



Student
Accommodation

Giving our students
their best
year yet

Annual Report **2018**

THE iQ EXPERIENCE IS BUILT
AROUND FOUR KEY AREAS



Best home
from home

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Fantastic
student
experience

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Customer
focused
people

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Sector
leading
innovation

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We are 

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

“Great room, good storage space, comfortable bed and excellent en-suite bathroom. Had a **great experience** at iQ, it has definitely made my first year at university a comfortable and enjoyable one, and I have met great people.

£21m

INVESTED IN THE
REFURBISHMENT
OF 25 PROPERTIES

Strategic report

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iQ provides the best environment for students to make the most of their study years – safe, secure and well maintained, and with those little touches that make it feel more like home.

Best home
from home

Chair's statement

PENNY HUGHES

I am delighted to have joined as Chair of iQ in February 2018. The business has delivered another good set of financial results, as well as strong progress for all stakeholders.

This year, iQ accelerated its position as a leading provider of purpose built student accommodation (PBSA) in the UK, establishing itself as market leader in key cities such as London and Manchester.

During my induction I have seen first-hand how our site teams and well-located properties make iQ the best home from home for the 28,000 students we welcome from around the UK and beyond each year. I have visited more than twenty iQ properties, and appreciate the care taken at every step to deliver on our mission. I had the privilege of welcoming new students to iQ Kingston this year, many of whom had just arrived in the UK. It reaffirmed how much of a role we play in providing both a welcoming home and a sense of community to help students settle into their new lives.

As a business with such a positive social purpose, we know how important it is to create environments that make our students feel at home as they deal with the opportunities and challenges of university life. From our careful design planning, to delivering expert partnerships, we are building more than a property business, we are creating a consumer brand that puts the student experience at the heart of our decisions.

The safety of our residents is of utmost priority. The tragic events of Grenfell in 2017 highlight why fire safety must be the number one priority for all. As part of a proactive and comprehensive portfolio review we conducted improvement works resulting in further fire safety enhancements to provide an even greater level of assurance for our residents.

As we build our capabilities, particularly in Operations, we are bringing valuable customer-focused hospitality experience to the business. We believe this enables us to provide market-leading service, and we will continue to identify innovations to further improve the experience iQ delivers. Our ongoing portfolio investment ensures that we will drive long-term value for students, shareholders and our university partners who trust us to deliver welcoming homes for their students.

Our dialogue with shareholders and the expert UK Operational Team is highly engaged. We structure our deliberation around the company's priorities; delivering a fantastic student experience, embedding a scalable operating model, developing and acquiring new sites for growth and achieving unrivalled business performance. I am grateful to Rob Roger and his operational team for their skill, diligence and openness, and to Goldman Sachs and Wellcome Trust as highly supportive shareholders.

Against an uncertain political backdrop in the UK, the fundamentals of the PBSA sector remain strong. We continue to benefit from the growing number of students choosing the UK for its outstanding higher education institutions and are seeing students enjoy what iQ has to offer. With our compelling proposition and strong customer satisfaction, we are positioned to continue to perform well in the coming years.

On behalf of the Board, thank you to all those that work with iQ – together we are building a business to be proud of.

PENNY HUGHES,
NON-EXECUTIVE CHAIR



2018 HIGHLIGHTS

FINANCIAL HIGHLIGHTS

£200.4m

REVENUE

For 12 months to 30 September 2018 up 29% (Annualised 2016/17: £155.0m)

4.7%

LIKE-FOR-LIKE RENTAL GROWTH

For 12 months to 30 September 2018 (Annualised 2016/17: 5.8%)

£129.5m

EBITDA

For 12 months to 30 September 2018 up 36% (Annualised 2016/17: £95.5m)

98%

AVERAGE CORE OCCUPANCY

in the 2017/18 academic year (2016/17: 98%)

£3.5bn

PROPERTY VALUATION

(30 September 2017: £2.2bn)

76.1%

ADJUSTED NOI MARGIN

For 12 months to 30 September 2018 (Annualised 2016/17: 75.0%)

OPERATIONAL HIGHLIGHTS



587

EMPLOYEES



28,015

NUMBER OF PORTFOLIO BEDS



67

NUMBER OF PROPERTIES



3,987

DEVELOPMENT PIPELINE BEDS

(Planning consent obtained for 3,610 beds)



80%

CUSTOMER SATISFACTION

(For students checking in for the 2018/19 academic year)

- Another period of strong performance in the first full 12 months since we changed our year end to 30 September, to better align with the UK academic year
- Added 3,653 beds to our portfolio via the acquisition of Pure Student Living, expanding our presence in London, Edinburgh and Brighton, and securing us a foothold in Bath and York – two prominent university markets. The assets were fully integrated into our proven operating platform, just six months after acquisition
- As a result of the acquisition of Pure Student Living, iQ is now the leading owner of private purpose built student accommodation in London
- Invested £21m on refurbishing 25 properties, and adding 61 new beds in Summer 2018
- We opened our brand new 272 bed development in Newcastle which was fully occupied for the 2018/19 academic year

Group overview

iQ is the largest provider of private purpose built student accommodation in the UK by value.

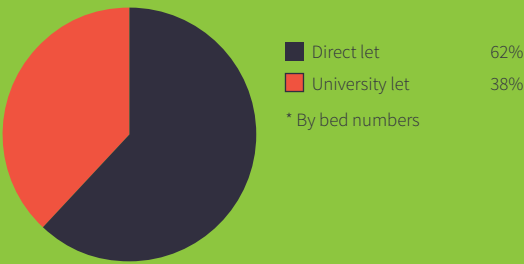
Our portfolio is well located and diversified, with a strong presence in leading university cities and towns across the UK – 83% of our portfolio value is in Russell Group locations. We are the leading owner of student accommodation in thriving student cities including Manchester, and following the acquisition of Pure Student Living, also in London, where we offer a wide range of beds and accommodation options across Zones 1-4.

Our high-quality accommodation provides the best home from home for thousands of students from all over the world who have chosen the UK for their studies.

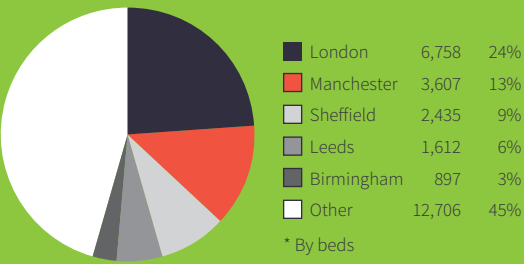
In the reporting period, 3,653 beds were added to our portfolio via the Pure Student Living acquisition, and a further 61 beds were added to existing assets through capital works in Summer 2018. We also opened our 272-bed development in Newcastle which was fully occupied for the 2018/19 academic year. As at the year end, iQ owned and operated 28,015 beds in 27 leading university cities and towns across the UK.

We have a strong development pipeline of 3,987 beds, demonstrating strong growth opportunities for the company and the ability to bring the iQ experience to many more students.

Portfolio breakdown by lease type*



Portfolio breakdown by region*



LOCATION CHART*

	Location	Sites	Beds		Location	Sites	Beds
1	London	15	6,758	15	Bournemouth	1	590
2	Manchester	10	3,607	16	Salford	1	541
3	Sheffield	6	2,435	17	Dundee	1	498
4	Leeds	2	1,612	18	Brighton	2	402
5	Lincoln	2	1,553	19	Bangor	1	382
6	Huddersfield	2	1,382	20	Bristol	1	367
7	Leicester	2	943	21	Bath	1	330
8	Birmingham	2	897	22	York	1	326
9	Edinburgh	3	791	23	Glasgow	1	324
10	Bradford	1	752	24	Wolverhampton	1	296
11	Preston	1	679	25	Liverpool	1	294
12	Plymouth	2	653	26	Kingston upon Thames	1	214
13	Nottingham	3	648	27	Oxford	1	140
14	Newcastle	2	601				
				Total		67	28,015

* Excludes hotel operations

67
PROPERTIES

£3.5bn
PROPERTY VALUE

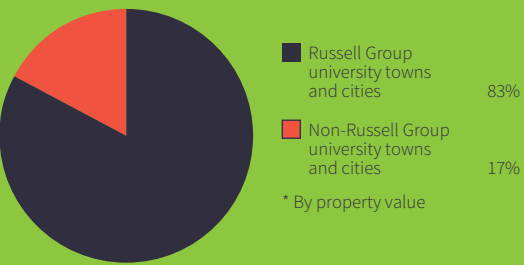
27
CITIES

98%
OCCUPANCY

28,015
BEDS

3,987
BEDS IN
DEVELOPMENT
PIPELINE

Portfolio breakdown by Russell Group university cities and towns*




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, reimagining the student accommodation experience and giving our students their best year yet.

 Read more about the student accommodation market on page 10

 Read more about our portfolio on page 6

OUR OPERATING MODEL

Well-located, vibrant properties

Our properties are conveniently located and connected to the communities around them – perfectly placed to help students make the most of the opportunities open to them during their time at university. With 83% of our portfolio value located in cities of highest student demand, we are well placed to offer a great place to call home and excellent value for money.

Safe and secure environments

The safety of our residents is a high priority and we have a continual review and improvement programme when it comes to safety standards. We have staff and security on site 24/7, giving students peace of mind. Our experienced site teams ensure the smooth running of our properties, and with extended reception hours, students always have a friendly face available.

Focus on wellbeing

With student wellbeing at the heart of our business, we want to make it as easy as possible for students to integrate into their new community through shared social, leisure and study facilities and events programmes across all our properties. Our partnerships with expert organisations like Nightline ensure that our students know they have someone to talk to when they may need extra support.

Digital innovation

Our integrated digital journey means that prospective residents receive an outstanding experience from their first interaction. From booking through our new website, to checking in and managing their stay through our booking and maintenance system, we want to make choosing iQ a hassle free and welcoming experience. Our digital platform also includes our sophisticated business intelligence suite.

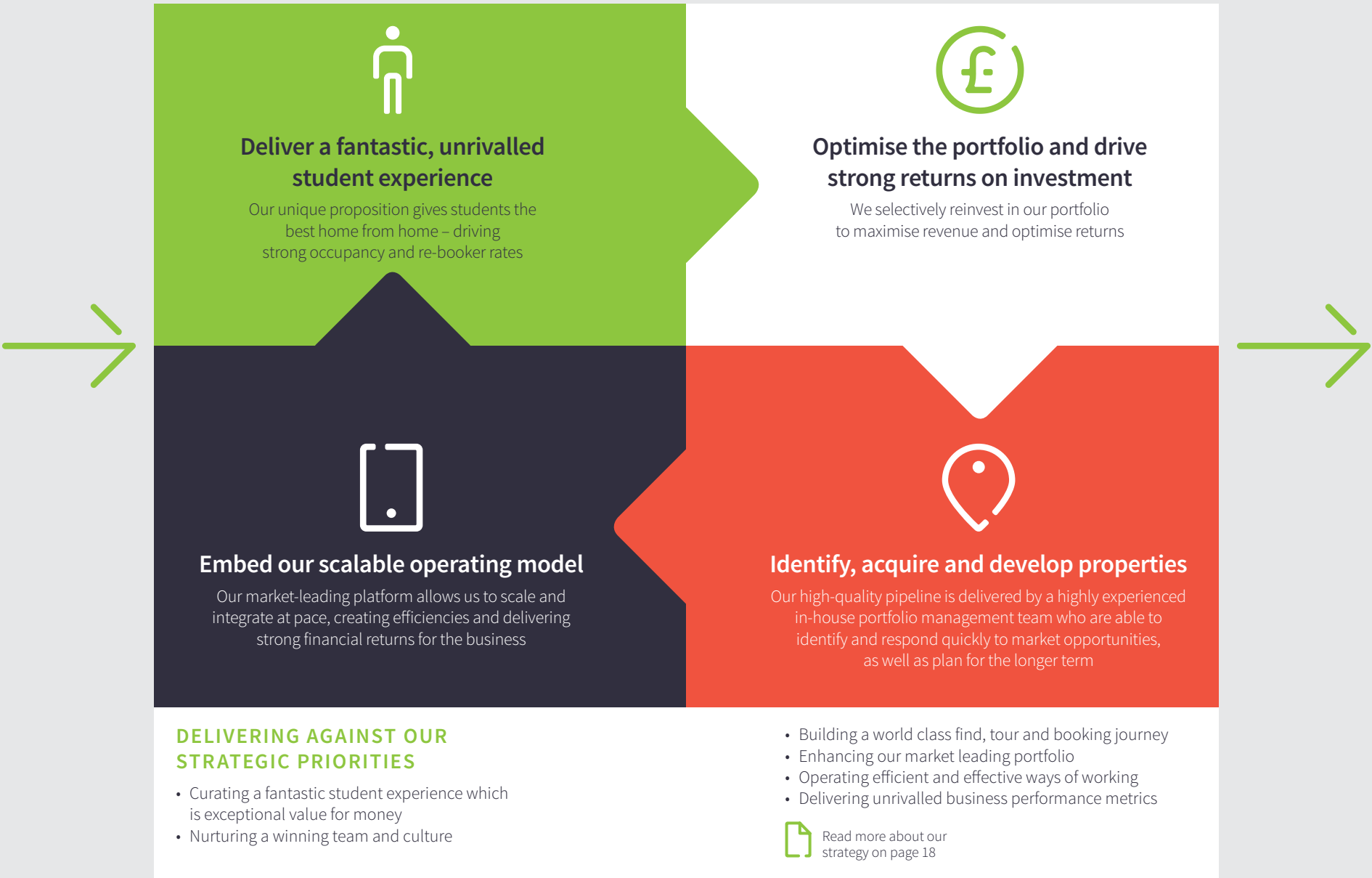
All-inclusive and flexible

We know the cost of university can be a key consideration, 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 different 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. We are always on the lookout for like-minded partners to join with iQ and help us deliver a fantastic experience for our residents.

Our activities and how we add value



Delivering value for all our stakeholders

Customers

We provide our 28,000 students with a fantastic experience in a safe and secure 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 want to create a fun place to work where our 587 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. We strive to support local businesses in the regions where our properties are located.

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

Market environment

With a growing number of people studying at UK universities and students’ increased appetite for high-quality accommodation and an enriched living experience, demand for PBSA continues to outstrip supply.

The UK PBSA landscape remains strong with more full-time students than ever before. A significant milestone was reached in 2017/18, with full-time students in the UK surpassing 1.8 million for the first time, demonstrating the strong and growing demand for the UK’s world class higher education institutions.

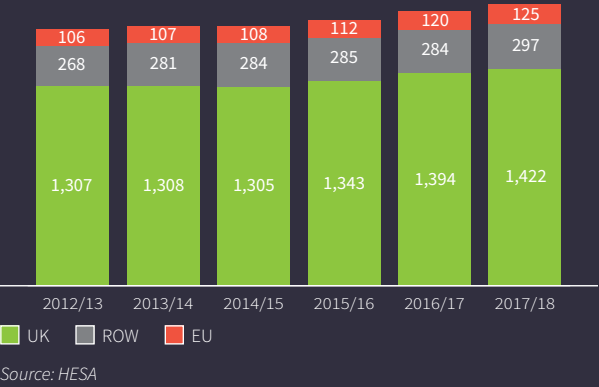
Full-time numbers have grown despite the UK’s population of 18-year-olds declining since 2015. This population trend will reverse in 2021 when the UK 18-year old cohort begins to rise. This, combined with growing participation rates, is projected to see the pool of UK 18-year-olds seeking a tertiary education spike by up to an additional 300,000 by 2030.*

Student demand is concentrated on the UK’s leading universities
An increasing number of applicants are seeking to study at prominent universities in the UK. With the removal of the cap on undergraduate students in 2015/16, many high and mid-tier universities have gained market share.

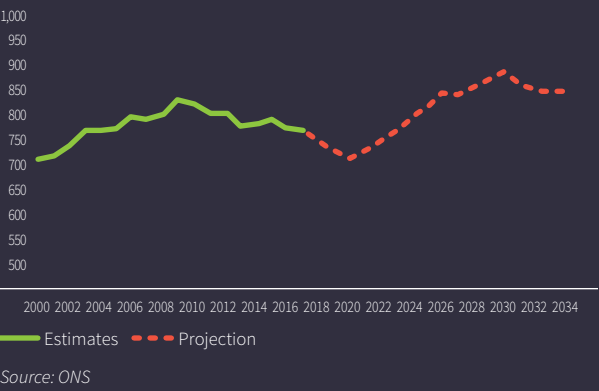
Over 50% of international students studying in the UK attend high tier universities – the majority of which are located in Russell Group university cities and towns – underpinned by their global appeal and higher employability for graduates once they leave. London is at the centre of this demand, with 23% of all international students in the UK studying in the capital.

