised in profit or loss £m	Net £m	Deferred tax assets £m	Deferred tax liabilities £m
Investment Property	2.1	1.6	3.7	–	3.7
Net Tax liabilities	**2.1**	**1.6**	**3.7**	**–**	**3.7**

The deferred income tax liability have been measured at 17%, the enacted UK income tax rate as from 1 April 2020, earliest expected timing of reversal.

Deferred tax liabilities recognised at 19.0%

Balance as at 31 December 2016	Net balance at 1 February £m	Recognised in profit or loss £m	Net £m	Deferred tax assets £m	Deferred tax liabilities £m
Investment Property	–	2.1	2.1	–	2.1
Net Tax liabilities	**–**	**–**	**2.1**	**–**	**2.1**

The Group has £30.9million (Period ended 2016: £34.1million) losses for tax purposes available to offset against future profits chargeable to tax. During the period ended 30 September 2017, £12.9million of losses were lost as a result of internal restructuring. Deferred tax assets were not recognised in respect of tax losses because of uncertainty that future taxable profit would be available against which the Group could utilise the benefits. The losses are not subject to any expiry date.

11. TRADE AND OTHER RECEIVABLES

	2017 £m	2016 £m
Trade and other receivables:		
Rent receivables from lessee, net of impairment	**9.6**	15.3
Lease incentive receivable	**1.2**	–
Accrued income	**2.2**	0.8
Prepayments	**1.1**	3.1
Deposits	**1.5**	1.0
Other financial assets	**5.8**	1.4
Trade and other receivables, net of provision for impairment	**21.4**	**21.6**

The estimated fair values of receivables are the discounted amount of the estimated future cash flows expected to be received and approximate their carrying amounts. Expected cash flows are discounted at current market rates to determine fair values.

The Group has recognised a loss of £0.9million (2016: £1.0million) during 2017 relating to the impairment and write-off of trade receivables. The loss has been included in "cost of sales" in the statement of comprehensive income.

12. SHARE CAPITAL

	Number 2017 (millions)	Number 2016 (millions)	Nominal Value 2017 £m	Nominal Value 2016 £m
Issued share capital				
Shares in issue at 1 Jan 2017 / 1 Feb 2016 – ordinary shares of £0.01p each, fully paid	**376.9**	376.9	**3.8**	3.8
Shares in issue at end of period – ordinary shares of £0.01p each, fully paid	**376.9**	**376.9**	**3.8**	**3.8**

The Company has issued share capital of £3.8million (2016: £3.8million), divided into 10 separate classes of shares. Each class is comprised of shares with a nominal value of £0.01 each. All shares carry the same voting rights, though each class has different entitlements to distributions of profit or on a liquidation.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the 9-month period ended 30 September 2017

13. BORROWINGS

All of the Group's borrowings are at floating rates of interest apart from the mezzanine debt interest which is fixed at 6.5%. Interest costs may increase or decrease as a result of changes in the interest rates.

	2017 £m	2016 £m
Non-current		
Bank borrowings	**1,269.2**	1,149.8
Loan arrangement fees	**(14.9)**	(12.8)
Shareholder Mezzanine loan notes	**356.7**	339.9
Total non-current borrowings	**1,611.0**	1,476.9
Current		
Accrued interest	**5.6**	4.7
Total current borrowings	**5.6**	4.7
Total borrowings	**1,616.6**	1,481.6

The bank borrowings are secured on investment property valued at £2.160billion (2016: £1.985billion) and there is a general security over the assets and liabilities of the legal entities that own and manage the properties.

Shareholder mezzanine loan notes are unsecured.

The Group's external borrowings are subject to loan covenants. The Group monitors and complies with these covenants and the headroom available on an ongoing basis. At 30 September 2017, the Group was in full compliance with all its borrowing covenants.

Accrued interest includes £2.3million (2016: £2.2million) of the Company's borrowings under the mezzanine loan notes.

Bank borrowings bear average coupons of 2.53% annually (2016: 2.69%). During the period the Group repaid £469.8million of an existing debt facility with CITI Group, and as part of a new refinancing agreement received £589.2million. The net cash flow, after loan arrangement fees of £5.2million, was £119.4million.

