



Student
Accommodation

Giving our students
their best
year yet

Annual Report 2019



We are **iQ**

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

The unique iQ experience is built around four key areas:



Best home from home

Strategic report

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Fantastic student experience

Governance

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Customer-focused people

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Sector-leading innovation

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Best home from home

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.

STRATEGIC PRIORITIES

1 2 4 5 6

£35.7m

INVESTED IN
REFURBISHMENT

“ I turned my iQ room into my makeshift studio. It was really great to be able to work here and also escape from my room to take my mind off work – hang out with my flatmates in the kitchen, or go to the communal spaces to really get out of any artistic funks I might have been in. I would definitely recommend bringing your university work ethic back into your own iQ room, and setting it up to whatever suits you best.

JENNY'S iQ LIFE
iQ LEEDS

Group overview and financial highlights

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

OUR VISION

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

We deliver a unique iQ experience

- best home from home
- fantastic student experience
- sector-leading innovation
- customer-focused people



Read more on pages 12-17

We have a compelling brand proposition based on insight

- delivering moments that matter
- addressing broader student needs
- delivering a hassle-free living experience



Read more on pages 20-31



TOP 10 CITIES

	Location	% Value*	Sites	Beds
1	London	52%	15	6,776
2	Manchester	9%	10	3,605
3	Sheffield	6%	7	2,692
4	Leeds	4%	2	1,612
5	Edinburgh	3%	3	795
6	Lincoln	3%	2	1,553
7	Birmingham	2%	2	897
8	Leicester	2%	2	943
9	Brighton	2%	2	402
10	Nottingham	2%	3	652

* % of portfolio value



Read more on pages 38-39

KEY STATISTICS



67
NUMBER OF
PROPERTIES



602
EMPLOYEES



4,398
DEVELOPMENT
PIPELINE BEDS
(Planning consent
obtained for
3,389 beds)



28,162
NUMBER OF
PORTFOLIO
BEDS



83%
CUSTOMER
SATISFACTION
(For students
checking in for
the 2019/20
academic year)

ACHIEVEMENTS IN THE YEAR



**STRONG
PERFORMANCE**
Another period of
strong performance
with above average
like-for-like revenue
growth of 5.2%



CUSTOMER FOCUS
A focus of delivering
against our insight-based
customer proposition has
seen us deliver high
customer satisfaction
and NPS of +35pts



DEVELOPMENT
We opened
our 257-bed
development
in Sheffield for
the 2019/20
academic year



**PORTFOLIO
INVESTMENT**
£35.7m invested in
refurbishment in
the year, including
2,310 beds across
26 properties and
adding 27 new beds.

FINANCIAL HIGHLIGHTS

£223.2m

REVENUE

For year ended
30 September 2019 up 11%
(2017/18: £200.4m)

5.2%

LIKE-FOR-LIKE REVENUE GROWTH

For year ended
30 September 2019
(2017/18: 4.7%)

£143.6m

ADJUSTED EBITDA

For year ended
30 September 2019 up 11%
(2017/18: £129.5m)

97%

AVERAGE CORE OCCUPANCY

in the 2018/19 academic
year (2017/18: 98%)

£3.7bn

PROPERTY VALUATION
(30 September 2018: £3.5bn)

76.4%

ADJUSTED NOI MARGIN

For year ended
30 September 2019
(2017/18: 76.1%)

Chair's statement

iQ has delivered another good set of financial results and strong progress against our strategy.

PENNY HUGHES



iQ has always put students at the heart of its decision making, and 2018/19 has been a year where we've deepened our investment in the moments that we know impact students' experience the most. From delivering an enjoyable and hassle-free check-in experience, digital innovations that enhance living with us, to events that inspire connection, we have made significant inroads in creating a different kind of stay for those who choose to call iQ home. The success of our activities is reflected not only in our financial performance, but in the strong improvement in employee engagement, customer satisfaction and advocacy, which in turn drive our high re-booker rates and referrals.

Knowing how important technology is in students' lives, we have continued to deliver digital innovations that improve living with iQ. With the option to digitally manage their stay from check-in to check-out, our residents now benefit from a truly end to end digital journey. This is a valuable addition to iQ's platform and a further differentiator for the business.

We have also invested in wellbeing initiatives. I was proud to have attended the launch of our campaign, 'Embrace the Unexpected', which encourages students to connect with each other, and take a chance on new friendships and opportunities. Underpinned by research with relationship charity, Relate, we hope that by putting the spotlight on student relationships and loneliness, this campaign will add to and enhance the national conversation about what support would help students make the most of their time at university. I am looking forward to seeing the results of our wellbeing pilot in 2019/20, which we plan to run across our portfolio in 2020/21.

“We are building a **customer-centric culture to be proud of,** with each of our people, from the support office to site, aligned to our strategic focus and a shared set of values.

Our customer offer makes us an attractive and trusted choice for students and for our higher education partners. We value our relationships with these institutions, and over the year, we have begun developing a more coordinated strategy with this important stakeholder group – deepening our relationships with key institutions and further resourcing our partnerships team.

The safety and security of our students and staff is our highest priority. We take a highly proactive approach to fire safety. Our Fire Safety Committee reports to the Board and ensures that we meet the high fire safety standards we set ourselves, that our buildings remain safe for residents, and that we have the appropriate fire safety measures in place.

The UK operational team continues to make good progress against our strategic priorities. We have assembled a team with a breadth of experience across property, higher education, leisure and hospitality, which is unique for the sector. I would like to thank Rob Roger and his team for their skill, diligence and openness. During the year, CFO Stephen Leung decided to step down from his role to seek new challenges. I'd like to thank him on behalf of the Board for his contribution, and to welcome his successor, Becky Worthington, onto this team.

We are building a customer-centric culture to be proud of, with all of our people, from the support office to site, being aligned to our strategic focus and a shared set of values. I was pleased to see engagement grow to a one-star 'Best Companies' rating, demonstrating the positive impact our investment in our people is having on their experience.

On behalf of the Board, I'd like to thank our colleagues, both at site and in our support office, for all they do to bring us closer to our vision of giving each student who chooses iQ their 'best year'. I would also like to express my thanks to Goldman Sachs and Wellcome Trust who continue to be highly supportive shareholders.

The outlook for our sector remains positive. Underpinned by its prestigious higher education institutions, the UK continues to attract a growing number of students, both international and domestic, for undergraduate and postgraduate studies. There remains a structural undersupply of PBSA beds in the market and so we will continue to build this business to fulfil the need for high-quality accommodation in sought-after towns and cities. Whilst the political backdrop in the UK remains uncertain; these market fundamentals, together with our high-quality portfolio, weighted towards those markets of highest student growth, as well as our appeal with students and partners, means that the Company is well positioned for profitable growth in the coming years.

PENNY HUGHES
Non-Executive Chair

Business model

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

DRIVEN BY

Our vision

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

UNIQUELY iQ

An unrivalled portfolio

Our properties are well located in the most attractive university locations of strongest student demand. With 84% of our portfolio value located in the Russell Group cities, and 52% of this in London, we are well placed to offer a great place to call home.