*Source: HEPI

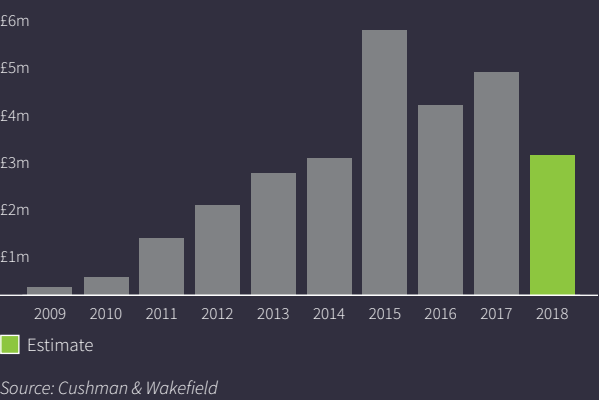
Full-time student numbers in the UK: 2012/13 – 2017/18
Full-time students (000s)



UK 18-year-old population projection to 2034
Population (000s)



Student accommodation transaction volume
Investment in the sector continues to be strong, with significant international buying interest



iQ’s growth strategy is aligned to this trend, evidenced by our acquisition of Pure Student Living in 2017 which added 3,653 beds to our portfolio across five prominent UK university cities – the majority of which are in London.

The UK is well positioned to benefit from growth in international student mobility
The UK continues to be a leading destination of choice for students studying abroad, with over 420,000 international students in 2017/18. A recent study by the British Council on 56 key higher education markets concluded that global growth in students studying abroad will continue over the next decade with China and India forecast to account for 60% of this uplift. The UK is already seeing the benefits of increased mobility – undergraduate applications from international students outside the EU climbed by 6.5% in the 2018/19, with record growth from China and India.

Growth in new PBSA beds is projected to decline
There are currently 300,000 private PBSA beds across the UK, with a slowdown in growth projected over the next four years, exacerbated by more stringent planning and availability of land in desirable locations, in certain markets.

The release of the Mayor’s draft ‘London Plan’ looks set to further tighten the planning landscape in the capital. Additional regulations under the current plan, combined with high land values, has seen the lowest growth of new PBSA beds in London in more than a decade.

It has never been more challenging for developers to gain a foothold in London, and iQ is therefore well positioned as the foremost owner of private PBSA beds in the world’s leading university city.

Students value the experience provided by PBSA operators and are increasingly choosing to stay for the second and third years of their university life. The price gap between PBSA and HMO is marginal in many markets, making PBSA more attractive, particularly with the sector’s ‘all-inclusive’ package and first-rate student experience. The increased scrutiny surrounding houses of multiple occupation (HMO) due to the UK’s housing shortage has played its part, with many local authorities implementing regulations to control the supply of HMO.

Increasingly, students are demanding en-suite accommodation, which represents over 73% of iQ’s portfolio. Demand is also high for studio accommodation, particularly from international and postgraduate students, in key university markets such as London, Manchester, Birmingham, Edinburgh and Nottingham.

Brand recognition is becoming increasingly important for choice
While location and demand and supply dynamics remain the primary drivers of choice and performance, the importance of building a recognisable accommodation brand is growing. Students are placing greater importance on the quality of their accommodation, as well as their experience. Providers are expected to take a more active role in creating a supportive home environment – conducive to students thriving in these important years.

Outlook
In early 2019, the Government will publish the recommendations of its post-18 funding review. Although we wait to see how the review potentially reshapes higher education in the UK, we do not expect to see any change in the growing demand for high quality PBSA and an enhanced living experience amongst students.

Similarly, while uncertainties remain around Brexit, we do not believe there will be a major shift in overall student numbers in the UK, underpinned by strong demand for the UK’s world class universities.

With continued investment and ongoing demand, confidence in PBSA remains high. iQ is well placed to benefit from these strong sector fundamentals.

“Accommodation is an important factor influencing the student experience, and making sure that students are able to make the most of the opportunities and challenges of university life. Increasingly students expect high quality properties, but also a fantastic experience from their accommodation providers.”

CEO's review

ROB ROGER

The 2017/18 academic year has seen iQ achieve significant growth and extend its reach into key markets.

I am pleased to report on another very good year for iQ for the year ended 30 September 2018. This year, we have delivered strong performance – achieving high levels of growth that continue to prove the highly effective and scalable nature of our operating platform. Our acquisition of Pure Student Living (Pure) in December 2017 has seen iQ establish itself as the leading owner of PBSA in London – recently voted the world's best city for students to live and study. Along with this milestone acquisition for the company, we have continued to grow in key markets across the UK, bringing iQ's offer to the 28,000 students from 153 countries around the world who now choose to make their home with us.

With an increasing number of students deciding to study at university in the UK, and with international student growth remaining high, we are well placed to benefit from this growing demand. Most international students are choosing high tier universities for their studies, the majority of which are in Russell Group university cities and towns which, following the acquisition of Pure, now hold 83% of iQ's property value, an increase of 8% on last year. This demand is particularly apparent in London, where 83% of our direct let residents in 2017/18 were international students, including 63% from countries outside Europe. With an international student market that seeks out studio accommodation, which saw faster booking velocity than in previous years, or shared flats to live with their friends from home, our differentiated London portfolio is serving this growing demand.

This year, we undertook an extensive listening programme to build a greater understanding of what is important to students, their parents and prospective residents.



“We are building a student consumer brand like no other by providing the very best experience for our students and ensuring that they are at the heart of every business decision we make. The success of our approach, and of our operating model, is showing through our strong re-booker rates, the growing number of direct-let beds, and above-market returns for the business.”



£200.4m

REVENUE
(12 MONTHS PERFORMANCE
TO 30 SEPTEMBER 2018)



4.7%

LIKE-FOR-LIKE
RENTAL GROWTH



We have used these insights to make investments in the areas that enhance their accommodation experience and deliver on our promise to give students their best year yet. The success of this strategy is reflected in our average occupancy of 98%, and that 39% of eligible students choose to stay with us for another year. It is clear that students value and enjoy what iQ offers – high quality, centrally located sites, round-the-clock security and on site staffing, world class social spaces and events, and all-inclusive costs that create an attractive and differentiated style of student accommodation that represents value for money.

In this first full 12-month period since the change of our reporting date to 30 September, we have performed strongly. The Group delivered revenue of £200.4 million, an increase of 29% on last year's annualised revenue of £155.0 million. The Pure portfolio contributed additional revenue of £34.8 million for the nine months to 30 September 2018. Our performance was underpinned by full occupancy and underlying like-for-like rental growth of 4.7%. Our balance sheet position has been strengthened during the period, with an increase in net assets from £695.7 million to £1,161.2 million representing an increase of 66.9%.

Giving students their 'best year yet'

We believe that where students choose to live while at university can have a big impact on how much they enjoy these exciting study years. We take our role seriously and want to be much more than just a landlord – we are creating a genuine consumer brand within the property sector, with the student experience at the centre of our business. This is why we are focused on providing the best home away from home, from which students can make the most of the opportunities available to them. It is only through a deep understanding of what's important to our customers that we can truly deliver this. As a result of our listening programme, where students highlighted the critical role that access to our site teams plays in their experience, we extended our reception hours from 9am-5.30pm to 8am-8pm to make our teams more accessible during the hours that suit students most. This extension has further bolstered the round the clock on site staffing and security we provide, ensuring our students always have a friendly face to talk to.

We have also invested in the moving-in experience. We know that the moment that students move in to their new home is an important experience for both students and their parents.

CEO's review

CONTINUED

Getting it right enables our students to begin university with a positive mindset and offers peace of mind to their parents. This year we implemented our “Ready to Welcome” initiative, to give our students the best arrival experience. Our Fast Pass allows residents to take care of all their admin before arrival, making the check in process hassle free. Our site teams all run a programme of welcome events too, helping new residents to settle into their new community.

We continue to invest in technology to improve our students' experience during the booking process, and on site. Digital investments this year have included the launch of our new website, including a Mandarin version for the first time, giving our Chinese prospects a bespoke and content rich booking experience. Students told us that the most important factor in making their accommodation choice was to know what their room would look like, which is why our website is the first in the sector to take a room first approach. This makes it easier than ever for prospective students to find and view their room of choice, and hear from other iQ residents about their experience, as part of their booking journey. We are progressing with the development of our bespoke iQ app for launch in 2019 which will further enhance communication between iQ and its residents, making living with us even easier.

University can offer enormous opportunities, but at times it can also be challenging. That is why we choose to put the wellbeing of our students at the heart of our business. Through the safe and comfortable homes we provide, as well as our event programmes, gyms and 24/7 security, we want to enable our students to make the most of their time at university. We work with a range of expert partners – from offering health MOTs with the Gym Group, to commissioning research with charity partner Relate to gain a deeper understanding of the challenges students face, particularly in developing and maintaining strong relationships. We also partner with Nightline across all our sites to give residents who may need extra support access to the valuable help that they offer. Designated members of our site teams have also received Mental Health First Aid training, and we will continue to offer this over the coming year.



39%

RE-BOOKER RATE
(2017/18 RESIDENTS RETURNING
FOR THE 2018/19 ACADEMIC YEAR)



83%

**OF iQ'S PROPERTY VALUE IN
RUSSELL GROUP UNIVERSITY
CITIES AND TOWNS**
(AS AT 30 SEPTEMBER 2018)

Along with our focus on the customer experience, the investment into our buildings continues at pace. This year we have invested £21m in our annual refurbishment programme, improving 2,716 beds across 25 sites, and adding further value to the portfolio through the addition of 61 beds for the 2018/19 academic year. We have significantly increased our investment in our London portfolio, both to optimise the opportunities that the unique Pure portfolio created, as well as to enhance the high levels of accommodation we already offer students choosing London. This has included the commencement of the refurbishment of our flagship site in Shoreditch where we have added over 30 beds to meet the high demand for a place in this studio-based property. Over the next two years the site will be reconfigured with a sky lounge being created on the top floor which will provide unrivalled social spaces and views across the London skyline.

It has been hugely rewarding to see the impact of our efforts reflected through our student-facing surveys, and this year we have delivered high levels of customer satisfaction. This, combined with our strong re-booker profile and high levels of occupancy, show that our customer-focused approach is working, and proving a strong point of difference in the market. I want to thank our hugely committed 587-strong team across the iQ portfolio who make it their mission to deliver for students, day in, day out.

Growing our unbeatable portfolio

We have made significant progress against our strategy of expanding iQ's presence in prominent university cities and towns in the UK. These include key metropolitan, multi-university cities, like London and Manchester, as well as those with strong alignment to high and medium tier institutions, like Edinburgh and Sheffield – where student growth is strong. Our focus has allowed us to develop a strong proposition in these markets, enabling us to make investment decisions that deliver value for our customers and enhance our offering in the markets in which we operate. In the 2017/18 financial year, we added 3,986 beds to our portfolio in key markets of high student demand, increasing iQ's beds to 28,015 at the end of our financial year.

A key contributor to this growth was our acquisition of 11 properties and 3,653 beds from Pure, which now enables us to offer an additional 2,805 beds across London as well as providing us with access to highly desirable new markets such as Bath and York, and expanding our presence in Brighton and Edinburgh.

CEO's review

CONTINUED

The acquired assets continue to allow us to capture value from the Pure transaction through further investment into the assets – including the addition of new beds, as well as a full rebranding programme which brings greater personality and local relevance to these properties. Following the acquisition, iQ now owns and operates a portfolio of 67 sites across the UK, valued at £3.5bn, making us the largest provider of private PBSA in the UK by value. 51% of iQ's property value is now in London where demand for well-located and high-quality accommodation is only set to grow over the coming years.

In line with our strategy, we also expanded our presence in Newcastle where our new development, iQ Collingwood, opened its doors to students for the 2018/19 academic year. This 272 bed property is our second in Newcastle, and now allows us to offer students a wide choice of room types and price points. The new site was fully occupied for the 2018/19 academic year, and residents will benefit from its close proximity to both Newcastle University and Northumbria University, as well as its stand-out amenities. Since the end of the last reporting period, we secured our third and fourth sites in Newcastle, which will bring 784 iQ beds to this attractive market.

During the 2017/18 year, planning permission was granted for our pioneering mixed-use development consisting of co-living accommodation and PBSA in the heart of Manchester, which will bring innovation to the sector. It will be Manchester's first co-living concept, as well as one of the largest co-living development in the UK, consisting of 406 units (621 beds) of co-living accommodation and 242 beds of PBSA. The development joins iQ's portfolio of 3,607 beds in Manchester, cementing iQ's leading position in this key market.

The development will offer an affordable, social living solution for graduates and young professionals in a challenging housing market.



£21m

ANNUAL REFURBISHMENT
PROGRAMME



3,987

DEVELOPMENT
PIPELINE BEDS

iQ is well positioned to capitalise on the strong relationships built during our students' time with us, to provide graduates with high-quality accommodation in the centre of cities with good universities, strong career development opportunities and service sectors.

We have a strong development pipeline of 3,987 beds, which will see iQ grow its presence further in Edinburgh, Leeds, Newcastle, Sheffield and York, and enter a new market in Coventry, one of the UK's strongest university cities.

Our strong financial performance, access to financing and a highly experienced internal portfolio management team enable us to continue to deliver high levels of growth across our estate, bringing iQ's unique proposition to even more students.

Creating strategic partnerships

In the 2017/18 academic year we have retained focus on our strong direct let business, which accounted for 62% of our beds. We have also continued to develop our strategic relationships with 28 Higher Education partners (37 agreements) who trust us to provide high quality and secure homes for their students. This year, our flexible approach with our university and education partners has opened the door for new leases and nominations across the UK, increasing the total number of partners to 34 and agreements to 46.

Our strong relationships with our university partners have allowed us to work creatively to unlock value for them. For example, at iQ Weston Hall, which is in close proximity and fully nominated to the University of Manchester, we have been able to navigate multiple complexities to incorporate a state-of-the-art nursery school into the scheme, predominantly for the children of university employees. The nursery will relocate from the site that will now house our co-living development. Through this relocation we have invested significantly to deliver a hugely improved facility for the benefit of our partner and their staff.

Our approach to working with international agents during the course of this year, particularly in China, has deepened with added resource and a focus on strong relationships. As international student numbers increase, our approach continues to deliver value to the business.

As a result of our investment, we have seen referral volumes and the international mix within our portfolio increase in 2017/18 academic year. We continue to make similar inroads to increase our penetration into other emerging markets which are seeing high volumes of students choosing the UK.

Outlook

During the period, we have delivered another year of strong like-for-like rental growth, in part delivered by our ability to successfully price according to demand. We believe this growth will continue into the year ahead, driven by our proven operating platform, our commitment to delivering a differentiated proposition for our students and a solid development pipeline in prominent university cities and towns in the UK.

Despite macro uncertainties around Brexit, demand for the UK's world class higher education institutions and international student numbers continue to grow. With 83% of iQ's property value in the top destinations chosen by international students, we are set to benefit from this growing demand. In addition, our wide range of high-quality room types and price points will give UK students even more reasons to choose iQ.


With our proven strategy, strong fundamentals and a growing market, we are confident that 2018/19 will be another good year of growth for iQ and another great year for the students that call us home.

ROB ROGER,
CEO

Our strategy in action

We deliver our vision through our six 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

 We measure performance against our strategic priorities through both financial and non-financial KPIs. See page 20

 Hear more about our performance this year by visiting www.iqstudentaccommodation.com/corporate

“Our unerring focus on delivering against our strategic priorities has delivered for both the business and our customers this year. Our **compelling offer**, deep understanding of our residents’ needs and a growing demand for quality accommodation stands us in good stead for another successful year.

1 2

Investing in customer facing training (From October 2017)

We have invested in training that will deliver a better experience for our students – from Brilliant Basics to Mental Health First Aid and Awareness training for a number of team members. Our training is designed to help our staff give our students the best experience while at iQ. This focus has delivered a big improvement in our NPS scores for “Customer Focused People”, at +27 points.