The maturity of the Group's borrowing is as follows:

	2017 £m	2016 £m
In one year or less	**–**	–
In more than one year but not more than two years	**–**	469.8
In more than two years but not more than three years	**1,269.2**	375.0
In more than three years but not more than four years	**–**	305.0
In more than four years but not more than five years	**–**	–
In more than five years	**–**	–
Total	**1,269.2**	1,149.8

Shareholder borrowings consisting of mezzanine debt, which matures on 28 January 2026 and bears a coupon of 6.5% annually which capitalises on a quarterly basis if not repaid. The exposure of the Group's shareholder borrowings to interest rate changes and the contractual repricing dates at the end of the reporting period are as follows:

	2017 £m	2016 £m
In one year or less	**–**	–
In more than one year but not more than two years	**–**	–
In more than two years but not more than three years	**–**	–
In more than three years but not more than four years	**–**	–
In more than four years but not more than five years	**–**	–
In more than five years	**356.7**	339.9
Total	**356.7**	339.9

14. TRADE AND OTHER PAYABLES

	2017 £m	2016 £m
Financial liabilities		
Trade payables	**8.5**	8.1
Deferred income	**41.9**	38.3
Student Deposits	**4.7**	3.7
Accruals	**18.4**	12.2
Non-financial liabilities		
Social security and other taxes	**1.2**	0.8
Trade and other payables	**74.7**	63.1

The estimated fair values of the above financial liabilities are the discounted amounts of the estimated future cash flows expected to be received and approximate their carrying amounts.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the 9-month period ended 30 September 2017

15. REVENUE AND COSTS

	Period ended 30 September 2017 £m	Period ended 31 December 2016 £m
Rental income	**108.9**	130.3
Other income	**4.7**	6.2
Total revenue	**113.6**	136.5

The Group has operating leases on its property portfolio with universities, individual students and commercial tenants. The commercial and university property operating leases have lease terms up to 14 years and generally include clauses to enable periodic upward revisions of the rental charges by either fixed percentage or fixed percentage plus retail price index adjustment based on the prevailing market conditions. Both types of lease have options to break the lease after a period as specified in the individual lease agreement.

The table below does not include any future leases for individual students as the term is only by academic year. The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

	2017 £m	2016 £m
No later than 1 year	**61.0**	58.2
Later than 1 year and no later than 5 years	**125.2**	91.1
Later than 5 years	**82.4**	165.2
Total	**268.6**	314.5

Other income is income derived from the operations of a hotel business attached to a student accommodation site. Cost of sales, included in the consolidated statement of comprehensive income, consists of costs incurred in managing the properties, including staff costs, utilities, maintenance and other administrative costs. It also includes impairment loss on trade receivables.

16. AUDIT AND NON-AUDIT FEES

The Auditors were paid total audit fees of £0.7million (Period ended 2016: £0.8million) in 2017 which includes £0.2million (Period ended 2016: £0.2million) of fees relating to previous audits.

There were £0.1million of fees paid to the Auditors for other non-audit services. Such fees are included in other operating expenses in the statement of comprehensive income.

17. EMPLOYEE BENEFITS EXPENSES

2017	Management and administrative £m	Site operatives £m	Total £m
Wages and salaries	**7.1**	**6.4**	**13.5**
Social security costs	**0.9**	**0.5**	**1.4**
Pension costs – defined contribution plan	**0.2**	**0.1**	**0.3**
Total Employee benefit	**8.2**	**7.0**	**15.2**

Average number of employees	Number	Number	Total Number
Management and administrative	**107**	**–**	**107**
Site operatives	**–**	**452**	**452**
Total average headcount	**107**	**452**	**559**

2016	Management and administrative £m	Site operatives £m	Total £m
Wages and salaries	11.3	6.5	17.8
Social security costs	1.1	0.5	1.6
Pension costs – defined contribution plan	0.2	0.2	0.4
Total Employee benefit	12.6	7.2	19.8

Average number of employees	Number	Number	Total Number
Management and administrative	105	–	105
Site operatives	–	466	466
Total average headcount	105	466	571

Management and administrative expenses are included in operating expenses in the statement of comprehensive income while the cost of site operatives is included in cost of sales.

18. FINANCE INCOME AND COSTS

	Period ended 30 September 2017 £m	Period ended 31 December 2016 £m
Interest expense on bank borrowings	**24.1**	17.4
Interest expense on shareholders' mezzanine loan notes	**16.9**	19.8
Interest expense on shareholders' variable loan notes	**–**	16.2
Amortisation of loan arrangement fees	**3.0**	0.9
Finance costs	**44.0**	54.3
Interest income on short term deposits	**–**	(0.1)
Finance income	**–**	(0.1)
Finance costs – net	**44.0**	54.2

19. EXCEPTIONAL ITEMS

	Period ended 30 September 2017 £m	Period ended 31 December 2016 £m
Formation Costs	**–**	2.0
Integration Costs	**5.5**	8.1
Total	**5.5**	10.1

Formation costs are professional and legal costs incurred in the formation of the Group. Integration costs are primarily staff, professional and administrative costs directly incurred in integrating the business contributed to the Group.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the 9-month period ended 30 September 2017

20. ACQUISITIONS OF ASSETS

On 6 June 2017 the Group acquired 100% of the share capital and full control of iQSA Nottingham Holding Company Ltd (formerly known as Mabec Properties Ltd) for total consideration of £27.5million. “Nottingham” is a holding company incorporated in the UK and owns four UK subsidiary companies.