IMPACTED BY

The world we live in

The sector fundamentals for private PBSA are strong, with record numbers of students, both international and domestic, choosing the UK for their studies, and a structural undersupply of high-quality beds.

 Market environment. See page 10.

The resources we need

The strength of our development pipeline, 100% focused in Russell Group cities, as well as the strength of our financial resources, platform, brand and in-house teams mean we are well placed to continue our growth.

 Approach to business. See page 32.

The views of our stakeholders

With increasing NPS and satisfaction scores we know that our offer is valued by students. Our efforts to build a winning team and culture have seen our people engagement grow to a one-star Best Companies rating.

 Approach to business. See page 32.

World-class digital innovation

Not only were we the first operator to take a 'room first' approach to our website design, taking prospects to their room choice quicker and aiding decision making, but our digital innovations, such as the resident iQ App and Virtual Assistant, 'Q', make living with us simpler.

OUR WAY OF CREATING VALUE

Our core activities

Identify, acquire and develop properties

Our high-quality pipeline is delivered by a highly experienced in-house portfolio management team who are able to identify and respond quickly to market opportunities, as well as plan for the longer term.

Embed our scalable operating model

Our market-leading platform allows us to scale and integrate at pace, creating efficiencies and delivering strong financial returns for the business.

Deliver a fantastic, unrivalled student experience

Our unique proposition gives students the best home from home – driving strong occupancy and rebooker rates.

Optimise the portfolio and drive strong returns on investment

We selectively reinvest in our portfolio to maximise revenue and optimise returns.

Driven by 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

Demand Intelligence platform

This highly customised platform gives us unparalleled information to manage our inventory, provide data on optimal room type mix and demographic trends to reveal macro growth opportunities in key markets. It enhances our decision making and drives our market-leading revenue growth.

Compelling brand and customer experience

Our differentiated living experience, iQ Life, is based on the insight of over 5,000 students and is built around the moments that matter most to them. Through our focus on these aspects, we drive high levels of customer satisfaction and advocacy.

Highly scalable operating platform

Our well-established operating platform gives us the ability to grow at pace and deliver significant economies of scale. This was demonstrated by the acquisition of Pure Student Living in 2017, which added 3,653 beds to the portfolio, and which was fully integrated within six months.

OUR POSITIVE IMPACT FOR STAKEHOLDERS

Customers

We provide more than 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 in supporting our partners to give students the best home from home.

Employees

We want to create a fun place to work where our 602 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.

Multi-sector management team

Our UK operational team is unique – with experience across property, leisure and hospitality, ensuring the customer experience remains at the forefront of our decisions. All key functions are performed in-house, including our portfolio management team with proven capability to enhance the portfolio through focused investment.

Market environment

With a growing number of full-time students, both domestic and international, choosing the UK's world-renowned universities for their studies, demand for high-quality accommodation continues to outstrip supply.

The UK private Purpose-Built Student Accommodation (PBSA) sector has set new standards in the quality of the purpose-built offering and has been one of the most successful property sectors in the UK over the past 10 years, both in the private and public markets.

The superior performance of the sector is underpinned by the strength of the UK's universities, with the UK home to four of the top 10 globally ranked universities and 29 in the top 200.* The attractiveness of the UK as a destination to study is led by the prestigious Russell Group, comprising 24 universities that are renowned for their world-class research and education.

Full-time students projected to grow by 25% by 2030

A record level of 1.8 million full-time students were enrolled in the 2017/18 academic year, with the highest growth in the last five years coming from non-first year undergraduates and postgraduates, particularly concentrated in Russell Group cities.

The favourable outlook for student numbers is set to continue, with a further c.460,000 students projected to be studying in the UK by 2030, or 25% more than today. With projected student growth outweighing the 327,000 private PBSA beds currently in the UK, highlighting the scale of the increase, the sector is ideally positioned to compound its market share penetration as alternate forms of student accommodation are unable to meet the growing demand, including university halls and HMO.

The projected domestic uplift in full-time students over the next decade is driven by an uplift in the UK 18-year-old population from 2021 and the introduction of postgraduate loans, which has boosted demand for further studies. There will be further upside if higher education participation rates continue to grow at recent levels.

International students are estimated to account for 45% of projected growth by 2030, which is supported by the UK government's aim to increase international student numbers to 600,000 by 2030. The decision to reintroduce two-year post-study work visas for international students from the 2020/21 academic year is seen as a key step to achieving this target.

Despite uncertainties around Brexit, the impact on the higher education sector is expected to be marginal, with the EU contributing 7% of the UK full-time student population. The UK government has also committed to retaining tuition fee loans for EU students for the 2020/21 academic year, maintaining the near-term attractiveness of the UK as a place of study for European students.

London, the world's best student city, and other Russell Group cities are destinations of choice

One in every three full-time students in the UK attends a Russell Group institution, underlining the scale and appeal of the association. The Russell Group institutions also continue to outperform in terms of student growth, delivering an annual growth rate of 3.5% in the past five years. The rest of the market benefits from proximity to Russell Group institutions, with other universities in Russell Group cities achieving growth of 2.4%, more than two times the average for universities in non-Russell Group locations.

London continues to be the city of choice for both domestic and international students, with Zones 1 and 2 in highest demand. The city accommodates approximately 300,000 full-time students, four times the second largest UK student market, with a third of students coming from outside the UK. Postgraduate student levels are also outsized in London compared to other cities, a core demand pool for private PBSA.

Demand continues to outstrip supply, particularly in Russell Group cities

At a UK level, students requiring accommodation materially outnumber the current levels of dedicated supply. Despite increased development of PBSA in recent years, the ratio of full-time students to private beds has remained at very attractive levels from an institutional investment perspective. There are currently six students for every single private PBSA bed in the UK.

Public Market FTSE EPRA UK vs UK PBSA: Average annual returns to 2019

10 year CAGR	9.1%
10 year CAGR	12.1%
3 year CAGR	8.1%
3 year CAGR	13.1%

■ FTSE EPRA UK ■ UK PBSA

Source: Bloomberg 'Total Shareholder Returns', Company Data, MSCI

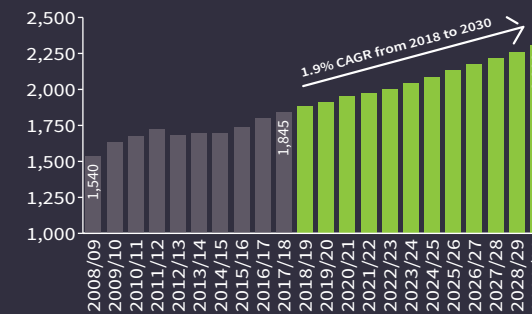
Full-time student growth – 5 year CAGR: Russell Group cities vs other markets

Russell Group universities	3.5%
Russell Group cities	2.4%
Other cities	1.0%
UK total	1.9%

Source: HESA

Projected full-time students in the UK ('000s)

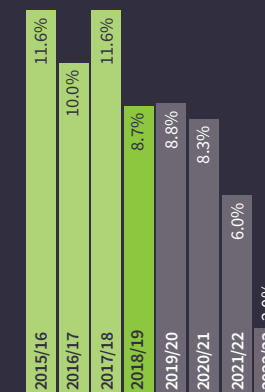
Domestic students: 1.4%
International students: 3.4%



Source: HESA; Green Street Advisors

Annual UK private PBSA growth

Historical average: 10%



Source: Cushman & Wakefield

Despite the shortage of supply relative to students and the anticipated growth in student numbers, new supply of private PBSA is trending below the historical average, especially in London and Russell Group cities due to the cost of development, planning restrictions and scarcity of viable sites. Historical data evidences that rental growth was strongest in markets with lowest new supply, therefore the outlook is favourable with a slowing pipeline, particularly in key markets where iQ operates with scale.