2

WOWing our employees (November 2017)

A big focus on recognition has resulted in the launch of our WOW Awards – where employees are nominated by their peers for demonstrating our values in their day-to-day roles. The first event ran in 2017, and in its second year we have seen 216 nominations made.



1 4 5 6

iQ acquires Pure (December 2017)

In December 2017, iQ acquired the Pure Student Living portfolio of 11 sites, making it the leading owner of PBSA in London and giving access to new markets, including Bath and York. iQ now provides a wide range of accommodation options to suit all budgets in London – offering 6,758 beds across Zones 1-4.

1 2 5 6

Penny Hughes appointed as Chair (February 2018)

Penny Hughes joined as Non-Executive Chair for iQ this year. Penny's board experience in consumer facing businesses including Superdry PLC and The Gym Group has brought a strong focus on the customer experience to iQ.



4 5 6

Co-living development receives planning consent (May 2018)

In May this year, we received planning consent for Echo Street, our pioneering mixed-use development consisting of 406 units (621 beds) of co-living and 242 beds of PBSA in the heart of Manchester City Centre. Co-living is a new concept in residential development in the UK. It is a way of living that is centred on creating community and social living, designed to provide a vibrant work/life hub for residents.

1 4 5 6

Listening to our customers (July 2018)

We believe the best experience comes from a deep understanding of what is important to our customers. In July this year we launched our “Listening Programme” working with residents, parents and prospective residents to gather insights on what is most important to them – enabling us to make investment decisions that drive value for those who live with us.

1 2

Wellbeing programme for residents (August 2018)

We know that university can be both an exciting and challenging time. This year we launched a wellbeing programme for residents, including a partnership with Nightline to provide vital peer to peer support for all students living with iQ.

4 5 6

Summer refurbishment programme

In Summer 2018, we conducted our most extensive refurbishment programme to date, investing £21m in the programme and delivering 61 new beds for the business.

1 4 5 6

iQ Collingwood opens its doors to students (September 2018)

This high spec development, opened in September 2018 and featuring 272 beds, is fully occupied for the 2018/19 academic year. The site has excellent public transport links and is conveniently located to attract students from both Northumbria and Newcastle Universities.

1 3 5 6

New website launched (September 2018)

As part of the multi-million pound investment in our digital transformation this year, we launched our new website, including a Mandarin site. The new website is interactive, and is designed to help residents find and choose their ideal room with us, as well as view our fantastic facilities.

1 4 5 6

Refinancing deal secured (September 2018)

In September 2018, iQ secured one of the largest refinancing deals in the sector. The £843m deal will fund the increased investments made in the portfolio, and also finance the next phase of our growth – increasing our portfolio beds by 3,987 including new developments in Coventry, Manchester and Newcastle.

FUTURE FOCUS


Over the coming year, we will continue to build on the elements of the student experience which we know are important to them, and will allow us to make progress against our strategy.

- Continuing our digital innovation, with the launch of our app
- Further investments in our customer focused training programmes
- Further developing our wellbeing proposition to continue to support our residents
- Making significant investment in our portfolio, particularly in London
- Delivering new sites, bringing the iQ experience to more students

Our performance metrics

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

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

 Read more about our strategic priorities on page 18

£3.5bn PROPERTY VALUATION

Measurement
An aggregation of the fair value of each of the Group’s investment properties, including our development sites at 30 September 2018

Commentary
Strong business performance and our high quality assets in leading university markets across the UK, further strengthened by the acquisition of Pure, has cemented iQ’s position as the largest owner of PBSA in the UK by value

STRATEGIC PRIORITIES **4 6**

£200.4m REVENUE (FOR 12 MONTHS TO 30 SEPTEMBER 2018)

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

Commentary
Revenue is up 29% on the previous annualised period, achieved by the continued strong performance of our existing portfolio, the acquisition of the 3,653 bed Pure portfolio and the opening of our new development scheme in Glasgow

STRATEGIC PRIORITIES **1 3 4 6**

98% AVERAGE CORE OCCUPANCY (IN THE 2017/18 ACADEMIC YEAR)

Measurement
Our average student occupancy over the core occupancy period in the 2017/18 academic year

Commentary
We have seen another year of very high demand from British and international students, underpinned by our high-quality accommodation across the UK and our fantastic student experience

STRATEGIC PRIORITIES **1 3 4 6**

34.6% NET ASSET GROWTH

Measurement
Increase in net asset value from 30 September 2017 (our last reporting period) to 30 September 2018, excluding the effect of additional equity of £167m raised to fund the Pure acquisition

Commentary
Our net asset growth from the previous reporting period reflects our solid operating performance and increased property values during the year

STRATEGIC PRIORITIES **1 4 5 6**

4.7% LIKE-FOR-LIKE RENTAL GROWTH (FOR 12 MONTHS TO 30 SEPTEMBER 2018)

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

Commentary
Above-market rental growth is underpinned by our commitment each year to enhance our portfolio via capital works, by our ability to dynamically price and underlying market growth

STRATEGIC PRIORITIES **1 3 4 6**

76.1% ADJUSTED NOI MARGIN (FOR 12 MONTHS TO 30 SEPTEMBER 2018)

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

Commentary
We have delivered improved operational performance in this financial year via strong rental growth and our continued focus on capturing operational efficiencies through the benefits of our scalable operating platform

STRATEGIC PRIORITIES **1 3 4 5 6**

39% RE-BOOKER RATE (FOR STUDENTS CHECKING IN FOR THE 2018/19 ACADEMIC YEAR)

Measurement
The number of eligible students who rebook with us for the following academic year, adjusted for new or divested properties

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

STRATEGIC PRIORITIES **1 2 3 4**

64.6% EBITDA MARGIN (FOR 12 MONTHS TO 30 SEPTEMBER 2018)

Measurement
The Group’s EPRA earnings, excluding share based payment expenses/long-term employee benefits before charging interest, tax, depreciation and amortisation, divided by revenue

Commentary
Our strong EBITDA margin is underpinned by the excellent performance of our core student accommodation business, which has been further enhanced this year by the acquisition of the Pure portfolio

STRATEGIC PRIORITIES **1 3 4 5 6**

80% CUSTOMER SATISFACTION (FOR STUDENTS CHECKING IN FOR THE 2018/19 ACADEMIC YEAR)

Measurement
The number of students who indicated they were satisfied with the level of service provided by iQ during 2018/19 check in

Commentary
We continue to focus on delivering outstanding service across all aspects of the student experience. Our listening programme allows us to understand the moments that are most important, check in being one of them

STRATEGIC PRIORITIES **1 2 5 6**

92% EMPLOYEES BELIEVE THEY CAN MAKE A VALUABLE CONTRIBUTION TO THE SUCCESS OF THE ORGANISATION

Measurement
Response to 2018 Best Companies Engagement survey question, to which 75% of employees responded

Commentary
The company has adopted an open door policy to encourage employees to speak up when they have suggestions which they believe could improve the business

STRATEGIC PRIORITIES **1 2 5 6**

Our approach to business

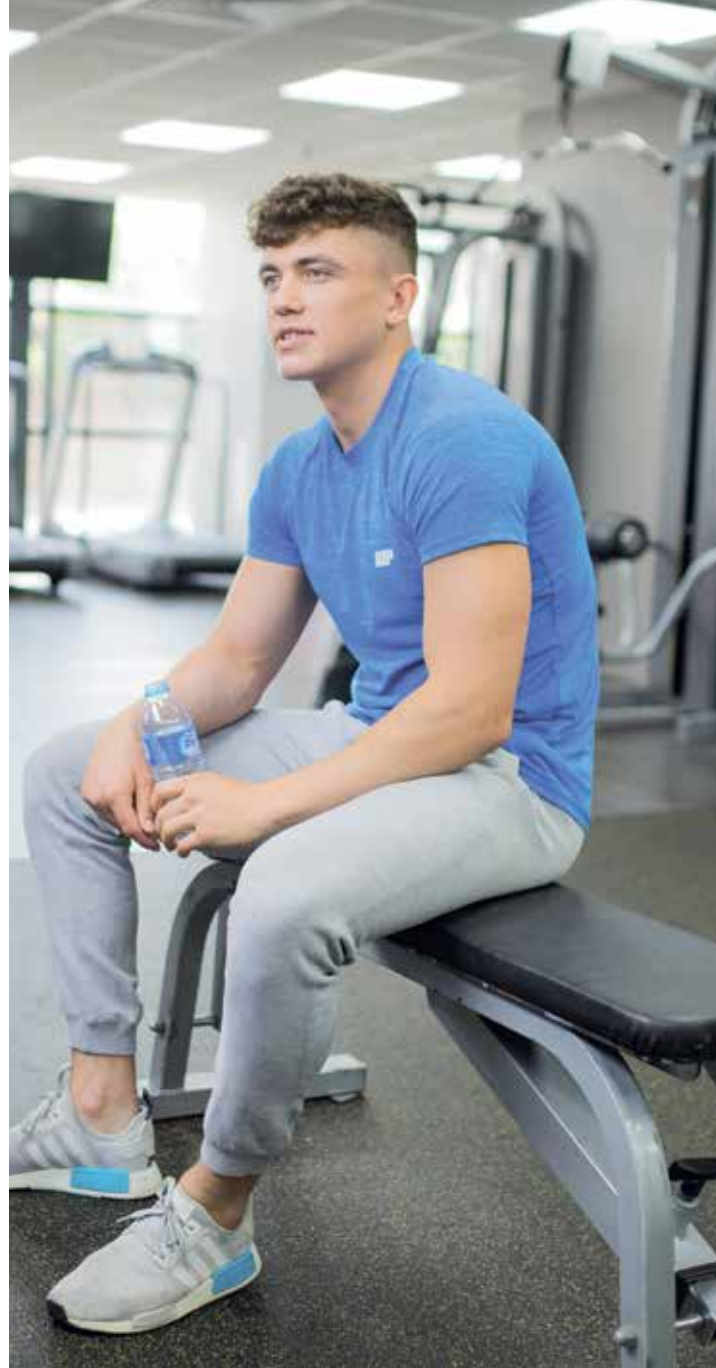
We know that where students choose to call home during their time at university has an impact on their overall university experience. That is why we are committed to giving the students who live with iQ their best year – providing them with a safe, secure and comfortable home away from home.

A focus on student wellbeing

We believe that 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 we feel.

Giving students their best year yet is our mission at iQ and something we strive to do, day in, day out. We know accommodation plays an important role in the overall university experience, from being the place that students call home to providing the right kind of environment to make friends, study, cook and eat well, sleep well, and of course, have fun.

This is why wellbeing is such a central focus for the business. We continue to invest in the design of our buildings, from the use of natural light in study areas to inspiring social spaces and amenities that encourage students to spend time with each other and feel both at home and part of a wider community. Key to creating this sense of welcome and belonging are our engaged site teams, and with our recently extended reception hours, it means our site teams are there when students leave in the morning and return home at night. It is also vital that our residents feel safe in their homes which is why we have staff and security on-hand and on site around the clock.



“It is our ambition to equip our residents for life in and beyond university by giving them the **best tools** and creating the right environment for them to develop and learn as young people.



We know that university can also be a challenging time for students. This year we have continued to enhance our core offer with several initiatives focused specifically on enhancing student wellbeing, including providing 128 members of our site teams with either Mental Health First Aid or Mental Health Awareness training. We have also partnered with Nightline, who provide confidential and anonymous support services run by students for students, giving all iQ residents access to this valuable support if they need it.

We also believe that physical wellbeing is central to a positive outlook. As well as in-house gyms at many of our sites, we are partnering with the Gym Group who offer on site events and free health MOTs for our residents as exclusive benefits to accompany other discounts offered.

We have partnered with relationship charity Relate to better understand the impact that living away from home has on some students' general wellbeing. Relate is the UK's largest provider of relationship support, and every year helps over a million people to strengthen relationships. We commissioned a report from the charity, insights from which will help us gain an understanding of what more we can do to help students get the most out of their time with us.

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

We have always taken a highly proactive approach to fire safety management, working with external experts, local fire and rescue services and university partners. All our buildings are subject to regular external Fire Risk Assessments, and have extensive fire safety systems and processes in place – including round the clock site staffing, and state of the art fire safety systems – making our buildings as safe as possible for our residents. We have also set up a Fire Safety Committee, reporting directly to the Group Board, that will continuously monitor our fire safety strategy.

Following the tragic events at Grenfell, we undertook a rapid review of all buildings and put in place measures to change cladding in three sites. In the case of our site at Penworks in Birmingham, we took the decision to close the building and completely change the cladding system.

Our approach to business

CONTINUED

Engaging with our residents

More students are choosing to stay with us for longer and are referring us to their friends because they value the overall experience that iQ offers.

Our listening programme, which incorporates regular student surveys and in-depth conversations with students, their parents and prospective residents, allows us to understand what is most important to them. These insights allow us to invest in what has the most impact. This has included enhancing our check-in experience – a moment we know to be especially important when arriving at their new home.

We strive to give students peace of mind by creating safe, comfortable and fully serviced environments. Cost is an important consideration so we offer many accommodation options across our properties that fit a wide number of price points, appealing to both students and their parents. Within our studio apartments and en-suite bedrooms with shared kitchens, we have a range of sizes with differing amenities. Our all-inclusive rent policy makes budgeting simple and unique partnerships with brands and organisations add to our students' experience giving them even greater value.

Creating sustainable spaces

We want to demonstrate our commitment to reducing our carbon footprint and create a culture of proactive change.

We want our properties to be places where students love spending time, and our considered approach to design continues to be a core focus for us – creating spaces that effectively utilise natural daylight, and which are efficiently run.

We are reducing our energy consumption, and this year we have conducted a trial – called 'Think Green' – at six sites. The programme is about behaviour change and has seen staff and residents make small changes in their daily routines that will make a big difference overall. Each quarter the most successful site is internally recognised and best practice is shared across the business.



5,000+
STUDENTS TOLD US
WHAT IS IMPORTANT
TO THEIR EXPERIENCE



The programme was designed and delivered in partnership with Carbon Credentials, one of the UK's leading independent energy performance and carbon compliance consultancies.

The trial has delivered energy reductions, and will be rolled out across all sites in the forthcoming year. We are also delivering technical improvements across mechanical and electrical systems through projects to upgrade lighting, heating and hot water systems and improve our monitoring of buildings. Environmental matters have been integrated into our day-to-day decision making and a measurement and management framework has been set up to measure performance improvement against our baseline usage.

Sustainability will become part of our annual business cycle, built into our planning strategy and behaviours as we go.

Creating a rewarding, customer-centric culture

We have a continuous programme of learning and development for all our employees and are committed to empowering our teams to go above and beyond to deliver a fantastic experience for our students.

We want to create an environment where our people thrive. This year, we have implemented several programmes and initiatives based on feedback from our last engagement survey that has enabled us to make progress. This includes several training and development and recognition initiatives to support the growth of and celebrate the successes of individuals and whole teams.

In the 2017/18 year, our employees have completed 2,247 hours of internal training and development and 2,850 hours of externally delivered training and development. We have also enrolled 27 apprenticeships for the 2018/19 academic year and 33 of our employees have completed our GROW programme, with nine people being promoted to managerial positions.

With regular forums and internal communications in place, our teams stay informed about the vision, priorities and progress of the business, and their role in delivering this at the site level.

In our engagement survey, 92% of our employees said that they believe they can make a valuable contribution to the success of the business.

In the year, we welcomed 50 new people into the iQ team, following our acquisition of Pure. We now have 587 employees across our 67 sites, hotel operation and our headquarters in London and regional quarters in Manchester.

We are an equal opportunities employer, and 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.

Having a diverse and inclusive workforce is of central importance to iQ. This year our business is 55% female and 45% male, compared with 53% women and 47% men last year. Our gender diversity at the senior level has improved from 14% female last year to 33% female this year. We remain committed to developing a well-balanced workforce where everyone can feel valued and diversity is welcomed.

 Read more about our customer focused people on page 32

Our continued growth

We are proud of the strong customer centric culture we have built at iQ. We believe that by offering market-leading accommodation, exceptional value for money and putting our residents' needs at the heart of everything we do will enable our students to have their best year yet, and drive our business success now and, in the years to come.

We are committed to doing right by our employees, 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.

 www.iqstudentaccommodation.com

ACQUISITIONS

Embedding our scalable operating model

STRATEGIC PRIORITIES

1 2 4 5 6

iQ acquired Pure in one of the largest sector deals of the year and established itself as market leader in London.