As the result of the acquisition the Group has acquired two investment property assets with the total of 350 beds in Nottingham. On 30 June 2017, the assets were transferred to Athena Asset 5 S.a.r.l, a property company within the Group.

On 28 September 2017 the Group acquired 100% of share capital and full control of MREF III Sheffield Property S.a.r.l, a Luxembourg entity, which owns one UK subsidiary company, for the total consideration of £24.7million. MREF III Sheffield Property S.a.r.l own the “Century Square” investment property asset, located in Sheffield with a total of 305 beds.

Management do not consider that any substantive property management services were acquired through these transactions. In the case of both acquisitions marketing (including rate setting) and financial management were carried out by third party managers and portfolio management decisions were taken by third party vendors. Post-acquisition these complex functions have been replaced by existing Group functions. Basic administrative functions were carried out within Nottingham and Century Square but are excluded from the definition of processes in IFRS 3 Appendix B.

As a result, Management do not consider there to be existing processes, as defined by IFRS 3 Appendix B, within the acquired assets and the Group has accounted for both Nottingham and Century Square as asset acquisitions. In doing so, the cost of these acquisitions has been allocated to the relevant assets based on their relative fair value.

As the acquisitions of Nottingham and Century Square were not accounted for as business acquisitions and as neither accounting profit nor taxable profit were affected at the time of the transactions, the initial recognition exemption in IAS 12 “Income Taxes” applies, and the Group does not recognise deferred tax that would otherwise have arisen on temporary differences associated with the acquired assets and liabilities at initial recognition.

The assets and liabilities recognised in the consolidated statement of financial position on the dates of acquisitions were:

	Nottingham £m	Century Square £m	Total £m
Investment properties	30.7	25.0	55.7
Trade and other receivables	0.9	0.7	1.6
Cash and cash equivalents	0.3	–	0.3
Trade payables and other liabilities	(2.0)	(1.0)	(3.0)
Borrowings	–	–	–
Income tax payable	(2.4)	–	(2.4)
Total purchase consideration, settled in cash	**27.5**	**24.7**	**52.2**
Less: cash and cash equivalents acquired	(0.3)	–	(0.3)
Net outflow of cash and cash equivalents on acquisition	**27.2**	**24.7**	**59.1**

21. CONTINGENCIES AND COMMITMENTS

The Group has capital commitments of £8.8million (2016: £15.7million) in respect of capital expenditures contracted for at the date of the statement of financial position.

22. OTHER FINANCIAL COMMITMENTS

The Group has offices in London and Manchester under non-cancellable operating lease agreements. The leases have various terms, escalation clauses and renewal rights. Neither of these leases include contingent rents.

23. RELATED-PARTY TRANSACTIONS

Group
A related-party relationship exists with its shareholders and subsidiaries.

Shareholders
The Group’s ultimate shareholders are The Goldman Sachs Group, Inc. and Wellcome Trust (see Note 13 Borrowings for details of shareholder mezzanine loan notes). Greystar (US) are an intermediate shareholder of the Group.

Sale of goods and services
The following amounts were paid to related parties during the financial year in relation to administrative service provided under formal agreements.

The Group has a services agreement with Greystar Europe Holdings Limited for operational costs for which during the period the Group was charged £0.2million (2016: £0.9million) in relation to the sub-letting of head office space and other administrative charges. In addition in 2016, a further £0.3million was charged under a transitional services agreement in the period immediately following the formation of the Group.

The Group has an agreement to provide corporate administrative services in relation to the Group’s subsidiaries incorporated in Luxembourg with GS Lux Management Services S.à.r.l. for which during the period the Group was charged £0.2million (2016: £0.5million).

Transactions with key management personnel
Key management personnel, as defined under IAS 24 ‘Related Party Disclosures’, have been identified as the Board of Managers of IQSA Holdings S.à.r.l. and the Key Executives, consisting of the Chairman, Chief Executive Officer, Chief Finance Officer, Commercial Director, Chief Investment Officer and Chief Operating Officer.