Opportunity for consolidation in the private PBSA sector

Outside of the 10 largest sector players, the majority of which own and operate their platforms in-house, the PBSA market is highly fragmented. There is an opportunity for the large operators to use their platform, operational cost advantage and access to capital to grow via acquisitions, particularly in key university markets where there are a large number of small owners.

Outlook

iQ is ideally placed to benefit from exceptional market fundamentals, with a focus on the UK's fastest growing knowledge economies where student growth and retention is highest. We are focused on markets of strong demand, underpinned by Russell Group cities that are outperforming the rest of the UK, with London Zones 1 and 2 in highest demand and where iQ is the leading owner of operational PBSA beds.

With 84% of our portfolio value situated in Russell Group cities and 52% in London, we are ideally positioned to benefit from a growing domestic and international student base in the UK's most prominent university cities.

Against the backdrop of a positive market outlook and with the benefit of scale, iQ has a platform to drive incremental value in a sector with attractive consolidation opportunities to allow us to keep up with growing demand for high-quality student accommodation.

Source: Independent research conducted by Green Street Advisors, 2019

* QS Rankings 2019

CEO's review

I am pleased to report on another year of progress for iQ for the year ended 30 September 2019. Our investment in the student experience is reflected in highly positive customer satisfaction scores and, as a result, strong financial performance. Our customers enjoy living with us and increasingly recommend us to others.

ROB ROGER



STRATEGIC PRIORITIES

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

Our attention to quality and the student experience gives iQ a differentiated position in the PBSA market, making us a sought-after brand. We welcomed more than 28,000 students from over 150 countries this year, seeing a particular increase in students from China as well as postgraduate students. We scored 83% on customer satisfaction and achieved high levels of advocacy, with increases in both our 2017/18 check-out and 2018/19 check-in Net Promoter Scores (NPS).

Underpinned by the prestigious Russell Group, the UK's higher education institutions continue to be a major draw for both domestic and international students. iQ's portfolio is well-positioned in Russell Group cities, which hold 84% of our portfolio value, and where student demand has grown at a notably higher rate than other markets. London remains particularly attractive, and continues to

be a destination of choice, with 300,000 full-time students choosing the city for their studies. It is also the centre of international demand, where 102,000 full-time international students study, 10 times more than the average Russell Group city. We remain the leading owner of operational beds in the capital, offering 6,776 beds across Zones 1-4, with 90% being in prime central London locations within Zones 1-2. London now holds 52% of iQ's portfolio value.

The UK is also seeing record growth in postgraduate students, 72% of whom are located in Russell Group cities. This growth, along with that of international students, continues to create strong underlying demand for iQ's accommodation and room type mix, particularly for studios in key university markets. Our highly customised Demand Intelligence platform allows us to effectively manage our room inventory based on accumulated customer and market insight, which in turn enables us to maximise occupancy and drive our market-leading revenue growth.

Our direct let business makes up 60% of our total beds, showing the strength of our appeal amongst students. This is complemented by the relationships that we have with 35 higher education institutions across the UK. During the year, we have invested in resourcing our

partnerships team and continue to take a coordinated approach in engaging with this important stakeholder group.

Looking in detail at our strong performance across the 12 months to 30 September 2019, the Group delivered revenue of £223.2m, an 11.4% increase on the previous year of £200.4m, with underlying like-for-like revenue growth of 5.2% and occupancy at 97%. Our balance sheet strengthened during the period, with net assets rising from £1,161.2m to £1,308.5m, an increase of 12.7%. We also realised the full-year benefit of our acquisition of the Pure Student Living (Pure) portfolio in December 2017, which delivered an additional NOI of £39.1m.

A world-class student experience

We know that accommodation plays a significant role in the overall university experience, which is why we put the student at the centre of our decision making. We have made significant progress: our listening programme, where we engaged with 5,000 students, has helped us focus our investment during the year on the moments of the experience that matter most to them. The insights we gained have enabled us to create a unique student experience and journey – 'iQ Life' – designed to maintain engagement with our residents throughout the academic year.

84%
OF PORTFOLIO VALUE IN RUSSELL GROUP CITIES

52%
OF PORTFOLIO VALUE IN LONDON

Everything we do is designed to make living with iQ as hassle free and enjoyable as possible.

Thanks to our investment in our digital platforms, prospective customers can now gain an authentic insight into iQ Life, interact and book with us. Students told us a key factor in their decision-making process is room quality, which is why we have been first in the sector to launch a 'room first' booking journey designed to get students to their room preferences quicker. Our Mandarin website offers Chinese residents a relevant and content rich experience. When choosing their accommodation, students want to hear from other students about their property, so we

YEAR IN REVIEW

OCT 2018	DEC	JAN 2019
1 2 4 5 6	1 4 5 6	1 4 5 6
<p>Switched to 100% renewable energy All electricity purchased by iQ now comes from 100% renewable UK sources.</p>	<p>Deal for 1,575 beds in Leeds and Coventry Forward funding agreement struck with Olympian Homes for the delivery of 1,575 student beds in Leeds and Coventry.</p>	<p>Planning permission for Redeness Street, York A 98-ensuite bed development, which will be integrated with the adjoining iQ Brickworks. Due for completion in the 2020/21 academic year.</p>
<p>100% RENEWABLE ENERGY</p>	<p>1,575 NEW BEDS</p>	<p>98 ENSUITE BED DEVELOPMENT</p>
		<p>Partnership with London's iconic Roundhouse Offering free tickets to residents, on-site talent showcases and access to their studios, the partnership was designed to give students access to an iconic creative community.</p>

CEO's review

CONTINUED

5.2%

LIKE-FOR-LIKE REVENUE GROWTH

83%

CUSTOMER SATISFACTION

launched our 'Real Students, Real Rooms' ambassador programme, in which current residents create unscripted videos that bring their personal experience of living at iQ to life. We also introduced group booking functionality in response to a growing number of students who want to book for themselves and their friends, to ensure that they get to share the same flat.