In December 2017, iQ acquired 11 new sites from Pure, expanding our portfolio in London, Edinburgh and Brighton and building a presence for the first time in the university cities of Bath and York.

The strategy behind the acquisition was to widen our presence in thriving multi-university student cities with strong levels of growth but a shortage of suitable accommodation to meet this demand. This problem is particularly acute in London, a city which accounts for roughly 15% of the student market. This was outlined in the Mayor of London's 'London Plan', highlighting the need for up to 30,000 additional purpose-built student beds in the capital by 2025. iQ is now the leading owner of PBSA in London, offering 6,758 beds at a wide range of price points across Zones 1-4.

As part of the acquisition, a programme of capital investment and rebranding of Pure properties was undertaken, enabling iQ to optimise the tremendous potential of this unique portfolio. This investment of £1.9m in 2017/18 has included the creation of new amenity spaces which are a core part of iQ's offer, and the addition of six beds both to create value for the business, and to meet rising student demand in these popular locations. Our continued investment will support our commitment to provide high-quality properties that deliver the best home from home environment that students, their parents and our university partners have come to expect from iQ.

The integration of the portfolio of 3,653 beds was fully completed within six months. It was the second large integration managed by iQ in 18 months, following the highly successful merger between iQ and Prodigy Living in 2016. The integration included migrating the Pure assets to our own bespoke management systems and driving sales through our own selling platform. The speed at which this migration was completed demonstrates the strength of iQ's world class operating platform and the company's ability to scale at pace.

The assets from the acquisition have delivered an additional NOI of £27.8m for nine months of ownership, and are fully occupied for the 2018/19 academic year.



WINNER OF

INVESTOR OF THE YEAR

AT THE
STUDENT ACCOMMODATION
CONFERENCE & AWARDS
HOSTED BY PROPERTY WEEK



6,758

BEDS ACROSS ZONES 1-4
(iQ IS THE LEADING OWNER
WITHIN LONDON)

“ We have a terrace on the 18th floor at iQ Aldgate with sunbeds and spaces to enjoy the views and socialise. It's a great place for spending time with your friends and to maybe make some new connections.



1,275

NEW iQ SIGNS CREATED
AS PART OF THE REBRAND

REFURBISHMENTS

Delivering value for the business and our residents

STRATEGIC PRIORITIES

1 2 4 5 6

In 2017/18 iQ has invested record levels in the refurbishment of properties to improve the resident experience.

This year, iQ invested £21m in the refurbishment of our existing properties, an increase of £4.4m on 2016/17. This investment has seen 2,716 beds refurbished across 25 schemes, and 61 new beds added to the portfolio. Significantly, with the growth in our London portfolio this year, we have increased iQ investment in the city, further enhancing our flagship sites and improving the assets acquired from Pure.

An ambitious refurbishment and rebranding programme in Summer 2018 has transformed key London properties, resetting the benchmark for student accommodation in London, and helping our residents enjoy a fantastic experience with us.

In iQ Shoreditch, our refurbishment has added 32 new beds to this consistently full and highly sought-after studio-based site. This was the first of a £16m three-phase development, set to complete in 2020 which will set a new standard for PBSA in the capital. In the next two years the site will be reconfigured, and its amenity spaces further enhanced.

The creation of a top floor sky lounge will offer stunning views over London and a unique space for residents to socialise and entertain their friends, alongside the enhancement of existing spaces that currently include art and dance studios.

Bringing local relevance to our properties is also a part of our refurbishment programmes. Our acquired 431 bed property in Hammersmith is situated on the former site of the legendary Hammersmith Palais, which was the first dance hall to be built in Britain. This musical heritage is celebrated through the design and decoration of the site, making it a sought-after destination for students looking to live in West London. A two-phase refurbishment will see significant investment in the property, with amenity spaces added and rooms refurbished.

This level of investment in London is set to increase with over 650 beds scheduled for refurbishment in 2018/19. In addition, we expect to add a number of beds to the portfolio from our existing 67-strong UK estate. With ambitious targets to further improve our offer, we are moving to a year-round refurbishment programme which will balance our activities across the year and minimise impact on revenue across a number of substantial schemes.

The customer experience remains at the heart of iQ's offer, so while we continue to undertake significant refurbishment projects to improve the size, scale and quality of our portfolio, we never forget how important the overall environment within our buildings is to our residents. From building temperature and maintenance tasks to lift performance and gym equipment, we listen closely to our residents' feedback to ensure we continue to deliver a high quality, well managed home away from home.



61

NEW BEDS ADDED

“ I am extremely impressed by the improvements to the common areas. I believe iQ have put a lot of thought into how they can effectively use the space and also considered what students may enjoy – they have done a **brilliant job** in bringing everything together so nicely. I can't wait to see what more iQ bring to this lovely building.



DEVELOPMENTS

Growing our market leading portfolio

STRATEGIC PRIORITIES

1 2 4 5 6

iQ's approach to development has delivered strong growth, 61 new beds from the existing portfolio and a strong development pipeline.

iQ's highly experienced internal portfolio management team identifies the strongest opportunities for growth and development across a wide spectrum of potential investment opportunities in leading markets – through acquisition, new developments managed from planning to opening, partnerships with developers, optimising our own schemes and an extensive annual refurbishment programme.

In the 2017/18 year we enhanced our position in Newcastle – a key market with a 44,880 strong full-time student population. iQ Collingwood opened its doors for the 2018/19 intake of students, offering 272 high quality en-suite and studio rooms and fantastic amenity spaces, including a gym, state-of-the-art cinema and the only roof terrace of its kind in the city. Set within walking distance of both Newcastle University and Northumbria University, the site is fully occupied for the 2018/19 academic year. iQ Collingwood is our second site in Newcastle, and following the scheme's success, we have secured 784 beds in Newcastle in Manors Business Park, close to Northumbria University's Business School. These new schemes will provide students with a greater range of accommodation options whilst significantly expanding our presence in the city.

This year our team identified a number of opportunities to leverage our existing schemes in key markets, increasing efficiency and significantly enhancing our residents' experience. For example, in Edinburgh we have been granted planning permission following the purchase of the historically important RAF building that adjoins our Elliott House scheme. Our sympathetic development of this iconic site will see our residents benefit from the creation of 250sqm of new high-quality amenity space, as well as the addition of 33 beds. We have taken a similar approach to the development of an unutilised piece of land adjoining our Allen Court site in Sheffield, which will bring 257 new beds to this bustling student city for the 2019/20 academic year, offering greater variety across product mix and price point.

Our growth strategy also takes account of new innovations in the accommodation sector, such as our pioneering co-living site in Manchester, which will offer an affordable, social living solution for graduates and young professionals in a challenging housing market. During the 2017/18 year, planning permission was granted for this pioneering mixed-use development consisting of co-living accommodation and PBSA in the heart of Manchester. It will be Manchester's first co-living concept, as well as one of the largest co-living developments in the UK, consisting of 406 units (621 beds) of co-living accommodation and 242 beds of PBSA. The development joins iQ's portfolio of 3,607 beds in Manchester, cementing iQ's leading position in this key market.

Nationally, our development pipeline is strong with 3,987 beds, of which 3,610 beds already have planning consent. The next three years will see iQ extend into Coventry, and build on its presence in Leeds – both cities with high student demand and limited student accommodation.



CO-LIVING UNITS (621 BEDS)
ONE OF THE LARGEST CO-LIVING
DEVELOPMENTS IN THE UK

“ Our high quality pipeline is delivered by a strong in-house portfolio management team. We grow our portfolio across a wide spectrum of investment opportunities – through acquisitions, **new developments** managed from planning to opening, extensive annual refurbishments and through partnerships with developers.



3,987
DEVELOPMENT
PIPELINE BEDS

CUSTOMER FOCUSED PEOPLE

Our people are focused on delivering an outstanding experience for our residents

STRATEGIC PRIORITIES

2 4 6

We believe that where students choose to live whilst at university can have a big impact on how they enjoy these formative years. Our people play an important part in that experience.

We are focused on providing students with the very best home away from home. Our people are crucial to delivering this and in enabling students to make the very best of the opportunities available to them. High quality service, 24/7 security and responsive and supportive site teams are core to iQ's accommodation offer to students, and distinguish us from many other options in the market.

Last year we launched our core values to our 587-strong team of iQers, which is what we call our people. This year we have focused on embedding these and putting in place opportunities where our teams are recognised and celebrated for living these values. Our operational team took collective ownership for the launch of our new vision and values, making sure that they demonstrated these from the outset. They conducted roadshows across seven cities and met with 300 iQers to talk about business successes, new strategic priorities and to create excitement around our new values. These road shows were so successful that they have now become an annual fixture, in addition to our Annual Conference where we recognise the successes of our people and our business.

The acquisition of Pure in December 2017 brought teams from 11 new properties into the business, building on the Prodigy Living merger in 2016. This fast-paced growth and integration of new employees has focused the business on building "one team" and embedding iQ's unique culture and relentless customer focus across all team members.

To celebrate the work of our staff, we launched the WOW Awards – a quarterly opportunity to celebrate iQers who demonstrate our values and go above and beyond to give our students their best year yet. WOW Award winners are nominated and voted for by their peers with each award linked to one of our values. Winners receive rewards, as well as a great evening out with their colleagues and the operational team. Engagement with these awards continues to grow.

Our teams are also consistently recognised by our residents – overall NPS for the service delivered by our site teams was +27, measured shortly after they checked in for the 2018/19 academic year. This was a significant increase on the prior year and we are proud that the quality of our people continues to be recognised by our customers.



Find out more about the opportunities we create for our people at www.iqstudentaccommodation.com/careers



Our values



Be the best



Be the customer



Be the leader



Be the team



Be the learner



Be the future



Be the business



5,097

LEARNING HOURS INVESTED
IN OUR PEOPLE

“I’m proud to be an iQer and even more proud to be part of my team in the Midlands! Exciting times ahead and I’m looking forward to the challenges and fun we will have along the way to continuing to be the one to watch when it comes to student accommodation.”



216

WOW AWARD
NOMINATIONS MADE

Financial review

STEPHEN LEUNG

The 2017/18 financial year has seen iQ deliver another strong set of financial results, with annual revenue growth of 29% and EBITDA growth of 36%.

The acquisition of Pure in December 2017 has created a step change in iQ's financial profile, with a 29% increase in our annual revenue and enhanced NOI and EBITDA margins for 2017/18. This year we have made substantial progress in growing our development pipeline, obtaining consent for 1,395 beds taking our overall pipeline to 1,690 as at the year end, and to 3,989 post year end.

This strong operational performance, with a focus on schemes in university cities and towns where student demand is highest, has underpinned our £295.7m net valuation gain. This 9.3% gain together with our incremental investments during the year takes our portfolio value to £3.5bn, cementing our position as the largest operator of PBSA in the UK by value.

This is iQ's first full 12-month financial results since we changed our reporting period to better align with the UK academic year. To compare our performance, we have included a comparison against the equivalent 12-month period to 30 September 2017 (annualised 2016/17).



“ This was the full first year that utilised our suite of **Business Intelligence** tools, a key aspect of our operating platform.

£150.2m
NET OPERATING INCOME
(12 MONTHS TO 30 SEPTEMBER 2018)

76.1%
ADJUSTED NOI MARGIN
(12 MONTHS TO 30 SEPTEMBER 2018)



Revenue
Total revenue for the year ended 30 September 2018 is £200.4m (annualised 2016/17: £155m), a 29% increase compared to the equivalent 12-month period to 30 September 2017.

A comparison of revenue per the financial statement periods to the annualised 2016/17 results is provided below:

	Year ended 30 September 2018 £m	12 months to 30 September 2017 £m	9 month period ended 30 September 2017 £m
Total Revenue	200.4	155.0	113.6
Like-for-like rental growth	4.7%	5.8%	
Average core occupancy	98%	98%	

The year-on-year revenue increase follows the acquisition in December 2017 of the 3,653 bed Pure portfolio, full year contributions from the Nottingham and Sheffield schemes which we acquired during 2017, and a full year revenue contribution from our new development scheme in Glasgow which opened and was fully occupied for the 2017/18 academic year.

Our continued strong revenue performance in the 2017/18 academic year is supported by average occupancy of 98%, and like-for-like rental growth of 4.7%. It was the full first year that we utilised our suite of Business Intelligence tools, a key aspect of our operating platform. With the historical market pricing analysis this provides, we are well positioned to price our assets relative to the demand in their individual markets. This has allowed us to achieve greater than average market growth whilst still offering value to our customers.

We continue to focus on opportunities to utilise schemes outside our core occupancy period. Revenues for the 2018 summer period were £5.5m (Summer 2017 £3.5m), reflecting the revenue opportunity from our enlarged London portfolio.

Financial review

CONTINUED

Net operating income

	Year ended 30 September 2018 £m	12 months to 30 September 2017 £m	9 month period ended 30 September 2017 £m
Net operating income	150.2	115.0	82.3
Adjusted NOI margin	76.1%	75.0%	

Following our acquisition of Pure, net operating income for the year was £150.2m (annualised 2016/17: £115m) an increase of 31% over the equivalent prior 12-month period and a like-for-like increase of 4.7%.

Net operating margin for the year was 76.1% an increase of 1.1% on the prior 12-month period reflecting the margin enhancing contribution from the investments that we made during the year, and our continued focus on operational efficiency.

Earnings

	Year ended 30 September 2018 £m	12 months to 30 September 2017 £m	9 month period ended 30 September 2017 £m
EBITDA	129.5	95.5	66.9
Adjusted EBITDA per bed	£4,817	£4,100	

The Group has reported profit before tax for the year of £314.1m (financial period to September 2017: £152.6m), which includes an unrealised revaluation gain of £295.7m (financial period to September 2017: £136.4m).

Underlying EBITDA for the year was £129.5m (annualised 2016/17: £95.5m) an increase of £34.0m (35.6%). This represents an EBITDA per bed of £4,817 (annualised 2016/17: £4,100) and an underlying EBITDA margin of 64.6% (annualised 2016/17: 61.5%).



Administrative and other expenses for the year totalled £35.0m (annualised 2016/17: £27.4m). This figure includes one-off costs in the year of £6.9m as part of our continuing investment in our platform and brand. Interest for the year was £95.9m, of which £66.1m related to external bank debt, with the balance on shareholder loans.

EPRA earnings for the year, excluding revaluation gains on investment properties, valuation movements on financial instruments and exceptional items was £26.4m (annualised 2016/17: £35.8m).

Included in net financing costs are one-off expenses of £6.7m incurred as part of the refinancing in the year. A full reconciliation between EPRA earnings, EBITDA and Profit after tax is provided in note 6 to the financial statements.

Cash flow

The cash generated from operations during the year was £124.6m (annualised 2016/17: £94.5m).

Total capital expenditure during the period was £937.0m, of which £883.0m related to acquisition of operational assets, in particular the Pure portfolio, £16.6m spend on our properties under development, and £37.4m our asset management programme.

The net inflow from financing activities in the year was £975.0m including an additional £282.0m funding from shareholders in the form of equity contribution and shareholder loans. The net change in cash for the year was £128.6m, increasing cash and cash equivalents to £275.7m at 30 September 2018.

Balance sheet

Our balance sheet has been further strengthened during the reporting period, with an increase in net assets from £695.7m at 30 September 2017 to £1,161.2m at this year end. This is an increase of 66.9% and reflects our strong operating performance in the period and resulting increase in the valuation together with a £167.0m additional equity raised in connection with the acquisition of Pure.

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 2018, the aggregate market value of all our properties in our portfolio totalled £3.5bn, a 55.4% increase from 30 September 2017 (£1.3bn increase). The average portfolio yield at 30 September 2018 was 4.71% (5.06% at 30 September 2017).

After taking account of capital expenditure, the net revaluation surplus for year was £295.7m (£136.4m 9 months to 30 September 2017), a gain of 9.3%.

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.

Following the acquisition of the Pure portfolio, 51% (30 September 2017: 36%) of the value of iQ's portfolio is in London and 83% (30 September 2017: 75%) in cities and towns aligned with Russell Group universities.

Debt structure

The Group's borrowings comprise a mix of term loans and shareholder mezzanine loan notes. Total borrowings were £2.5bn (2017: £1.6bn) of which £501m (2017: £357m) was represented by shareholder mezzanine loan notes.