	Period ended 30 September 2017 £m	Period ended 31 December 2016 £m
Directors’ emoluments	**2.34**	1.05
Post-employment benefits	**–**	–
Termination benefits	**–**	–
Total	**2.34**	**1.05**

24. SUBSEQUENT EVENTS

On 21 December 2017 the Group acquired LTS Student Holdco S.a.r.l and Pure Student Living Limited for an estimated consideration of £869million, adjusted for other elements primarily relating to working capital. The final consideration is subject to a completion true up. LTS Student Holdco S.a.r.l owns and manages 11 student accommodation sites, seven of which are based in London, with further sites in Bath, Brighton, Edinburgh and York.

To fund the acquisition, additional external debt of £525million was raised, which is secured on the properties acquired.

The estimated fair value of total Investment property portfolio of the Group following this acquisition, is over £3billion.

On 24 October 2018, an additional £32.7million was drawn down from the Group’s existing loan facility.

There are no other events that have occurred subsequent to the balance sheet date and through the date of approval of the financial statements by the Directors that would require adjustment to or disclosure in the consolidated Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the 9-month period ended 30 September 2017

25. LIST OF SUBSIDIARIES

Principal subsidiary undertakings	Status	Equity held %	Registered office/ principal place of business Key*
Athena Asset 4 S.à.r.l.	Active	100%	1
Athena Asset 5 S.à.r.l.	Active	100%	1
Athena Asset 6 S.à.r.l.	Active	100%	1
Athena Asset 7 S.à.r.l.	Active	100%	1
Century Square Operating Company Limited	Active	100%	2
Corsham Street Student 1 limited	Active	100%	2
GSG Athena 2 Holdco S.à.r.l.	Active	100%	1
GSG Athena 2 S.à.r.l.	Active	100%	1
GSG Hermes S.à.r.l.	Active	100%	1
GSGA II Real Estate S.à.r.l.	Active	100%	1
Hermes Asset Group S.à.r.l.	Active	100%	1
Hermes Asset Pines S.à.r.l.	Active	100%	1&6
Hermes Asset Weston S.à.r.l.	Active	100%	1
IQ (General Partner 2) Limited	Active	100%	2
IQ (General Partner) Limited	Active	100%	2
IQ (Shareholder GP) Limited	Active	100%	2
IQ Letting (General Partner 2) Limited	Active	100%	2
IQ Letting (General Partner) Limited	Active	100%	2
IQ Letting Property Limited Partnership	Active	100%	2
IQ Properties S.à.r.l.	Active	100%	1
IQ Property Partnership	Active	100%	2
IQ Shoreditch (General Partner) Limited	Active	100%	2
IQ Shoreditch General Partner 2) Limited	Active	100%	2
IQ Shoreditch Letting (General Partner 2) Limited	Active	100%	2
IQ Shoreditch Letting (General Partner) Limited	Active	100%	2
IQ Shoreditch Letting Property Limited Partnership	Active	100%	2
IQ Shoreditch Property Limited Partnership	Active	100%	2
IQ Shoreditch Unit Trust	Active	100%	3
IQ Two (General Partner 2) Limited	Active	100%	2
IQ Two (General Partner) Limited	Active	100%	2
IQ Two Letting (General Partner 2) Limited	Active	100%	2
IQ Two Letting (General Partner) Limited	Active	100%	2
IQ Two Letting Property Limited Partnership	Active	100%	2
IQ Two Property Limited Partnership	Active	100%	2
IQ Unit Trust	Active	100%	3
IQSA (Athena) Limited	Active	100%	2
IQSA (Bloomsbury) LP	Active	100%	2
IQSA (Brighton) Limited	Active	100%	2
IQSA (Glasgow) Limited	Active	100%	2
IQSA (GP1) Limited	Active	100%	2
IQSA (GP2) Limited	Active	100%	2
IQSA (Hermes) Limited	Active	100%	2
IQSA (Huddersfield) Limited	Active	100%	2
IQSA (Oxford) Limited	Active	100%	2
IQSA (Wembley court) GP1 Limited	Active	100%	2
IQSA (Wembley Court) LP	Active	100%	2