Our residents also benefit from digital innovations designed to simplify their living experience. Launched this year, our Virtual Assistant, 'Q', allows them to ask questions at any time and is proving to be a popular method of communication, conducting more than 7,500 unique conversations in the two months following its launch. Excitingly, we also introduced our resident iQ App in September 2019, which includes features such as digital parcel tracking, logging of maintenance requests and access to content and news from iQ. In the 2019/20 academic year, we will be adding additional features, including the option to book concierge services, such as room cleans and laundry, make payments and view contracts, and Flat Chat, which will allow residents to chat to each other within the App.

“We believe fostering a sense of community helps residents **feel at home** in their iQ property.

As ever, welcoming students for the start of the academic year was a key focus for our site teams. Our 'Fast Pass' express style check-in continues to be popular, with over 11,000 students taking the simple steps needed to benefit from this service prior to the 2019/20 check-in. As part of our commitment to delivering the 'Best Welcome' we recruited re-bookers to welcome students to their new iQ home, offering welcome packs, on-site services and bespoke events to make settling in easier. In partnership with London's celebrated Roundhouse, we launched our first 'Meet' event, inviting more than 6,000 residents from all of iQ's London properties to a single welcome event to meet other new residents in the city. Following its success, we will be taking the concept to other cities where we are home to large numbers of students across a number of properties.



CREATING SUSTAINABLE SPACES

We want our properties to be places where students enjoy spending time.

As well as investing in the design of our buildings, we are committed to reducing our carbon footprint and creating a culture of proactive change across our sites. As part of our initiative to reduce our energy consumption, we rolled out our 'Think Green' campaign across all sites in December 2018. The campaign promotes behavioural change in the daily routines of our staff and residents through bespoke training content, checklists and energy reduction plans for staff, and awareness raising poster campaigns aimed at residents. Since its launch, we have seen a 4% reduction in electricity usage across the portfolio. Additionally, we are well into our programme of technical improvement across mechanical and electrical systems through upgrades to lighting, heating and hot water

systems. We have seen a 7% average saving in power usage at sites where LED lights have replaced traditional lighting. During the year, we implemented a measurement and management framework to measure performance improvement against our baseline energy usage in order to encourage environmental consciousness in our day-to-day decision making. We have also appointed a dedicated resource to support data reporting, engagement and technical optimisation.

From October 2018, we were pleased to switch all electricity purchased by iQ to 100% from renewable UK sources.

JAN

2 5 6

iQ WOW Awards

Held the third annual WOW Awards with a record 233 nominations for employees by their peers made in the year.

233

NOMINATIONS

FEB

1 2

Published report into student loneliness

Launched research into student loneliness co-commissioned with UK's leading relationship charity, Relate.

relate
the relationship people



FEB

1 2

iQ's first 'Wellbeing Week'

In a week of wellbeing activities across all properties, our teams ran events such as pet therapy, yoga classes and listening skills workshops, aimed at bringing residents together.

FEB

1 2

Launched 'Embrace the Unexpected' campaign

Created campaign to combat student loneliness, encouraging students to take a chance on new friendships and opportunities.

MAY

1 2

Launched CSR programme, iQ Match Up

Giving back is important to us and our people. iQ Match Up gives our employees a range of ways to get involved, and we match their fundraising.

£100,000

FUNDRAISING TARGET

JUL

1 4 5 6

Construction started on Elliott House, Edinburgh

RAF building adjacent to Elliott House acquired and work commenced to deliver an additional 28 beds and extensive amenities to the property, including a gym, screening room and private dining room.



CEO's review

CONTINUED

We believe fostering a sense of community helps residents feel at home in their iQ property. High-quality social and collaborative spaces – from inspired working spaces, vibrant common and games rooms to well-invested gym facilities – encourage interaction amongst residents. Our events and new iQ Clubs bring residents together, both virtually and physically, over shared interests.

It is this sense of connection and community that underpins our approach to student wellbeing. Over the course of the 2018/19 academic year, we have conducted research into student loneliness, alongside the UK's leading relationship charity, Relate, making the results publicly available. With this research, we launched 'Embrace the Unexpected' a campaign to encourage students to take a chance on new friendships and opportunities. As part of this, we have engaged with students on potential solutions to loneliness.

During the 2019/20 academic year we will be trialling these, with a view to rolling out successful interventions more broadly. We have continued to enhance our offering with ongoing Mental Health First Aid training for designated members of site teams, and we are now in the second year of our partnership with Nightline, giving all iQ residents access to this valuable peer to peer listening service.

Customers are responding to all we are doing: our check-out Net Promoter Score (NPS) improved by 30 points on the previous year. Our check-in NPS increased from +23 points at check-in 2018/19 to +35 points at check-in 2019/20. The number one driver was satisfaction with our people: almost half our students said their overall satisfaction was predominantly driven by the friendliness and helpfulness of staff.

I am delighted that this year we have improved our engagement score to a one-star Best Companies rating. We saw a record number of employees, 91%, complete the engagement survey and 90% of those said that they believed they could make a contribution to iQ's success. Following on from our engagement survey we launched our 'Your Voice' forums, giving site teams the

“Our attention to quality and the student experience gives iQ a differentiated position in the market, making us a sought-after brand.”

chance to share their views with senior leadership and receive updates on progress against opportunity areas. We are building a winning team and culture with all of our 602 employees having objectives aligned to our strategic focus, and built around our shared values. I would like to acknowledge our site team members, and those who support them from the centre, for all their efforts to help us deliver on our vision of giving our residents their 'best year yet'.

Market-leading portfolio

We have continued to develop and enhance our portfolio, investing £35.7m in our refurbishment programme, which included 2,310 beds across 26 properties

and adding 27 new beds. A significant increase in our investment in London, saw us invest £20.3m in the refurbishment of 10 London properties. This included amenity upgrades at our flagship Shoreditch property, where we created a Sky Lounge offering unrivalled social spaces and views across the capital. Through our in-house portfolio management expertise, we have been able to drive significant incremental value from the 11-site, 3,653 bed Pure portfolio acquired in 2017, enhancing the amenities across these properties, particularly in London. This successful integration and optimisation further demonstrates the strength and scalability of iQ's unique operating platform.

Following the successful opening of iQ Collingwood in Newcastle in 2018/19, we have planning permission for two adjacent developments that will deliver an additional 829 beds to this exciting student market. The new developments will become operational for the 2022/23 and 2023/24 academic years respectively. When completed, our three schemes will create an interconnected campus in a prime location close to both Newcastle University and Northumbria University.

We have also entered into a forward funding deal for the delivery of 1,575

student beds in Leeds and Coventry. Altus House, in Leeds city centre, will be iQ's third development in the city and is set to become one of the tallest buildings outside London. Construction work has started on the 752 bed scheme, due to be completed for the 2021/22 academic year. The first phase of 823 beds in Weaver Place, Coventry, will open for the 2020/21 academic year.