Term loans are raised against ring-fenced pools of assets on a non-recourse basis to the rest of the Group. As at 30 September 2018, the Group had term loans of £2.0bn an increase of £721m during the year.

As part of the Pure acquisition in December 2017, the Group entered into a new loan arrangement, with principal borrowings of £525m.

During the year the Group repaid £680m of existing debt facilities, and as part of a new refinancing agreement received £843m, and also drew down a further £32.7m on an existing facility. The funds were agreed on improved terms with lenders, and provide additional working capital to fund our development pipeline.

The Group's net LTV ratio excluding shareholder loans was 50% at 30 September 2018 and 30 September 2017.

As at 30 September 2018, the weighted average remaining term of the bank debt including extension options was 4.4 years (2017: 4.5 years) and the average cost of debt during the period was 2.85% (2017: 2.67%).

STEPHEN LEUNG,
CFO

Risk management

Our approach

The Managers of the Company have overall responsibility for risk management in the Group. In order to assist with the discharge of their obligations, the Managers have engaged IQSA Group to oversee the implementation of the risk management framework. The Audit & Risk Committee of IQSA Group reviews the risk management work of the UK operational team, which is responsible for the day-to-day identification, management and ownership of risks and the implementation of appropriate controls.

The customer experience remains at the heart of iQ’s offer. Effective risk management and a strong risk culture are fundamental to the delivery of this.

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. In 2018, it established a Fire Safety Committee to oversee the Group’s continuous improvement programme and its response to changing regulatory environment in this area.

Our assessment of risk

The Group’s risk management framework is designed to identify the principal risks and ensure that risks are being appropriately monitored, controls are in place and required actions have clear ownership with requisite accountability. Risks are identified using both a ‘top down’ and a ‘bottom up’ approach. Once identified, risks are captured, categorised and their likelihood and impact assessed to give an overall risk score. We map risks across four categories; strategic, operational, financial and regulatory.

The Executive Committee reviews the Group’s principal risks quarterly with a formal review by the Audit & Risk Committee twice a year.

 Further detail on the Group’s principal risks and their impact on our strategic objectives is set out on pages 40 and 41

Key developments this year

The core risk management activity this year focused on embedding of revised Group and departmental risk registers.

Key areas of focus included:

Fire Safety: Implementation of a new fire safety strategy, taking account of the findings of the Hackitt Report, MHCLG guidance and anticipated legislative changes. The Group has engaged specialist external fire-safety consultants to advise on an ongoing basis and progress is overseen by the Fire Safety committee.

Health and Safety: The Group continued its rolling five-year programme of third party Health & Safety audits, with 12 sites selected at random for review.

Business Continuity Management programme:

A comprehensive review of business continuity across the Group resulted in the implementation of a revised Business Continuity Management System, encompassing policies and procedures, disaster recovery and site evacuation plans. A comprehensive desktop series of exercises has been conducted by regional teams.

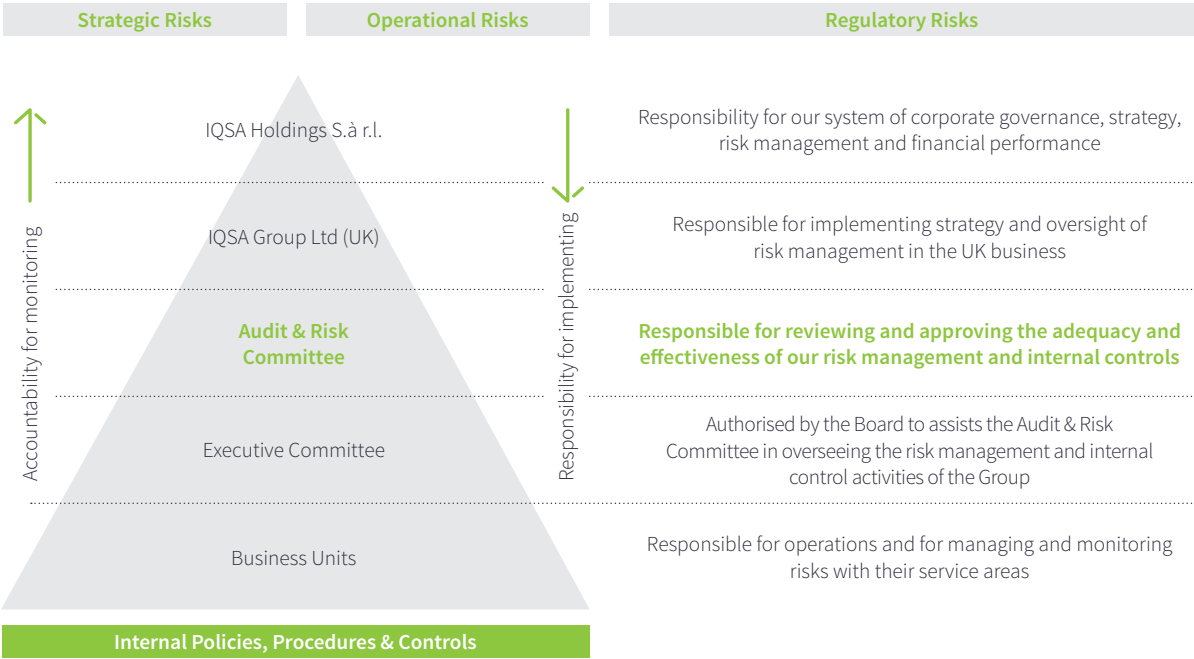
GDPR: A programme to ensure compliance with GDPR legislation has been implemented. The Group has engaged PwC to provide external assurance on implementation.

Areas of focus for 2018/2019 and Emerging Risks

In the coming year focus on fire safety will continue and an external cyber security review is planned, as well as a crisis management test at two of our sites.

The Group continues to track the potential impacts of Brexit for the sector. It is also monitoring progress of the Augar review on higher education funding, which is due to publish their recommendation in early 2019.

iQ Governance Structure



Risk management

CONTINUED

The table below sets out the Group's principal risks, their link to our strategic priorities, and a summary of mitigating controls. The Board considers these to be the most significant risks faced by the Group that may impact the achievement of the Group strategy, as set out on page 18.

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

Change in year

- ↑
- Risk increased
- ↔
- Risk unchanged
- ↓
- Risk decreased

Potential events	Impact	Mitigating Measures
Strategic Risks		
REDUCTION IN STUDENT DEMAND3456↔		
Significant structural reduction in student demand or supply as a result of changes to student immigration policy, affordability concerns or reduced attractiveness of UK universities	<ul style="list-style-type: none">Loss of revenueReduced profitabilityPotential breach of banking covenants	<ul style="list-style-type: none">Strong presence in Russell Group university cities and towns, where student demand is strongestPartnership arrangements with selected universities which secure guaranteed income over the life of the contractThe Board monitors the potential impacts of government policy, including the Augar review and works closely with trade bodies to raise awareness of the impact of potential impacts of restrictions to student immigrationOngoing monitoring of the potential impacts of Brexit
PROPERTY MARKET CYCLICALITY46↔		
Reduction in demand for commercial property results in a fall in asset values	<ul style="list-style-type: none">Reduced valuationLower investment returnsPotential breach of banking covenantsInability to sell underperforming assets	<ul style="list-style-type: none">The Board actively monitors the property market and reviews the Group's valuation on an annual basisThe Group employs a dedicated portfolio management team and has an active asset management strategyMarketing and customer proposition activity and university partnerships support a stable income stream which makes the Group's assets less susceptible to market volatilityLoan facilities have headroom and cure rights to reduce risk of an event of defaultThe Group treasury team monitors the banking covenant compliance closely and reports to the Board on a regular basis
ACQUISITION AND DEVELOPMENT PIPELINE46↔		
Reduced ability to grow the business through acquisition or development pipeline as a result of increased competition or failure to execute projects effectively	<ul style="list-style-type: none">Lower investment returns	<ul style="list-style-type: none">Dedicated portfolio management team with specialist skills supported by expert advisersEstablishment by the IQSA Board of an Investment Committee which reviews all capital projects and reports directly to the Board
UNIVERSITY PARTNERS146↔		
Loss of significant university partner relationship	<ul style="list-style-type: none">Loss of key contract and/or early termination of relationship resulting in loss of revenuePotential reputational damage	<ul style="list-style-type: none">Commercial Director and operational teams maintain close working relationships with key individuals and stakeholders at partner universitiesKey university relationships are in cities and towns with strong direct let demand

Potential events	Impact	Mitigating Measures
Operational Risks		
CYBER SECURITY & IT RESILIENCE135↑		
Loss of data or income due to cyber security attack or failure of IT infrastructure	<ul style="list-style-type: none">Potential loss of revenueData lossPotential fines and penaltiesReputational damage	<ul style="list-style-type: none">Comprehensive disaster recovery and business continuity plansTraining for staff on Data Protection and Cyber SecurityPolicies and Procedures which support compliance with GDPRUse of industry-leading Cloud services providersEncryption of data at rest and in transitMulti-factor authentication and industry recognised vulnerability management systems and processes
PEOPLE RISK25↔		
Failure to attract, retain and develop the right people	<ul style="list-style-type: none">Loss of know-how and business disruptionIncreased costsReputational damage	<ul style="list-style-type: none">Robust recruitment processes supported by a comprehensive onboarding programme and investment in ILM accredited staff learning and development programmeDialogue with staff via an annual engagement survey and staff roadshowsNew performance management framework has been developed which aligns individual objectives to the Group's strategic rocksSuccession plans being developed for key roles
KEY SUPPLIER FAILURE1256↔		
Significant failure of a key supplier	<ul style="list-style-type: none">Increased costsBusiness disruption	<ul style="list-style-type: none">Supplier onboarding processes and due diligence requirementsDedicated procurement team and processes for supplier relationship managementContractual SLAs
MAJOR HEALTH & SAFETY INCIDENT25↔		
Significant Health & Safety incident	<ul style="list-style-type: none">Tragedy of serious injury or loss of lifeReputational damagePotential fines or legal action	<ul style="list-style-type: none">Board oversight of annual Health & Safety programme, including regular reportingFull range of policies and procedures to mitigate Health & Safety risk, including a programme of Health & Safety auditsSpecialist Health & Safety staff to oversee, guide and challenge operations on a day-to-day basisSite teams trained on Health & Safety compliance on a regular basisHealth & Safety metrics tracked and reviewed regularly by Executive Committee and Audit & Risk CommitteeGroup's Compliance programme to inform the delivery of safety initiatives and targeted communications
Regulatory Risks		
CHANGE IN REGULATION14↑		
Failure to respond to change in legal or regulatory requirements impacting PBSA	<ul style="list-style-type: none">Potential fines or penaltiesReputational damageReduced income and profitability	<ul style="list-style-type: none">Group executives work closely with trade bodies, including BPF, HEPI and ANUK who provide early information of regulatory trends and facilitate lobbying activityCompliance and legal teams monitor the regulatory horizon to keep abreast of legislative changes and advise on operational impacts
BUILDING FABRIC14↔		
Failure to meet changing regulatory requirements for building safety	<ul style="list-style-type: none">Potential fines or penaltiesReputational damageReduced income and profitability	<ul style="list-style-type: none">Establishment by the IQSA Board of a Fire Safety Committee to oversee the Group's continuous improvement programme and implementation of fire safety strategy in light of changing regulatory environment. Fire Safety Committee monitors for new guidance and required responseEngagement of third party experts to conduct independent fire safety investigations of all sites, with remedial works to remove ACM cladding completed at one affected site and ongoing at two affected sitesRolling programme of external Health & Safety audits with output report to the Audit & Risk Committee



“Fantastic. You couldn’t ask for a more helpful and caring team to see on a daily basis. They’re always happy to help and are constantly finding ways to bring the building together.

587

CUSTOMER FOCUSED
PEOPLE

Governance

Our approach to Governance	44
Our UK operational team	46
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iQ proactively listens to customers and adapts to their changing needs. Our connection with our customers is truly unique and a key reason why students choose to live with iQ.

Customer
focused people

Our approach to Governance

The Group is committed to adopting international standards of best practice appropriate for a group of its composition and shareholder base.

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 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 Managers Report section of this Annual Report.

The governance and management structure of the Group
The Managers of the Company are responsible for the operation, oversight and governance of the Group. The Managers of the Company have a diverse set of skills and bring considerable knowledge, judgement and experience to the Board of the Company. The majority of them are domiciled in Luxembourg.

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 based on a formal governance matrix, which sets out matters that are 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 Group board;
- The Group’s budget, business plan and strategy;
- Capital expenditure within the Group;
- Any acquisitions, disposals, developments or refinancing by the Group; and
- 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 Chair. Penny Hughes has been the Chair since 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 on pages 46 and 47.

Board Meetings
The Board of Managers of the Company meets quarterly for a full review of the Group’s activities and on 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 discuss the execution of the Group’s strategy. Members of the UK management team attend at the invitation of the Chair.

Each board meeting monitors the strategic priorities of the business and reviews a number of standing items, which include a review of financial performance, a health and safety report and a lettings progress update. Meetings will typically include a focus on a key area of the business such as technology, people, customer experience and corporate development proposals.

The Group’s secretary arranges all Board and committee meetings.

IQSA Group’s Board Committees
To assist it in the discharge of its responsibilities for oversight of the Group’s UK operations, IQSA Group has established an Audit & Risk Committee, a Remuneration Committee, an Investment Committee and a Fire Safety Committee. The committees are comprised of at least one employee of Goldman Sachs and one from Wellcome. The independent Chair of the Remuneration Committee, is a member of the Audit & Risk Committee and is invited to attend the Fire Safety Committee.

The Committees are constituted as advisory committees and their roles are summarised briefly below.

Audit & Risk Committee
The committee’s purpose is to assist and advise the Board of IQSA Group 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 oversight and monitoring of:

- the integrity of the Group’s financial statements;
- the appointment, evaluation and remuneration of external auditors and valuers;
- the Group’s framework for the identification and management of key risks;
- the measures in place to protect the reputation of the Group; and
- the Group’s procedures for detecting fraud, bribery and other forms of corruption.

During the year under review, the committee met to review the Group’s financial statements for the period to 30 September 2017 and the report of the independent auditors, PricewaterhouseCoopers. During that meeting, the committee also received a presentation from the Group’s valuers, CBRE on their annual valuation of the Group’s portfolio.

In addition, the committee approved the revised Group risk register and oversaw its embedding within the Group.

Remuneration Committee
The committee was established to assist and advise the Board of IQSA Group on the establishment of a remuneration policy for the UK business, setting remuneration for senior employees and to oversee remuneration across the Group.

The committee considered benchmarking studies for the pay of senior executives, gender pay gap reporting and approved a long term incentive plan. It also considered the payment of bonuses and annual pay increases across the Group following a review of the achievement of business targets, approved the bonus structure and set bonus targets for the year under review. The remuneration committee is advised by PwC.

Investment Committee
The committee was established in June 2018 to consider all significant transactions including acquisitions, disposals and development of property and land across the Group.

During the year under review, the committee met three times to consider potential investment opportunities and refurbishment works in alignment with the Group’s approved strategy.

Fire Safety Committee
In June 2018, the Group created a Fire Safety Committee to assist the Board with the effective management of the Group’s continuous building improvement programme and to oversee implementation of the fire safety strategy in light of the changing regulatory environment. Its first meeting took place on 30 October 2018.

Our UK operational team

WE ASKED OUR UK OPERATIONAL TEAM WHAT GIVING STUDENTS THEIR **BEST YEAR** MEANS TO THEM.

“ The student experience at the heart of our decisions.



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.

“ Properties in the best locations.



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 portfolio management 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.

“ Providing excellent value for money.



Stephen Leung
Chief Financial Officer

Formerly Director of Corporate Finance and Treasury at LandSec, a FTSE100 company and one of 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.

“ A best in class booking system to make it easy for students.



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.

“ People who go the extra mile to deliver outstanding service.



Alex Moon
General Counsel

Alex is a corporate lawyer with 20 years' experience. She has held various general counsel roles in the financial services industry, including General Counsel for the Emerging Markets division of RSA Insurance, before joining Novae Group plc as General Counsel and Company Secretary. Prior to moving in house, she spent seven years in private practice with Allen & Overy and Travers Smith. Alex joined iQ post the year end in October 2018.

“ Outstanding facilities, and great partnerships.