Principal subsidiary undertakings	Status	Equity held %	Registered office/ principal place of business Key*
IQSA (Westbourne) Limited	Active	100%	2
IQSA Century Square S.à.r.l.	Active	100%	1
IQSA Chandos S.à.r.l.	Active	100%	1
IQSA General Operating Company Ltd	Active	100%	2
IQSA Group Limited	Active	100%	2
IQSA Manors S.à.r.l.	Active	100%	1
IQSA Manors (North) S.à.r.l.	Active	100%	1
IQSA Newlands S.à.r.l.	Active	100%	1
IQSA Nottingham Holdings Company Ltd	Active	100%	2
IQSA Services Limited	Active	100%	2
IQSA St George's S.à.r.l.	Active	100%	1
Lugus Holding S.à.r.l.	Active	100%	1
MP Newlands Ltd	Active	100%	2
MP Newtown Ltd	Active	100%	2
Newlands Studios Ltd	Active	100%	2
Newtown Studios Ltd	Active	100%	2
OCM Luxembourg Unicity Holdings S.à.r.l.	Active	100%	1
Opal Villas Ltd	Active	100%	2
Opal (Yorkshire) Ltd	In Liquidation	100%	4
Opal City Developments Limited	In Liquidation	100%	4
Opal Hospitality Limited	In Liquidation	100%	4
Opal Portfolio 3 Limited	In Liquidation	100%	4
Opal South Yorkshire Limited	In Liquidation	100%	4
Opal St Georges Limited	In Liquidation	100%	4
Oreno Homes Limited	In Liquidation	100%	4
Titanium Athena S.à.r.l.	Active	100%	1
Titanium Bloomsbury S.à.r.l.	Active	100%	1
Titanium Minority Unit Holder S.à.r.l.	Active	100%	1
Unicity I Newcastle S.à.r.l.	Active	100%	1&5
Unicity II Acton S.à.r.l.	Active	100%	1&5
Unicity III Bournemouth S.à.r.l.	Active	100%	1&5
Unicity IV BB S.à.r.l.	Active	100%	1&5
Unicity IX Oxford S.à.r.l.	Active	100%	1&5
Unicity V Lincoln S.à.r.l.	Active	100%	1&5
Unicity VI Aldgate S.à.r.l.	Active	100%	1&5
Unicity VIII Huddersfield S.à.r.l.	Active	100%	1&5
Unicity XII Brighton S.à.r.l.	Active	100%	1&5
Unicity XVIII Lincoln 2 S.à.r.l.	Active	100%	1&5
Westbourne Holdings S.à.r.l.	Active	100%	1
Westbourne Portfolio S.à.r.l.	Active	100%	1

Key *
1 2, rue du Fossé, L-1536, Luxembourg.
2 7th Floor, Cottons Centre, SE1 2QG, United Kingdom.
3 Lime Grove House, Green Street, JE1 2ST, United Kingdom.
4 15 Canada Square, London, E14 5GL, United Kingdom.
5 These companies were liquidated post balance sheet date by way of merger with their parent company.
6 This company was liquidated post balance sheet date.

GLOSSARY

Adjusted EBITDA per bed
Annualised EBITDA divided by the total beds operational for the full period, excluding the Group's hotel operations

Adjusted NOI margin
Net operating income divided by total revenue, excluding the Group's hotel operations, expressed as a percentage

Annualised EBITDA
EBITDA for the 12 months to 30 September 2017

Annualised NOI
Net operating income for the 12 months to 30 September 2017

Annualised revenue
Revenue for the 12 months to 30 September 2017

ANUK
The Accreditation Network operates the National Codes for Large Student Developments, which aim to ensure transparent and professional management of purpose built accommodation

Average core occupancy
Average occupancy rate of the residences during the core tenancy period in the UK academic year

Average portfolio yield
The net operating income generated by the portfolio (as determined by the Group's valuers), expressed as a percentage of portfolio valuation, taking into account notional purchaser's costs

BPF
The British Property Federation – a membership organisation for the UK real estate industry

Direct let
Properties where assured shorthold tenancy agreement entered into directly between the Group and a student

EBITDA
The Group's EPRA earnings before charging interest, tax, depreciation and amortisation

Educational institutions
The universities and other educational programmes

EPRA earnings
EPRA earnings are prepared on the basis recommended for real estate companies by EPRA, the European Public Real Estate Association. This excludes movements relating to changes in values of investment properties, interest rate swaps and exceptional items

HMO
Houses in multiple occupation

Like-for-Like rental growth
The annual growth in total revenue, adjusted for new or divested properties

Loan to value ratio
The Group's net external debt as a percentage of the portfolio value

Net asset growth
Increase in net asset value from 31 December 2016 (our last reporting period) to 30 September 2017

Net external debt
The Group's debt, net of cash and shareholders loans

Net operating income
The rental income from the property less operating costs directly related to the property, excluding corporate costs

PBSA
Purpose-built student accommodation

Summer income
The Group's revenue generated from the property during the tenancy period that is outside of the core occupancy period for each year

Designed and produced by MerchantCantos
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