We exit the year with a development pipeline of 4,398 beds due to become operational between 2020 and 2023, 100% of which are located in Russell Group cities.

Looking ahead

We believe like-for-like revenue growth will continue into the year ahead, driven by our proven operating platform, our commitment to delivering an outstanding experience for our residents and a solid development pipeline in cities of strongest student demand.

Despite political uncertainties, particularly around Brexit, demand for the UK's higher education institutions continues to grow. Record numbers of international students are choosing the UK for their studies, with supportive government policy and targets underpinning this growth. With our

strong presence in Russell Group cities, where demand continues to outpace the market, our weighting towards London and the appeal of our offer, we believe we are well positioned to benefit. In addition, as domestic participation rates increase and domestic student numbers are likely to grow over the coming years, our wide range of high-quality room types and price points give UK students even more reasons to choose iQ.

With full-time student numbers at an all-time high and a structural undersupply of high-quality accommodation, market fundamentals remain favourable. We believe that iQ's strong direct let business, underpinned by our brand and our relationships with partners and universities, will continue to attract students looking for the high-quality accommodation and experience we offer.

ROB ROGER
Chief Executive Officer

JUL

1 2 5 6

One-star Engagement Rating

Increased our engagement to a one-star Best Companies rating, with a 91% completion rate.

91%

COMPLETION RATE

AUG

1 3 4 5 6

Launch of Virtual Assistant

'Q' allows residents to ask questions of iQ any time that suits them. Launched in time for check-in, 'Q' has hosted over 7,500 unique conversations.

7,500+

CONVERSATIONS

SEP

1 3 4 5 6

Launch of the resident iQ App

The new resident app aims to make living with iQ hassle free. Features include digital parcel tracking, logging maintenance requests, asking questions and getting news.



SEP



1 2

Launch of iQ Clubs

Designed to bring residents together virtually and physically over shared interests, we launched the iQ Supper Club, iQ Book Club and Chinese Social Club with key partners.

SEP



2 4 5 6

Becky Worthington joins as CFO

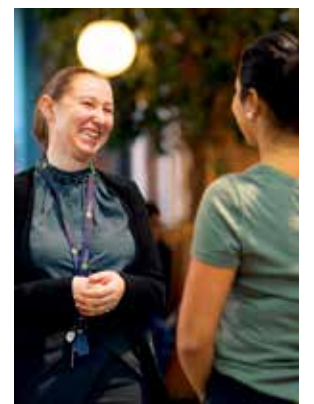
Becky brings significant experience to the UK operational team. She has over 20 years of property experience and has been a Non-Executive Director at British Land since January 2018.

SEP

2 5 6

Introduction of LAUNCH development programme

A new development programme for iQ staff focused on developing skills needed to take a step into line management.



Our performance metrics

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

Revenue (£)

(for year ended 30 September 2019)

1 3 4 6

2016/17 (Annualised)	155.0m
2017/18	200.4m
2018/19	223.2m

Measurement

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

Commentary

Revenue is up 11% compared to the prior year, which is driven by a full year's contribution from the Pure portfolio, acquired in December 2017, along with our Newcastle development, Collingwood, which opened in September 2018.

Like-for-like revenue growth

(for year ended 30 September 2019)

1 3 4 6

2016/17 (Annualised)	6%
2017/18	4.7%
2018/19	5.2%

Measurement

Our annual growth in the rental income from our existing student accommodation portfolio, measured on a like-for-like basis.

Commentary

Demand Intelligence enables us to effectively manage our room inventory and price according to local market demand. Combined with accretive returns from our investment programme in summer 2018, this has allowed us to achieve greater than average market growth, whilst still offering exceptional value to our customers.

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

Adjusted EBITDA margin

(for year ended 30 September 2019)

1 3 4 5 6

2016/17 (Annualised)	61.5%
2017/18	64.6%
2018/19	64.3%

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

The reduction in the Adjusted EBITDA margin has been the result of targeted investment in our central functions to create a scalable platform for future growth.

Average core occupancy

(in the 2018/19 academic year)

1 3 4 6

2016/17 (Annualised)	98%
2017/18	98%
2018/19	97%

Measurement

Our average student occupancy over the core occupancy period in the 2018/19 academic year.

Commentary

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

Adjusted NOI margin

(for year ended 30 September 2019)

1 3 4 5 6

2016/17 (Annualised)	75%
2017/18	76.1%
2018/19	76.4%

Measurement

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

Commentary

NOI margin has increased by 30 basis pts to 76.4% which reflects strong revenue growth and the full-year impact of the Pure portfolio.

Net Promoter Score

(for students checking in for the 2019/20 academic year)

1 2 3 4 5 6

2016/17	+2
2017/18	+23
2018/19	+35

Measurement

The number of students who indicated they would be willing to recommend iQ's products or services to others during 2019/20 check-in.

Commentary

Our focus on delivering an outstanding living experience, tailored to those moments that are most important to students, means we are increasingly driving advocacy amongst our residents.

Customer satisfaction

(For students checking in for the 2019/20 academic year)

1 2 5 6

2016/17	75%
2017/18	80%
2018/19	83%

Measurement

The number of students who indicated they were satisfied with the level of service provided by iQ during 2019/20 check-in.

Commentary

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

Property valuation (£)

4 6

2016/17	2.2bn
2017/18	3.5bn
2018/19	3.7bn

Measurement

An aggregation of the fair value of each of the Group's investment properties, including our development sites at 30 September 2019.

Commentary

The property valuation has increase by 7.8%, underpinned by strong business performance and our high-quality assets in leading university markets across the UK.

Net asset growth

1 4 5 6

2016/17	26.4%
2017/18	34.6%
2018/19	31.6%

Measurement

Increase in net asset value from 30 September 2018 (our last reporting period) to 30 September 2019, excluding the effect of additional equity of £167m raised to fund the Pure acquisition.

Commentary

Our annual net asset growth is reflective of strong operating results and increased property values from our well-located assets in locations of highest demand.

Rebooker rate

(for students rebooking in for the next academic year)

1 2 3 4

2017/18	35%
2018/19	33%

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 rebooker profile, with one in every three eligible, direct let students choosing to stay with us for another year.

Employees

believe they can make a valuable contribution to the success of the organisation

1 2 5 6

2016/17	88%
2017/18	92%
2018/19	90%

Measurement

Response to 2019 Best Companies Engagement survey question, to which 91% 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.



Our vision is to give students their 'Best Year Yet'. Over the last 18 months, we have engaged with thousands of students to understand what matters most to them. We have built our offer, iQ Life, around these moments and touchpoints, allowing us to create an experience that sets iQ apart, and delivers an exceptional stay for our residents. We have seen our check-out and check-in NPS scores improve since implementing iQ Life, and are confident that through this we will continue to deliver a fantastic student experience.

THE MOMENTS THAT MATTER...



1

FIND, TOUR AND BOOK

Our website, with its room first design, makes it easier for prospects and residents to interact and book with iQ. It also gives prospective residents a window into iQ Life, helping them make their decision by hearing from other residents what living at iQ is like.