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.

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 587-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.

Managers’ report

FOR THE YEAR ENDING 30 SEPTEMBER 2018

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 (2017: £nil). The Managers do not recommend the payment of a final dividend (2017: £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
- Supreetee Saddul
- Eloise N’takpe
- Peter John Pereira Gray
- Richard Spencer

Accounting principles

Details of the significant accounting principles adopted are disclosed in Note 5 in these financial statements.

Financial risk management

Details of the key financial risk management are disclosed in Note 7 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 Directors & Officers Liability insurance cover.

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 Company 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

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

The Group has reviewed all events post the balance sheet date and provided a disclosure note in Note 27 of the 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 23.
- 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 25.

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



“An **excellent experience.**
If I had the chance to choose
where to live again, iQ would
still be my first choice.

39%

OF OUR RESIDENTS
CHOSE TO REBOOK
WITH US FOR
ANOTHER YEAR

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iQ does more than simply run buildings. We provide a great environment for our residents to live, work and play, and have a positive impact on the wider community around them.

Fantastic student
experience



REPORT ON THE AUDIT OF THE
CONSOLIDATED FINANCIAL STATEMENTS

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

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 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended 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 2018;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in shareholders’ equity for the year then ended;
- the consolidated cash flows statement for the year then ended; 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 the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF 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, 22 January 2019

Represented by

Marie-Elisa Roussel

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September 2018

		Year ended 30 September 2018 £m	9 month period ended 30 September 2017 £m
	Notes		
Rental income	17	193.9	108.9
Other income	17	6.5	4.7
Total revenue		200.4	113.6
Cost of sales		(50.2)	(31.3)
Administrative expenses	19, 20	(35.0)	(21.4)
Profits from operating activities		115.2	60.9
Profit from operating activities before exceptional items		122.1	66.4
Exceptional items	22	(6.9)	(5.5)
Profits from operating activities after exceptional items		115.2	60.9
Net valuation gains on investment properties	8	295.7	136.4
Profit before net financing costs		410.9	197.3
Loan interest and similar charges	21	(95.9)	(44.0)
Net valuation loss on derivative financial instruments	7	(1.1)	(0.7)
Finance costs		(97.0)	(44.7)
Interest income	21	0.2	–
Net financing costs		(96.8)	(44.7)
Profit before income tax		314.1	152.6
Income tax expense	11	(14.0)	(6.9)
Other tax		(0.2)	(0.1)
Profit for the year/period		299.9	145.6
Other comprehensive income	7	(1.4)	–
Total comprehensive income		298.5	145.6

All profit is attributable to equity holders of the Company.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

		30 September 2018 £m	30 September 2017 £m
	Notes		
Assets			
Non-current assets			
Intangible assets	10	2.4	2.1
Investment property	8	3,420.8	2,219.1
Investment property under development	8	40.1	7.9
Plant and equipment	9	1.0	1.1
Total non-current assets		3,464.3	2,230.2
Current assets			
Trade and other receivables	12	36.7	21.4
Derivative financial instruments	7	0.5	0.7
Cash and cash equivalents		275.7	147.1
Total current assets		312.9	169.2
Total assets		3,777.2	2,399.4
Liabilities			
Current liabilities			
Trade and other payables	15	118.3	74.7
Borrowings	14	6.8	5.6
Current income tax liabilities	11	5.6	8.7
Total current liabilities		130.7	89.0
Non-current liabilities			
Deferred tax	11	8.2	3.7
Derivative financial instrument	7	1.4	–
Borrowings	14	2,469.5	1,611.0
Other non-current liabilities	16	6.2	–
Total non-current liabilities		2,485.3	1,614.7
Total liabilities		2,616.0	1,703.7
Equity			
Equity attributable to equity holders of the company			
Share capital	13	5.4	3.8
Share premium		699.3	533.9
Legal Reserve	13	0.5	–
Other Reserves	7, 13	(1.4)	–
Retained earnings		457.4	158.0
Total equity		1,161.2	695.7
Total equity and liabilities		3,777.2	2,399.4

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

CONSOLIDATED STATEMENT OF CHANGES
IN SHAREHOLDERS EQUITY

As at 30 September 2018

	Notes	Share capital £m	Share premium £m	Legal Reserve £m	Other Reserve £m	Retained earnings £m	Total Equity £m
Balance as at 31 December 2016		3.8	533.9	–	–	12.4	550.1
Issue of ordinary shares	13	–	–	–	–	–	–
Profit for the period		–	–	–	–	145.6	145.6
Balance as at 30 September 2017		3.8	533.9	–	–	158.0	695.7
Issue of ordinary shares and share premium	13	1.6	165.4	–	–	–	167.0
Allocation of legal reserve	13	–	–	0.5	–	(0.5)	–
Other comprehensive income	7	–	–	–	(1.4)	–	(1.4)
Profit for the year		–	–	–	–	299.9	299.9
Balance as at 30 September 2018		5.4	699.3	0.5	(1.4)	457.4	1,161.2

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

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 September 2018

	Notes	Year ended 30 September 2018 £m	9 month Period ended 30 September 2017 £m
Cash flows from operating activities			
Profit before income tax		314.1	152.6
Adjustments for:			
Depreciation of plant and equipment	9	0.3	0.2
Amortisation of intangible assets	10	0.5	0.3
Net valuation gains on investment properties	8	(295.7)	(136.4)
Net change in fair value of financial instruments at fair value through profit or loss	7	1.1	0.7
Finance costs – net	21	95.7	44.0
Impairment charge for trade and other receivables	12	0.8	0.3
Other non cash items		–	(0.9)
Lease incentive receivable	12	(1.7)	(1.2)
(Increase)/decrease in trade and other receivables	12	(12.3)	2.6
Increase/(decrease) in other non-current liabilities	16	6.2	–
Increase/(decrease) in trade and other payables	15	15.6	4.4
Cash generated from operations		124.6	66.6
Interest expense paid		(48.3)	(23.2)
Income tax paid	11	(12.6)	(5.4)
Net cash generated from operating activities		63.7	38.0
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	23	(851.5)	(51.9)
Acquisition of investment property	8	(6.8)	(5.8)
Subsequent expenditure on investment property	8	(50.8)	(40.2)
Purchases of intangible assets	10	(0.8)	(0.5)
Purchases of plant and equipment	9	(0.2)	(0.4)
Net cash used in investing activities		(910.1)	(98.8)
Cash flows from financing activities ¹			
Proceeds from borrowings	14	1,515.7	119.4
Repayments of borrowings	14	(680.0)	–
Shareholder equity contribution	13	167.0	–
Loan arrangement fees	14	(27.7)	(5.2)
Net cash generated from financing activities		975.0	114.2
Net increase in cash and cash equivalents		128.6	53.4
Cash and cash equivalents at the beginning of the year/period		147.1	93.7
Cash and cash equivalents at the end of the year/period		275.7	147.1

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

1 Reconciliation of financing activities

	Cash Flows						Non cash changes				Balance at 30 Sep 2018 £m
	Balance at 30 Sep 2017 £m	Proceeds from borrowings £m	Repayments of borrowings £m	Loan refinancing costs £m	Repayment of interest classified as operating activities £m	Contribution of shareholder funding £m	Capitalised interest £m	Interest Accrued £m	Amortisation of loan costs £m	Other External loan costs £m	
Long term borrowings – non-current	1,611.0	1,515.7	(680.0)	(27.7)	–	–	28.9	–	17.5	4.1	2,469.5
Short term shareholder loans	5.6	–	–	–	(48.3)	–	0.9	48.6	–	–	6.8
Share capital	3.8	–	–	–	–	1.6	–	–	–	–	5.4
Share premium	533.9	–	–	–	–	165.4	–	–	–	–	699.3
Total liabilities from financing activities	2,154.3	1,515.7	(680.0)	(27.7)	(48.3)	167.0	29.8	48.6	17.5	4.1	3,181.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2018

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.

The principal activities of the Company and its subsidiary undertakings (collectively referred to as the “Group”) are to own, manage, develop and lease student accommodation located in the UK.

The Group’s financial year starts on 1 October and ends on 30 September of each year. 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. The consolidated financial statements of the Group for the financial year ended 30 September 2018 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 18 December 2018.

A full list of the legal entities that form the Group is set out in Note 28.

2. SIGNIFICANT CHANGES IN THE CURRENT REPORTING PERIOD

On 21 December 2017 the Group acquired 100% of the share capital and full control of IQSA Student Holdco S.à r.l (formerly LTS Student Holdco S.à r.l.) and Pure Student Living Limited for a total consideration of £882.8m, plus acquisition costs of £4.4m. IQSA Student Holdco S.à r.l is a holding company incorporated in Luxembourg that owns 9 Luxembourg subsidiaries and 12 UK subsidiaries, which collectively manage 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 £525.1m was raised, which is secured on the properties acquired.

During September 2018, the Group refinanced its external borrowings by repaying £680m of existing debt, and

subsequently entered into a new external debt arrangement totalling £843m (note 14). The additional debt acquired is intended to be used for future developments within the Group’s property portfolios.

3. BASIS OF PREPARATION

The Group’s consolidated financial statements include the financial statements of the Company and its subsidiaries. Subsidiaries are entities controlled by the Group. 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 the subsidiaries are included in the consolidated statements from the date that control commences until the date that control ceases.

For the year ended 30 September 2018 all subsidiaries have 30 September as their year-end, unless otherwise stated in Note 28. 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.

The consolidated 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, interest rate caps and interest rate swaps, all of which are stated at their fair value.

4. BASIS OF CONSOLIDATION

Intra-group balances and transactions and any gains and losses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. The policies have been consistently applied to all the periods presented, unless otherwise stated.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. 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.

b. Segmental Information

The Managers are of the opinion that the Group is engaged in a single segment business, being student accommodation within the United Kingdom.

c. 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.

d. Functional and presentation currency

Items included in the consolidated 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 (£).

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

Whilst the consolidated financial statements are prepared in accordance with IFRS, the Managers manage the business based on EPRA earnings as best practice recommendations (see Note 6 EPRA earnings).

f. 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 consolidated 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 consolidated financial statements in Note 7.

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 consolidated financial statements.

g. Critical accounting estimates and judgements

The preparation of consolidated financial statements in conformity with IFRSs 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 IFRSs that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment are discussed in Note 7.2.

i) 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 8.

ii) Share based payments

The fair value of shared based payments is determined by using valuation techniques. Further details of the judgements and assumptions made are set out in Note 20.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

For the year ended 30 September 2018

5. SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES CONTINUED

h. Impact of new Accounting Standards
and Interpretations

New and amended standards adopted by the Group

The Group has elected to adopt the following
amendments early:

Annual Improvements to IFRS Standards 2015-2017 Cycle.

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

New and amended standards not yet adopted
by the Group

At the date of approval of these consolidated 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 section in IFRS 9 ‘Financial Instruments’,
which 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 profit or loss. The standard is effective for
accounting periods beginning on or after 1 January 2018.
Early adoption is permitted. The Group plans to adopt the
new standard on the required effective date. The Group does
not expect IFRS 9 to have a material impact on the accounting
for derivatives. The Group is currently determining whether
the application of the IFRS 9 impairment model will have a
material impact on the provision for impairment in relation to
trade receivables. It is expected that the most likely outcome
will be an immaterial charge to the profit and loss to reflect
the expected losses for receivables that are still current and
are therefore not provided for under the current Group policy.

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 consolidated 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 plans to adopt
the new standard on the required effective date. 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 consolidated 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. The Group plans to adopt the new standard
on the required effective date. 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.

i. Investment property

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

i) Investment property

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

Subsequent expenditures on investment property is
capitalised within the asset’s carrying amount only when
it is probable that future economic benefits associated
with the expenditures will flow to the Group and the cost
of the items 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 investment 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 properties 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 independent valuers for the period/year ending
30 September 2017 and 30 September 2018.

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 5.u.

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
independent 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 independent valuers and
the assumptions and the valuation models used by the
independent valuers are reviewed by the Chief Financial
Officer and the Chief Investment Officer on behalf of
the Managers.

j. 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 consolidated
statement of comprehensive income during the financial
period/year 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 – 5 years; and
- Computer Hardware: 3 – 5 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 consolidated statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

For the year ended 30 September 2018

5. SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES CONTINUED

k. 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 consolidated statement of comprehensive income on a straight-line basis over the estimated useful life of the intangible asset unless such life is indefinite.

The estimated useful life is as follows:

- Software: 3-5 years.

l. Leases

i) The 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).

ii) 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 the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

m. 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.

n. Financial instruments

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 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 "impairment" section).

Cash and cash equivalents

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

Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

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. For the period ended 30 September 2017, gains or losses on derivatives are recognised in profit or loss.

For the year ended 30 September 2018, the Group has chosen to apply hedge accounting in accordance with IAS 39 to interest rate swaps. Please refer to the note 5aa changes in accounting policies. The Group designates certain derivatives (interest rate swaps) as hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions.

The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 7.1 b). Movements in the hedging reserve in shareholders' equity are shown in note 13. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

(i) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expense.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within 'finance costs'.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to 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.

If in a subsequent reporting 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 consolidated statement of comprehensive income.

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 5.u. for the recognition of rental income). The deposit is subsequently measured at amortised cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

For the year ended 30 September 2018

5. SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES CONTINUED

o. Prepayments

Prepayments are carried at cost less any accumulated impairment losses.

p. 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.

q. Current and deferred income tax

The tax expense represents the sum of Luxembourg and UK current and deferred income taxes. Tax is recognised in the consolidated statement of comprehensive income, 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 income tax is the expected tax payable on the taxable profit for the year, together with any adjustment to the tax payable in relation to previous years. Taxable profit differs from the profit before tax, as reported in the consolidated statement of comprehensive income, because it excludes items of income or expense taxable or deductible in other accounting periods, as well as items that will never be taxable or deductible. The current tax charge is calculated using tax rates that are enacted or substantially enacted at the balance sheet date.

Management periodically evaluates positions taken in tax returns with respect to situations in which the applicable tax law is subject to interpretation, and establishes provisions, where appropriate, based on amounts expected to be paid to the tax authorities.

Deferred income tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and their corresponding tax bases, and is accounted for using the balance sheet liability method.

Deferred income tax liabilities are provided in full, and deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill, or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither taxable profit nor accounting profit.

Deferred income tax is measured using the tax rates that are expected to apply when the underlying temporary differences reverse, based on the rates enacted or substantially enacted at the balance sheet date.

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.

r. 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 contributions. The Group has no legal or constructive obligation to pay further contributions if the Group 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 consolidated statement of comprehensive income in the periods during which services are rendered by employees.

s. Share based payments

Share-based compensation benefits are provided to certain employees under the Group's Long Term Incentive Plan ("LTIP"). Information relating to this scheme is set out in note 20.

The Group measures the services received and the liability incurred at the fair value of the liability. Until the liabilities are settled, the liabilities are remeasured to fair value at each reporting date.

t. Provisions

A provision is recognised in the consolidated 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.

u. 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.

v. Dividend distribution

Dividend distribution to the Group's shareholders is recognised as a liability in the Group's consolidated financial statements in the reporting period in which the dividends are approved. No dividend was declared in the year/period ended 30 September 2018 and 2017 respectively.

w. Interest income and expense

Interest income and expense are recognised within 'finance income' and 'finance costs' in the consolidated 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.

x. Operating expenses

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

y. Cost of sales

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

z. 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 £6.9 million (period ended 2017: £5.5 million) has been charged in the Group's consolidated statement of comprehensive income.

aa. Changes in accounting policies

Effective 1 October 2017, the Group has chosen to apply hedge accounting in accordance with IAS 39 to chosen financial derivatives (interest rate swaps), please refer to the note 5(n). The change in accounting policy does not have material impact on the consolidated financial statements of the Group, hence the prospective application is implied under IAS 8.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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For the year ended 30 September 2018

6. EUROPEAN PUBLIC REAL ESTATE ASSOCIATION (EPRA) EARNINGS

EPRA earnings excludes movements in relation to changes in fair values of investment properties and derivative instruments. Also excluded below are exceptional items (note 5(z)), and taxation expenses.

		Year ended 30 September 2018 £m	9 month Period ended 30 September 2017 £m
EPRA earnings	Notes		
Rental and other income	17	200.4	113.6
Cost of sales		(50.2)	(31.3)
Net operating income		150.2	82.3
Administrative expenses (excl. depreciation, exceptional items and share based payments/ long-term employee benefits (including social security))		(20.7)	(15.4)
EBITDA		129.5	66.9
Depreciation and amortisation		(0.9)	(0.5)
Share based payments/long-term employee benefits (including social security)		(6.5)	–
Net financing costs excluding valuation loss on derivative financial instruments	21	(95.7)	(44.0)
Operating result		26.4	22.4
EPRA earnings		26.4	22.4

		Year ended 30 September 2018 £m	9 month Period ended 30 September 2017 £m
IFRS reconciliation to EPRA earnings	Notes		
EPRA earnings		26.4	22.4
Net valuation gains on investment property	8	295.7	136.4
Net valuation loss on derivative financial instruments	7	(1.1)	(0.7)
Exceptional items	22	(6.9)	(5.5)
Profit before tax		314.1	152.6
Income tax	11	(14.0)	(6.9)
Other tax		(0.2)	(0.1)
Profit after tax		299.9	145.6

7. FINANCIAL RISK MANAGEMENT

7.1 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 Managers. Regular reports on compliance with debt facilities and utilisation thereof are presented to the Managers for consideration and approval.

b. Interest rate risk

The Group’s interest rate risk principally arises from long-term borrowings (Note 14). 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. Bank borrowings bear average coupons of 2.85% annually (2017: 2.53%).

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.

As of 30 September 2018, if interest rates had been 50 basis points higher with all other variables held constant, pre-tax profit for the year would have been £8.6m (period ended 2017: £5.7m) lower. If interest rates had been 50 basis points lower with all other variables held constant, pre-tax profit for the year would have been £8.6m (period ended 2017: £5.7m) higher.

The Group’s policy is to either fix a ceiling or a floor on the interest rate on its variable interest borrowings or enter into interest rate swaps for the variable borrowings. To manage this, the Group enters into interest rate caps, interest rate swaps and interest rate floors.

At 30 September 2018, the Group held interest rate caps with a notional value of £1,357.7 million (2017: £1,242.7 million) representing 68% (2017: 97.9%) of bank borrowings.

The interest rate caps have cap rates of 2.5%.

Key terms of the interest rate caps outstanding at 30 September 2018 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	0.4	1,357.7	–	–	621.9	735.8

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	–	443.3	–	799.4

During the year ending 30 September 2018, the Group entered into an interest rate swap arrangement and has elected to apply hedge accounting to the interest rate swap under IAS 39. The notional value of the swap is £632.3m representing the remaining 32% of bank borrowings. The derivative swaps LIBOR for a fixed rate of 1.279% and is deemed to be 100% effective as at 30 September 2018.

The interest rate swap has a corresponding interest rate floor aligned to the underlying liability that is not hedge accounted for. The floor has a rate of 0.0% and a notional principle of £632.3m.

Key terms of the interest rate swap and floors outstanding at 30 September 2018 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 swap	(1.4)	632.3	–	–	–	632.3
Interest rate floor	0.1	632.3	–	–	–	632.3

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For the year ended 30 September 2018

7. FINANCIAL RISK MANAGEMENT CONTINUED

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 derivative financial instruments.

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:

	2018 £m	2017 £m
Trade and other receivables (Note 12):		
Rent receivables from lessees	13.1	9.6
Other financial assets	21.9	10.6
Cash and cash equivalents	275.7	147.1
Total	310.7	167.3

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 £6.0m (2017: £4.7m). 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

	2018 £m	2017 £m
Trade receivables:		
Receivables from universities	1.9	5.5
Receivables from individual students	12.1	5.0
Other receivables	1.5	0.7
Impairment provision	(2.4)	(1.6)
Total trade receivables	13.1	9.6

	2018 £m	2017 £m
Past due analysis		
Less than 30 days overdue	11.9	6.4
Over 30 days overdue	3.6	4.8
Total past due but not impaired	15.5	11.2

	2018 £m	2017 £m
Individually determined to be impaired (gross):		
90 to 180 days overdue	2.4	1.6
Total individually determined to be impaired	2.4	1.6
Total trade receivables, net of provision for impairment	13.1	9.6

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 £275.7m (2017: £147.1m) of cash and cash equivalents £6.0m (2017: £4.7m) relates to students deposits and £43.4m (2017: £29.6m) 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 consolidated statement of financial position. Undiscounted cash flows in respect of balances due within 12 months generally equal their carrying amounts in the consolidated statement of financial position, as the impact of discounting is not significant.

The maturity analysis of financial assets and liabilities at 30 September 2018 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	275.7	-	-	-	-	275.7
Trade receivables	13.1	-	-	-	-	13.1
Other financial assets	21.9	-	-	-	-	21.9
Liabilities						
Bank borrowings	(3.6)	(56.3)	(673.4)	(1,393.3)	-	(2,126.6)
Mezzanine debt	(3.2)	-	-	-	(818.8)	(822.0)
Other non-current liabilities	-	-	-	(9.5)	-	(9.5)
Trade and other payables:						
Student deposits	-	(6.0)	-	-	-	(6.0)
Trade payables	(6.9)	-	-	-	-	(6.9)
Accruals	(25.8)	-	-	-	-	(25.8)
Total non derivatives	271.2	(62.3)	(673.4)	(1,402.8)	(818.8)	(2,686.1)

The maturity analysis of financial assets and liabilities at 30 September 2017 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	147.1	-	-	-	-	147.1
Trade receivables	9.6	-	-	-	-	9.6
Other financial assets	10.7	-	-	-	-	10.7
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 non derivatives	134.9	(38.5)	(49.1)	(1,270.2)	(603.1)	(1,826.0)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

For the year ended 30 September 2018

7. FINANCIAL RISK MANAGEMENT CONTINUED

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 acquisition of 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.

7.2 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, interest rate swaps and interest rate floors 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.

Fair value of the LTIP is determined using discounted cash flow analysis, applying the performance-based formula to the estimated future performance of the Group, discounted at 15.0% (Note 20).

The estimated future performance of the Group is consistent with business plans approved by the Managers. Actual results may differ from the estimates. An increase in net asset value would increase the estimated fair value. These are classified at Level 3 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 2018 but for which fair value is disclosed.

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets				
Trade and other receivables	–	36.7	–	36.7
Cash and cash equivalents	275.7	–	–	275.7
Total assets	275.7	36.7	–	312.4
Liabilities				
Trade and other payables	–	112.3	–	112.3
Tenant deposits	–	6.0	–	6.0
Borrowings	–	2,476.3	–	2,476.3
Total liabilities	–	2,594.6	–	2,594.6

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 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, £500.5m (2017: £356.7m) is the shareholder mezzanine loans which has a fixed rate of interest of 6.5% (2017: 6.5%). As at 30 September 2018 and 2017 the carrying value of the shareholder mezzanine loans approximates their fair value and are due at maturity.

There were no transfers between levels 1 and 2 during the year ended 2018 and the period ended 2017.

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 CONSOLIDATED FINANCIAL STATEMENTS
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For the year ended 30 September 2018

8. 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 72 (2017: 62) investment properties all located in the UK, including three properties under development. The Group’s investment properties are primarily student accommodations 98.4% (2017: 99.1%).

a. Reconciliation of carrying amount

	UK Student Accommodation £m	Investment property (under development) £m	Other £m	Total £m
Fair value at 30 September 2017	2,206.1	7.9	13.0	2,227.0
Lease incentive receivable	1.2	–	–	1.2
Fair market value per external valuation report at 30 September 2017	2,207.3	7.9	13.0	2,228.2
Additions:				
Acquisitions through subsidiaries	876.2	–	–	876.2
Direct acquisitions	–	–	6.8	6.8
Capital expenditure	37.2	16.6	0.2	54.0
Transfer to/(from) investment property under development	14.7	(14.7)	–	–
Transfer to/(from) other property under development	(3.4)	6.4	(3.0)	–
Net gain/(loss) from fair value adjustments on investment property	273.0	23.9	(1.2)	295.7
Fair value at 30 September 2018	3,405.0	40.1	15.8	3,460.9
Lease incentive receivable	1.7	–	–	1.7
Fair market value per external valuation report at 30 September 2018	3,406.7	40.1	15.8	3,462.6

The net gain/loss from fair value adjustment on investment properties reflects a decrease of £1.7m (2016: £1.2m) 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 year ended 2018 and the period ended 2017.

ii. Valuation technique and significant unobservable inputs

Valuation technique

For both year/period ended 30 September 2018 and 2017 the valuation technique for investment properties is based primarily on direct capitalisation approach (income approach). A discounted cash flow (“DCF”) has been undertaken as a second approach to cross check the initial yield method and to sense check the internal rate of return (“IRR”) with 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 properties the valuation assumes the highest and best use.

The valuation technique for investment properties under development is the gross development value less costs to complete including a reasonable profit margin. The Gross Development Value is based on discounted cash flows 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

	2018	2017
Expected market rental growth	1.00% – 4.00% per annum	2.00% – 3.50% per annum
Net initial yield	2.35% – 9.42%	2.50% – 9.00%
Weighted average net initial yield at the level of portfolio	4.71%	5.06%
Exit yield	net initial yield + 50bps	net initial yield + 50bps
Purchaser costs	2.80% – 6.80%	2.80% – 6.79%
Occupancy rate	98.5%-99.0%	98.5%
Tenancy period	40-51 weeks	42-51 weeks
Completion date for property under development	3x properties, completion expected for Jul-19, Aug-20 and Apr-21	2x properties, completion is expected for Aug-18 and Aug-19

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.

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For the year ended 30 September 2018

9. PLANT AND EQUIPMENT

	Plant and equipment £m	Fixtures & fittings £m	Total £m
Cost			
At 1 October 2017	0.3	1.1	1.4
Additions	0.2	–	0.2
Disposals	–	–	–
At 30 September 2018	0.5	1.1	1.6
Depreciation			
At 1 October 2017	(0.1)	(0.2)	(0.3)
Provided in the year	(0.1)	(0.2)	(0.3)
Disposals	–	–	–
At 30 September 2018	(0.2)	(0.4)	(0.6)
Net book value			
At 30 September 2018	0.3	0.7	1.0
At 30 September 2017	0.2	0.9	1.1

10. INTANGIBLE ASSETS

	Total £m
Cost	
At 1 October 2017	2.5
Other acquisitions – externally purchased	0.8
At 30 September 2018	3.3
Amortisation and Impairment	
At 1 October 2017	(0.4)
Amortisation for the year	(0.5)
Impairment charge	–
At 30 September 2018	(0.9)
Net book value	
At 30 September 2018	2.4
At 30 September 2017	2.1

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

11. INCOME TAX

a. Income tax expense

	Year ended 30 September 2018 £m	9 month Period ended 30 September 2017 £m
Current tax		
Current tax on profits for the year:		
UK taxation at 20%/19%	5.4	3.9
Luxembourg taxation at 26.01% (2017: 27.08%)	1.5	0.4
Luxembourg net wealth tax	0.8	0.2
Adjustments to current tax in respect of prior years	1.9	0.2
Total current tax expense	9.6	4.7
Deferred tax		
Decrease/(increase) in deferred tax assets	(0.1)	–
(Decrease)/increase in deferred tax liabilities	3.0	1.6
Adjustments to deferred tax in respect of prior years	1.5	0.6
Total deferred tax expense/(benefit)	4.4	2.2
Total income tax expense	14.0	6.9

b. Total tax reconciliation

	Year ended 30 September 2018 £m	9 month Period ended 30 September 2017 £m
Profits on ordinary activities before taxation	314.1	152.6
Tax at the UK income tax rate of 20% (2017: 20%)	62.7	29.6
Effects of:		
Non-taxable income	(61.0)	(27.4)
Non-deductible expenses	2.0	0.1
Losses utilised for which no deferred tax asset was recognised	(0.1)	(0.1)
Prior year adjustment to current tax	1.9	0.2
Temporary differences arising of which no deferred tax asset is recognised	5.9	4.1
Prior year adjustment to deferred tax	1.5	0.6
Non-income based taxes (Net Wealth Tax)	0.8	0.2
Tax rate differences	0.3	(0.6)
Other	–	0.2
Tax expense in the consolidated statement of comprehensive income	14.0	6.9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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For the year ended 30 September 2018

11. INCOME TAX CONTINUED

c. Factors affecting future tax charges

The Group has tax losses of £71.9m at 30 September 2018 (2017:£30.9m), which are available to carry forward indefinitely and offset against future profits. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that the Group will be able to obtain the benefit of these losses.

Group companies are subject to taxation in both the UK and Luxembourg. UK companies are subject to UK corporation tax at a rate of 19%. A reduction in the main rate of corporation tax to 17% from April 2020 has previously been enacted.

Luxembourg companies which hold UK property are currently subject to UK income tax on their UK source income at a rate of 20% under the non-resident landlord scheme (as well as Luxembourg taxes in respect of Luxembourg source income), but are not subject to UK capital gains tax in respect of gains arising on sale of either student accommodation or commercial property in the UK. As such, no deferred tax is recognised in respect of unrealised gains on investment property. From April 2019, such disposals will be subject to UK tax at the UK corporation tax rate (currently 19%). This will therefore be required to be considered for deferred tax purposes in the consolidated financial statements for the period to 30 September 2019. The cost of the properties will be rebased for tax purposes to the value on the date on which the change comes into effect. As such, deferred taxes are not required to be recognised in respect of historic revaluation gains as at 30 September 2018.

In addition,the UK Government has announced that from April 2020, non-resident landlord companies will no longer be subject to UK income tax on their UK source income, but instead will be subject to UK corporation tax on their worldwide income and gains (at 17%). The implications of this change will be reflected in future periods.

d. Current tax creditor

	Year ended 30 September 2018 £m	9 month Period ended 30 September 2017 £m
Income tax liabilities at the beginning of the year/period	8.7	7.0
Income tax liability acquired	–	2.4
Prior year adjustment to current tax	1.9	4.7
Current tax expense for the year/period	7.6	–
Tax payments made during the year/period	(12.6)	(5.4)
Income tax liabilities at the end of the year/period	5.6	8.7

e. Deferred taxes

	Balance at 1 October 2017 £m	Prior period adjustment £m	Current year movement £m	Balance at 30 September 2018 £m
Recognised deferred tax assets				
Tax losses carried forward	–	–	–	–
Other temporary differences	–	–	0.1	0.1
Total	–	–	0.1	0.1
Deferred tax liabilities				
Other temporary differences	(3.7)	(1.6)	(3.0)	(8.3)
Total	(3.7)	(1.6)	(3.0)	(8.3)

12. TRADE AND OTHER RECEIVABLES

	2018 £m	2017 £m
Trade and other receivables:		
Rent receivables from lessee, net of impairment	13.1	9.6
Lease incentive receivable (note 8)	1.7	1.2
Accrued income	4.2	2.2
Prepayments	1.9	1.1
Deposits	1.6	1.5
Other financial assets	14.2	5.8
Trade and other receivables, net of provision for impairment	36.7	21.4

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 £0.8 million (2017: £0.9 million) during 2018 relating to the impairment and write-off of trade receivables. The loss has been included in ‘cost of sales’ in the consolidated statement of comprehensive income.

Within other financial assets above, there is £12.7 million (2017: £5.4 million) of cash in transit.

13. SHARE CAPITAL AND RESERVES

	Number 2018 (millions)	Number 2017 (millions)	Nominal Value 2018 £m	2017 £m
Issued share capital				
Shares in issue at 1 Oct 2017 – ordinary shares of £0.01p each, fully paid	376.9	376.9	3.8	3.8
Issued during the year	167.0	–	1.6	–
Shares on issue at end of year/period – ordinary shares of £0.01p each, fully paid	543.9	376.9	5.4	3.8

The Company has issued share capital of £5.4 million (2017: £3.8 million), 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. During the 2018 financial year, share capital increased by £1.6 million and share premium increased by £165.4 million.

Please refer to details of capital restructuring that occurred after balance date in note 27.

(i) Legal reserve

In accordance with Luxembourg law, the Group is required to allocate to a legal reserve a minimum of 5% of the annual net income, until this reserve equals 10% of the subscribed share capital. This reserve may not be distributed. The Group has a legal reserve of £0.5 million (2017: nil) as at 30 September 2018.