2

BEST WELCOME

We have a market-leading move-in experience where students arrive fully informed, each and every room is spotlessly cleaned and maintained, and we're proud to welcome them in.



3

iQ LIFE: A HOME AWAY FROM HOME

We want a student's time with iQ to be fantastic, and we deliver moments that matter throughout their time with us – whether that is through creating communities, putting wellbeing at the heart of the experience, or making sure that living with us is as simple as possible.



4

LEAVE ON A HIGH

Whilst we don't like saying goodbye, we love celebrating our residents' time with us, and their success at university. Our leaving initiatives are aimed at creating a lasting positive impression.

EXCEEDING EXPECTATIONS



Residents told us what detracted from their living experience. The most impactful were when something went wrong with maintenance, post and laundry. We've called these 'Pain Points' and we have dedicated support office teams focused on getting these things right. Our NPS scores tell us we are making good progress, and have ongoing focus on continuous improvement.

DEDICATED IN-HOUSE TEAMS



Every site has its own maintenance and housekeeping team on-site. This ensures that maintenance requests are efficiently dealt with, and the site is always kept clean and tidy. Our new iQ App also means residents can log maintenance requests any time, and site teams can communicate with them on progress.

TECHNOLOGY SOLUTIONS



Our new post management system makes it easier for our staff to log the large volume of post that comes through reception. The new iQ App also allows residents to digitally track their parcels so they know exactly when they've arrived.

iQ Life
CONTINUED



1

FIND, TOUR AND BOOK

Our website, with its room first design, makes it easier for prospects and residents to interact and book with iQ. It also gives prospective residents a window into iQ Life, helping them make their decision by hearing from other residents what living at iQ is like.



REAL STUDENTS, REAL ROOMS

Students told us they wanted to hear from other students about iQ properties, so we introduced our 'Real Students, Real Rooms' programme where current residents have created videos that bring to life what they love about their iQ property and room, including how they made it their own.



ROOM FIRST DESIGN

We are the first in the sector to take a room first approach to the design of our website, bringing room selection – a key driver of choice – earlier in the booking journey. On top of a physical viewing option, residents can also take a 360 degree tour of their chosen room type, which is particularly important for international residents, who are unlikely to be able to physically view their room before arriving.



MARKET-LEADING WEBSITE

This year we have seen continued benefit from the investments we've made in our digital transformation, including our mobile optimised website, and a Mandarin version to cater to Chinese residents.



CONNECT WITH YOUR CITY

Students can browse insightful advice and resident stories on the iQ Reading Room. We also provide in-depth city guides aimed at giving residents a chance to get to know their new local area before they arrive.



HASSLE-FREE CONTRACT SELECTION

Our residents can choose paperless rental agreements as part of the booking journey, making this a seamless process.



BOOK WITH FRIENDS

New functionality introduced for the 2019/20 academic year enables one booker to reserve a shared flat for themselves and their friends, guaranteeing that they will be able to live together.

iQ Life CONTINUED



2

THE BEST WELCOME

We have a market-leading move-in experience where students arrive fully informed, each and every room is spotlessly cleaned and maintained, and we're proud to welcome them in.

7,500

UNIQUE CONVERSATIONS
IN FIRST TWO MONTHS
SINCE LAUNCH



iQ WELCOMING COMMITTEE

For the first time this year, we recruited student 'welcome ambassadors' and gave them tips from our partner Relate on how to help new students settle in. The aim was to give new students the benefit of the experience of those already living with us who know the building and local area best.



WELCOME BOXES

When students arrive, we surprise them with a welcome box packed with branded goodies, offers and surprises. This year we have trialled giving new residents iQ hoodies, which we believe create a sense of pride and belonging.



VIRTUAL ASSISTANT, 'Q'

This year we introduced our Virtual Assistant, 'Q', ahead of check-in, so that residents had the opportunity to ask questions before they arrived. 'Q' is constantly updated based on new information, and the things we know residents most want to know. In the first two months following its launch 'Q' has held over 7,500 unique conversations.

'MEET' PARTIES

Helping residents feel like they are a part of their new community whilst also feeling at home is important to us at iQ. One way we are doing that is by giving iQ residents the chance to meet one another whilst getting a taste of the best their new city has to offer, through our new 'Meet' parties. The first was hosted by our partner, the legendary Roundhouse in Camden, London, who let us take over their bar and performance space. Free tickets were snapped up as residents rallied around the great line-up of free Bao and battered fish and chips.



ON-SITE SERVICE

Our site teams are there to help with every step of the check-in journey. We know that the service delivered by our site teams is key to customer satisfaction, and so we continue to build this culture. This year, we have seen our NPS scores for 'Customer-Focused People' increase by seven points for check-in.



FLEXIBLE CHECK-IN

We want students to be able to check-in on their own terms. As well as offering guided tours for new residents, this year we introduced our 'Fast Pass' which allows residents an 'express lane' style check-in. This was popular, with over 11,000 students taking all the actions needed to benefit from 'Fast Pass'.

WELCOME EVENTS

Each site organises welcome events, so that new residents immediately feel part of the iQ family. This year saw a few of our sites take new residents on bus tours of their local city, and another take their residents on a trip to IKEA to stock up on room essentials.



iQ Life
CONTINUED



3

**iQ LIFE:
A HOME AWAY
FROM HOME**

We want a student's time with iQ to be fantastic, and we deliver moments that matter throughout their time with us – whether that is through creating communities, putting wellbeing at the heart of the experience, or making sure that living with us is as simple as possible.

CREATING COMMUNITIES

We want our residents to feel part of their new community, from the moment they arrive. Whether that is the community of their particular iQ property, connecting with other iQ residents in the same city, or joining a virtual iQ community, our social spaces, events and partnerships create opportunities for them to pick and choose whatever suits them best.



iQ APP

Residents can use the App to log maintenance requests, track parcels, get in touch with the iQ team and sign up for events. In the coming year, further features will be added, including the option to book concierge services, such as room cleans and laundry, make payments and view contracts, and Flat Chat, which will allow residents to chat to each other within the App.



**COLLABORATIVE
SOCIAL SPACES**

We continue to invest in communal spaces that allow for greater collaboration, social interaction and community building. For example, our new Sky Lounge in Shoreditch will be an open space for studying, playing and socialising. It will also offer unrivalled panoramic views over London.



PARTNERSHIPS

We're proud to have partnered with the Roundhouse given their particular focus on bringing young people together and fostering emerging talent. They offer early access to gig tickets, monthly giveaways, and have hosted songwriting workshops and talent showcases at our sites just for residents.

Our newest collaboration is with Chinatown London who will be offering exclusive access and discounts to a selection of their 79 authentic East Asian shops, restaurants, bars and cafes.



NEXT GEN SOCIAL EVENTS

From the 2019/20 academic year, each site team will have an events toolkit that will help them create impactful events throughout the year.



iQ CLUBS

iQ Clubs are our way of connecting residents around shared interests. We have introduced the iQ Book Club with publisher Harper Collins, the iQ Supper Club with social media phenomenon Mob Kitchen, and a Chinese Social Club, run by Chinese students, for Chinese students.



iQ TREATS

Our 602-strong team care passionately about bringing a smile to our residents' faces. Throughout the year site teams deliver 'iQ Treats' which is all about surprising and delighting residents – from ice creams on a hot day to Love Hearts on Valentine's Day.



iQ Life
CONTINUED

3

**iQ LIFE:
A HOME AWAY
FROM HOME**

STUDENT WELLBEING

Student wellbeing sits at the heart of our business and helping residents feel at home, while away from home as they settle into university life, is important to us at iQ.



**NIGHTLINE
PARTNERSHIP**

In its second year, our partnership with Nightline continues to grow, and provides all 28,000+ of iQ's residents with access to this valuable peer to peer listening service. In addition, this year we have incentivised residents to volunteer with Nightline, making a financial contribution to the charity for each resident who does so.



↓ **EMBRACE THE UNEXPECTED**

To combat student loneliness and off the back of our research into the issue with Relate, we launched a dedicated campaign encouraging students to 'Embrace the Unexpected' by taking a chance on new relationships, finding friendships in surprising places and being open to trying new things. We have engaged with students as part of this campaign to come up with potential solutions which we will pilot across selected sites in 2019/20.



£136,000

↑ **BRITISH HEART
FOUNDATION**

At the end of the 2018/19 academic year, we collaborated with the British Heart Foundation and donated 78 tonnes of items left by residents after check-out, which would have otherwise gone to landfill, amounting to a £136,000 donation for the charity.

↑ **WELLBEING WEEK**

Held in March this year, and planned to be a recurring annual event, we ran a dedicated week of wellbeing interventions at every site to help residents make connections, develop new skills, take a breath and learn from the experts. Events ranged from pet therapy visits via dedicated charities to listening skills workshops by experienced negotiators. We also hosted shared suppers and on-site gigs delivered by our partners Mob Kitchen and the Roundhouse.



↑ **MENTAL HEALTH
TRAINING**

iQ has 115 staff trained in Mental Health First Aid (MHFA). In 2020, we will host our first annual MHFA conference, where guest speakers will deliver expert talks on relevant issues to continue to enhance the learning of these members of staff.



← **iQ MATCH UP**

As part of iQ's commitment to being a good company, we've put in place a programme for staff and residents to help them give something back to causes they care about. It's called 'iQ Match Up' because for everything they do as part of it, iQ has a match in place.

iQ Life

CONTINUED

3

iQ LIFE: A HOME AWAY FROM HOME

THINKING SUSTAINABLY

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



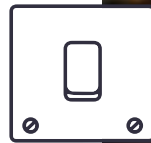
↑ GETTING TECHNICAL

We have launched a two-year programme to reduce consumption by implementing more energy efficient technology including LED lighting, timer and thermostat-controlled heaters, and shower optimisation initiatives to save water.



100% RENEWABLE ENERGY

All of the energy purchased by iQ is from UK renewable sources.



SWITCH OFF LIGHTS



← THINK GREEN CAMPAIGN

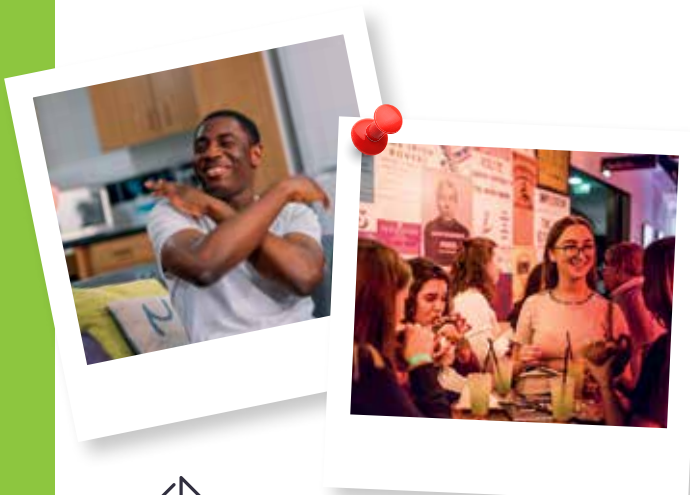
Our campaign, launched across all properties in 2018/19, aims to raise awareness with students and staff, encouraging behaviour change to reduce consumption. We run a continuous poster campaign on saving electricity and water, and campaigns around key opportunities to reduce our footprint. For example, over Christmas 2018, our 'Switch Off' campaign decreased consumption by 9%.



4

LEAVE ON A HIGH

Whilst we don't like saying goodbye, we love celebrating our residents' time with us, and their success at university. Our leaving initiatives are aimed at creating a lasting positive impression.



BEST MOMENTS CAMPAIGN

We know residents have great memories of their time at iQ, so we run a social campaign asking them to share these moments, with a chance to win a great summer prize.



HASSLE-FREE CHECK-OUT

This year we created a new webpage designed to give residents all the information they need for check-out and to ensure a smooth process.

← ON-SITE SERVICES

Third-party partners offer exclusive storage and removals services, where partnerships are in place.



A LITTLE THANK YOU

We make leaving a moment to remember – with a check-out surprise and a check-out party that ensures residents leave as positive as when they arrived.



Approach to business

As a business with such a positive purpose – providing the best home from home for university students – we place great importance on actively listening to all of our stakeholders. By responding to the views of our students, employees and university partners we deepen our relationships with them and grow with their support.

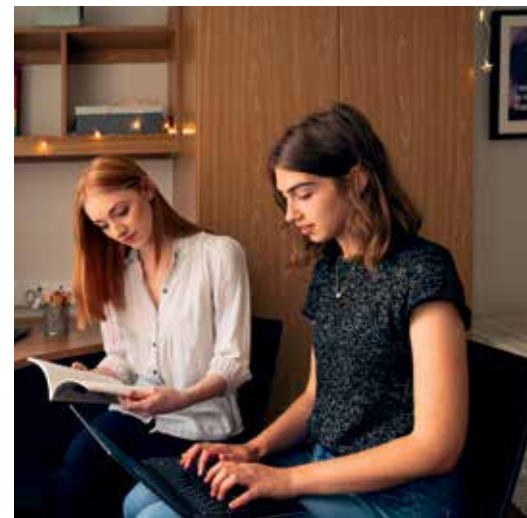
Students

AN EXPERIENCE BUILT ON INSIGHT

We know that where students choose to call home has an impact on their overall university experience. That's why we are committed to giving the 28,000+ students who live with us their 'best year' – providing them with a safe, comfortable home away from home.

As part of this, we engaged in an intensive listening programme, where we asked more than 5,000 students about the moments that matter most to them during their stay. Using these insights, we have created a differentiated living experience aimed at maintaining engagement with our residents throughout the year, which we call iQ Life.