(ii) Other reserve

The hedging reserve is used to record gains or losses on derivatives that are designated and qualify as cash flow hedges and that are recognised in other comprehensive income, as described in note 5(n). Amounts are reclassified to profit or loss when the associated hedged transaction affects profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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For the year ended 30 September 2018

14. BORROWINGS

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

	2018 £m	2017 £m
Non-current		
Bank borrowings	1,990.0	1,269.2
Loan arrangement fees	(21.0)	(14.9)
Shareholder Mezzanine loan notes	500.5	356.7
Total non-current borrowings	2,469.5	1,611.0
Current		
Accrued interest	6.8	5.6
Total current borrowings	6.8	5.6
Total borrowings	2,476.3	1,616.6

The bank borrowings are secured on investment property valued at £3.401 billion (2017: £2.160 billion) 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 2018, the Group was in full compliance with all its borrowing covenants.

Accrued interest includes £3.2m (2017: £2.3m) of the Company’s borrowings under the mezzanine loan notes.

Bank borrowings bear average coupons of 2.85% annually (2017: 2.53%). During the year the Group repaid £680.0m of existing debt facilities with two lenders, and as part of a new refinancing agreement received £843.0m from another lender. The net cash flow, after loan arrangement fees of £9.5m, was £833.5m.

Additionally the Group entered into a loan arrangement as part of the Pure acquisition (see note 23) with principle borrowings of £525.1m as at 21 December 2017. The net cash flow, after loan arrangement fees of £6.8m, was £518.3m. The Group also drew down a further £32.7m on an existing facility. The net cash flow, after loan arrangement fees of £0.4m, was £32.3m.

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

	2018 £m	2017 £m
In one year or less	–	–
In more than one year but not more than two years	621.9	–
In more than two years but not more than three years	1,368.1	1,269.2
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	–	–
Total	1,990.0	1,269.2

The Group’s external borrowings have been presented on the basis of the initial maturity of each loan which from the start of the lending period was three years. The borrower has the option to extend each loan by up to two years with minimal conditionality.

Shareholder borrowings consisting of mezzanine debt, some of which matures on 28 January 2026 and the remaining on 21 December 2027, 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 year/ period are as follows:

	2018 £m	2017 £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	500.5	356.7
Total	500.5	356.7

15. TRADE AND OTHER PAYABLES

	2018 £m	2017 £m
Financial liabilities		
Trade payables	6.9	8.5
Deferred income	77.6	41.9
Student Deposits	6.0	4.7
Accruals	25.8	18.4
Non-financial liabilities		
Social security and other taxes	2.0	1.2
Trade and other payables	118.3	74.7

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.

16. OTHER NON-CURRENT LIABILITIES

	2018 £m	2017 £m
Share based payments	4.6	–
Long-term employee benefits	0.9	–
Accrued social security	0.7	–
Total other non-current liabilities	6.2	–

Refer to note 20 for further information on share based payments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

For the year ended 30 September 2018

17. REVENUE

	Year ended 30 September 2018 £m	Period ended 30 September 2017 £m
Rental income	193.9	108.9
Other income	6.5	4.7
Total revenue	200.4	113.6

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 leases 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:

	2018 £m	2017 £m
No later than 1 year	72.0	61.0
Later than 1 year and no later than 5 years	143.9	125.2
Later than 5 years	254.2	82.4
Total	470.1	268.6

The average occupancy rate for the 2018/19 academic year is 98% (2017/18: 98%), therefore there would be an additional £119.0m in no later than one year relating to student lets (2017/18: £69.8m) if this revenue was included.

Other income is made up of income derived from the operations of a hotel business attached to a student accommodation site and other miscellaneous income derived through the student accommodation business such as laundry income and cancellation fees.

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.

18. AUDIT AND NON-AUDIT FEES

The auditors were paid total audit fees of £1.1m (period ended 2017: £0.7m) in 2018 which includes £0.8m (period ended 2017: £0.2m) of fees relating to previous audits.

There were £1.8m of fees paid to the auditors for other non-audit services. Such fees are included in administrative expenses in the consolidated statement of comprehensive income.

19. EMPLOYEE BENEFITS EXPENSES

	Management and administrative £m	Site operatives £m	Total £m
2018			
Wages and salaries	9.3	8.3	17.6
Social security costs	1.9	0.6	2.5
Long-term benefits	0.9	–	0.9
Pension costs – defined contribution plan	0.3	0.3	0.6
Share based payments	4.8	–	4.8
Total Employee benefit	17.2	9.2	26.4

	Number	Number	Total Number
Average number of employees			
Management and administrative	109	–	109
Site operatives	–	455	455
Total average headcount	109	455	564

	Management and administrative £m	Site operatives £m	Total £m
2017			
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

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

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

20. SHARE BASED PAYMENTS

The Group operates a Long Term Incentive Plan (“LTIP”) that requires the payment of a cash amount to certain employees in accordance with a performance-based formula. The formula rewards employees in connection with returns to shareholders and has been approved by the remuneration committee.

Awards will vest on the earlier of a change of control or specified future dates being 1 January 2021 and 1 January 2023. Awards are forfeited if the employee leaves the Group before the options vest, other than as a good leaver. For the purpose of estimating the fair value, no change of control has been assumed and payments estimated at the specific vesting dates. At the specific vesting dates the performance-based formula references the net asset value of the Group, whereas in the case of a change of control it references the transaction value. The expense is being spread over the period to 1 January 2023.

The Group has recorded total liabilities of £4.8m at September 2018 (2017: nil). Fair value of the LTIP is determined using discounted cash flow analysis, applying the performance-based formula to the estimated future performance of the Group, discounted at 15.0%.

The estimated future performance of the Group is consistent with business plans approved by the Managers. Actual results may differ from the estimates. An increase in net asset value would increase the estimated fair value.

The Group recorded total expenses of £4.8m in 2018 (2017: nil). Such expenses are included in administrative expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

For the year ended 30 September 2018

21. FINANCE INCOME AND COSTS

	Year ended 30 September 2018 £m	9 month Period ended 30 September 2017 £m
Interest expense on bank borrowings	48.6	24.1
Interest expense on shareholders' mezzanine loan notes	29.8	16.9
Amortisation of loan arrangement fees	17.5	3.0
Finance costs	95.9	44.0
Interest income on short-term deposits	(0.2)	–
Finance income	(0.2)	–
Finance costs – net	95.7	44.0

Interest expense includes amortisation of bank loan arrangement fees and other similar costs.

22. EXCEPTIONAL ITEMS

	Year ended 30 September 2018 £m	9 month Period ended 30 September 2017 £m
Integration costs	4.0	5.5
Strategic analysis	2.9	–
Total	6.9	5.5

Integration costs in the year are primarily professional and administrative costs directly incurred in auditing historical financial information and integrating the Pure portfolio within the Group. In the prior period these also included costs directly incurred in integrating the business contributed to the Group.

Strategic analysis costs are primarily staff, professional and administrative costs directly incurred in the year.

23. ACQUISITIONS OF ASSETS

Pure acquisition

The assets and liabilities recognized in the consolidated statement of financial position on the date of acquisitions were:

	Pure £m
Investment properties	876.2
Trade and other receivables	1.4
Cash and cash equivalents	35.7
Trade payables and other liabilities	(24.8)
Income tax payable	(1.3)
Net assets acquired	887.2
Total purchase consideration, settled in cash*	887.2
Less cash and cash equivalents acquired	(35.7)
Net outflow of cash and cash equivalents on acquisition	851.5

* Includes £4.4m of acquisition costs.

On 21 December 2017 the Group incorporated IQSA Acquisition 2 S.à r.l (“Acq 2”), which acquired 100% of the share capital and full control of IQSA Student HoldCo S.à r.l (“Pure” (formerly known as LTS Student Holdco S.à r.l)) for a total consideration of £882.8m plus acquisition costs of £4.4m. The Pure HoldCo is a holding company incorporated in Luxembourg, which owned at the time of acquisition twelve Luxembourg and thirteen UK subsidiary companies.

To fund the acquisition the Group raised equity of £167m, and increased shareholder loans by £114.9m. Upon taking control of the portfolio the Group repaid its existing loan to the previous owner of £758.4m and raised £525m of external bank debt.

As the result of the acquisition the Group has acquired eleven investment property assets with a total of 3,650 beds, seven located London and one in each of Bath, York, Edinburgh and Brighton.

Immediately following acquisition, one UK and three Luxembourg subsidiaries were transferred in the Group to IQSA Newlands S.à r.l, one of the Group’s existing HoldCo’s within the structure.

Management does 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 Pure 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 Pure as an asset acquisition. In doing so, the cost of the assets acquired has been allocated to the relevant assets based on their relative fair value.

24. CONTINGENCIES AND COMMITMENTS

The Group has capital commitments of £18.1m (2017: £8.8m) in respect of capital expenditures contracted for at the date of the consolidated statement of financial position. The balance committed as at 30 September 2018 relates predominantly to 3 properties:

- £9.6 million committed to contracts for Knight House (property under development in Sheffield).
- £1.6 million committed to contracts for Echo Street (property under development in Manchester).
- £1.6 million committed to contracts for Technopole (student accommodation in Newcastle).

25. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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For the year ended 30 September 2018

26. 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 14 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/period in relation to administrative service provided under formal agreements.

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 year the Group was charged £0.4m (period ended 2017: £0.2m).

The Group no longer holds a services agreement with Greystar Europe Holdings Limited, however in the prior period the Group was charged £0.2m in relation to the sub-letting of head office space and other administrative charges.

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, Chief Operating Officer and General Counsel.

	Year ended 30 September 2018 £m	9 month Period ended 30 September 2017 £m
Wages and salaries	3.2	2.3
Long-term benefits	0.9	–
Share based payments	3.6	–
Total	7.7	2.3

27. SUBSEQUENT EVENTS

The following events have occurred subsequent to the balance sheet date and through the date of approval of the consolidated financial statements by the Managers:

On 8 October 2018 the Group entered into a development funding agreement for 752 beds at the Hume House site in Leeds, paying £10.1m on this date. An additional £1.8m has been paid since with a further expected commitment of £58.5m for development costs. The expected completion date is August 2021.

In addition, the Group entered into a second £67.9m development funding agreement on 8 October 2018 for 823 beds at Telegraph House in Coventry to be completed by July 2020. No payments have been made to date.

On 2 November 2018 the Group paid £8.1m to acquire Bainbridge House in Manchester.

Manor View House in Newcastle was acquired on 6 November 2018 for a consideration of £3.3m, as a bolt-on to Technopole which sits on the same site.

On 28 November 2018, the Company undertook a share capital reorganisation under which it redesignated 27,196,866 J Ordinary Shares equally across the remaining classes of Ordinary Shares with the balance of the 27,196,866 J Ordinary Shares being reclassified as equity accounted preference shares (EAPs). The EAPs carry a preferential dividend of 12% on the subscription price of Preference Shares, payable annually at the Board’s discretion. The total number of voting rights has not changed, and following this restructure the Group’s share capital will increase by £623m, and share premium will reduce by the same value.

28. LIST OF SUBSIDIARIES

Principal subsidiary undertakings	Status	Equity held %	Registered office/ principal place of business Key*
Arcade Holloway Limited	Active	100%	2
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
Elliot Edinburgh 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 & 5
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

For the year ended 30 September 2018

28. LIST OF SUBSIDIARIES CONTINUED

Principal subsidiary undertakings	Status	Equity held %	Registered office/ principal place of business Key*
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
IQSA (Westbourne) Limited	Active	100%	2
IQSA Acquisition 1 S.à r.l.	Active	100%	1
IQSA Acquisition 2 S.à r.l.	Active	100%	1
IQSA Arcade Holloway Road S.à r.l.	Active	100%	1
IQSA Arcade LL S.à r.l.	Active	100%	1
IQSA Bainbridge S.à r.l.	Active	100%	1
IQSA Century Square S.à r.l.	Active	100%	1
IQSA Chandos S.à r.l.	Active	100%	1
IQSA City Isledon S.à r.l.	Active	100%	1
IQSA Commercial Road S.à r.l.	Active	100%	1
IQSA Coventry S.à r.l.	Active	100%	1
IQSA Elliot Edinburgh S.à r.l.	Active	100%	1
IQSA Ewer Hammersmith S.à r.l.	Active	100%	1
IQSA Group Limited	Active	100%	2
IQSA Hume House S.à r.l.	Active	100%	1
IQSA Lewes Brighton 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 Paris Gardens S.à r.l.	Active	100%	1
IQSA Redness York S.à r.l.	Active	100%	1
IQSA Services Limited	Active	100%	2
IQSA St George's S.à r.l.	Active	100%	1
IQSA Stephenson House Limited	Active	100%	2
IQSA Stephenson House S.à r.l.	Active	100%	1
IQSA Student HoldCo S.à r.l.	Active	100%	1
IQSA Telegraph S.à r.l.	Active	100%	1
IQSA Twerton Bath S.à r.l.	Active	100%	1
Lewes Brighton Limited	Active	100%	2
LTS Paris Gardens (General Partner) Limited	Active	100%	2
LTS Paris Gardens Limited Partnership	Active	100%	2
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

Principal subsidiary undertakings	Status	Equity held %	Registered office/ principal place of business Key*
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
Pure Bankside Limited	Active	100%	2
Pure City Opco Ltd	Active	100%	2
Pure Hammersmith Ltd	Active	100%	2
Pure Highbury Limited	Active	100%	2
Pure Student Living Limited	Active	100%	2
Redness York Limited	Active	100%	2
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
Twerton Bath Limited	Active	100%	2
UKSA 60 CR Limited	Active	100%	2
UKSA 60 CR S.à r.l.	Active	100%	1 & 6
UKSA City University S.à r.l.	Active	100%	1 & 6
UKSA Hammersmith S.à r.l.	Active	100%	1 & 6
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 HouseGreen Street, JE1 2ST, United Kingdom.
4 15 Canada Square, London, E14 5GL, United Kingdom
5 This company was liquidated during the year.
6 These entities have a year end of 30 June.

“**LOVE LOVE LOVE.** Saying anything else would be unfair. I’ve stayed here since it opened until my final year. I would not be happy anywhere else and the most important part of my life in London has been spent in iQ.

79%

USERS WHO RATED
OUR NEW WEBSITE
3/5 OR ABOVE



iQ is an innovator in the sector, with a world class operating platform. We provide unique digital interactions and embrace the latest technology and thinking in the way we build and renovate our sites, making living with us easier.

**Sector leading
innovation**

Glossary

Adjusted EBITDA per bed
EBITDA divided by the weighted average number of beds operational for the full year, 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 2016/17
Results for the 12 months to 30 September 2017, which includes the prior year’s 9 month financial period from 1 January 2017 to 30 September 2017

ANUK
The Accreditation Network UK 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

Business intelligence (BI)
BI is a technology – driven process for analysing data and presenting actionable information to help executives, managers and other corporate end users make informed business decisions

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

EBITDA
The Group’s EPRA earnings, excluding share based payment expenses/long-term employee benefits before charging interest, tax, depreciation and amortisation

EBITDA margin
The Group’s EPRA earnings, excluding share based payment expenses/long-term employee benefits before charging interest, tax, depreciation and amortisation, divided by revenue

Educational institutions
Public and private universities and colleges and other higher educational institutions

Eligible students
All 2017-18 direct let residents studying in their first or second undergraduate year, foundation/intern year, or whose course end year is beyond 2018; adjusted for new or divested properties

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

Financial period to September 2017
The Group’s prior year financial reporting period represents the 9 months from 1 January 2017 to 30 September 2017

HEPI
The Higher Education Policy Institute established to shape the higher education policy debate through evidence

Houses in multiple occupation (HMO)
A house occupied by more than two persons who are not members of the same family

International students
All students coming from outside the UK to study, including those from the EEA

Like-for-like rental growth
The annual rental growth, 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
The increase in net asset value (excluding equity contributions) from our last financial reporting period to the year ended 30 September 2018

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

Net operating income (NOI)
The rental income from the property less operating costs directly related to the property (cost of sales)

Net promoter score (NPS)
NPS is a metric for assessing customer loyalty for a company’s brand, products or services

PBSA
Purpose built student accommodation

Re-booker rate
The number of eligible students who rebook with us for the following academic year, adjusted for new or divested properties

Summer income
The Group’s revenue generated from properties that are outside of the core occupancy period for each year

University Let
The properties or beds where educational institutions have entered into a contract with the Group. Educational institutions may either contract directly with a student or nominate students to live in our properties



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