We also understand those aspects that detract from their stay, and have dedicated teams assigned to addressing these areas, for example streamlining maintenance reporting and resolution, and implementing simple post collection. The introduction of the resident iQ App, which allows residents to log maintenance issues, digitally track their parcels and ask their local team questions has also enhanced communication between residents and our site teams.



STUDENTS

Through our insight-based approach, we know what matters most to students when it comes to their accommodation experience. We have created a differentiated offer based on this knowledge, which we call iQ Life.

83%

CUSTOMER SATISFACTION


“The team at iQ are really **friendly and professional.** Whenever I have a problem they are always there to help me to solve the problem. Especially for a new student like me, it makes me feel more **relaxed and more comfortable.**”

STUDENTS

We provide more than 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.



Each year, through our check-in and check-out surveys, we measure how well we are delivering the experience. In the last year we have seen significant uplift in both our Net Promoter Score (NPS) and customer satisfaction, for 2019/20 at +35pts and 83% respectively, showing that iQ Life is resonating with residents. We believe this drives strong advocacy, and therefore referral and high rebooker rates.

 Read more about iQ Life on page 20.

A FOCUS ON WELLBEING

Student wellbeing sits at the heart of our business. Helping residents feel at home, while away from home as they settle into university life is important to us. We believe that creating a sense of community is also important, so we host events that facilitate this and have launched iQ Clubs to help form bonds between like-minded residents.

Our events programme begins at check-in, kick-starting a year of activities offering local, seasonal and treat-filled moments on site. In 2019/20 we're going further and building on our city-wide 'Meet' parties, with more events planned in London and Sheffield, to help more iQ residents widen the net on their friendships.

Our 'Embrace the Unexpected' campaign will continue to be a focus, following its launch this year, including the trialling of interventions, co-designed by students and experts, across a number of sites in the 2019/20 academic year.

 Read more about our approach to student wellbeing on page 28.

HOW WE ENGAGE WITH STUDENTS

- We conduct two resident surveys annually, at check-in and check-out, which tell us how well we are delivering the experience
- We have members of staff on site around the clock, so students always have someone to talk to
- Our resident iQ App makes it easier for students to get in touch, ask questions and log issues

ACTIVITIES IN THE YEAR

- We created iQ Life, a differentiated living experience
- Our Net Promoter Score (NPS) for both check-in and check-out has significantly increased. Likewise, customer satisfaction has increased to 83%, showing that students value what we offer
- Our resident iQ App and Virtual Assistant, 'Q', launched this year, enable students to ask questions any time and simplifies interaction with us

Approach to business

CONTINUED

Employees

A WINNING TEAM AND CULTURE

Our employees are key stakeholders and we continue to develop tools and techniques to maintain and improve engagement each year. Their belief in our vision of giving students their ‘best year’ is critical to our success and the student experience.

Our approach is to consistently share key messages, business information and priorities via a suite of digital channels and by using key events and activities in the year to highlight priorities and provide opportunities to engage with senior leaders in the business.

At our annual events, employees have the opportunity to interact with our senior team. Our third iQ Annual Conference saw 100 of our managers and senior leaders come together to discuss business updates, strategy and the direction of the Company. December’s iQ to You regional roadshows created another opportunity for our people to connect, with more than 300 employees convening across the country to find out more about the benefits of being part of iQ, to hear from senior leaders and ask questions about the business and our progress.

Open-door culture

We have an open-door culture and actively encourage iQ employees to provide feedback on all aspects of life at iQ. Off the back of our engagement



EMPLOYEES

We have highly engaged employees who actively participate in campaigns and events and connect with the business and each other.



ONE-STAR BEST COMPANIES ENGAGEMENT RATING



233

NOMINATIONS FOR THE iQ WOW AWARDS MADE IN THE YEAR

5,986

HOURS OF TRAINING AND DEVELOPMENT COMPLETED BY EMPLOYEES

“ I really enjoyed the roadshow! I had never been to anything like it before and it was great to see for myself how we are growing as a company and what the future holds. I also liked that we had the opportunity to ask questions on anything.

survey, we introduced our ‘Your Voice’ initiative – providing a platform to share feedback, ideas and suggestions. This has led to improved processes that have benefited both our people and our customers. In our 2019 engagement survey we saw our highest response rate to date, with 91% of employees giving their feedback on working at iQ and achieving a one-star Best Companies rating.

Developing our people is a continuous focus for iQ. In the 2018/19 year, we introduced the ‘Launch’ programme, giving those employees wishing to make the step into management the skills to do so. Our employees have completed 5,986 hours of training and development, delivered both internally and externally. We have also introduced the opportunity for employees to earn skills and externally recognised qualifications, with the introduction of an apprenticeship programme for our maintenance technicians, which has seen 22 enrolments in the year.

We continue to celebrate the success and achievements of our people and build a culture that recognises and rewards outstanding efforts and customer service throughout the year. The iQ WOW Awards, where employees are nominated by their peers for living the iQ values, continues to build momentum, with 233 nominations made in the year. We have also introduced long service and instant rewards which provide more opportunity for recognition throughout the year.

Giving something back

We believe in giving something back, and we know that this is also important to our people, so we launched our CSR programme, iQ Match Up, to create opportunities for employees to support causes that matter. From night runs, to on site events, skilled volunteering to cycle rides, for every pound they raise for Nightline and Relate, or time they give, iQ will match it. We have set ourselves a fundraising target for the coming year of £100,000 to further boost the work that these charities do for student wellbeing,

HOW WE ENGAGE WITH EMPLOYEES

- We have an open-door culture and encourage employees to provide feedback
- We run an engagement survey each year
- We run multiple events across the year to provide opportunities to engage with senior leaders

ACTIVITIES IN THE YEAR

- ‘iQ to You’ roadshows gave 300 employees the chance to meet with senior leaders
- Our third WOW Awards saw record participation
- Our ‘Your Voice’ forums provide a regular platform to share feedback, ideas and suggestions with senior leaders
- Managers and senior leaders met at our annual iQ managers conference to discuss business updates

Approach to business

CONTINUED

relationships and beyond. We also invite our residents to be part of 'Match Up', for example, by encouraging them to volunteer for Nightline. For each resident who volunteers, iQ makes a charitable contribution of £100 to the organisation. In addition, we have collaborated with the British Heart Foundation to encourage residents to give their unwanted items to charity at check-out. This year, across all our sites these contributions equated to £136,000 of fundraising for the charity, and diverted 78 tonnes from landfill.

Celebrating diversity

Having a diverse population of employees is important to us, and we are an equal opportunities employer. 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.

We believe a diverse and inclusive organisation is better able to serve our customers and communities, and to attract and retain the best talent in the sector. We encourage a focus on diversity, and have launched our internal diversity campaign, 'UniQue', aimed at encouraging conversation and celebrating the different perspectives and backgrounds amongst our employees.

Our overall gender diversity has remained largely consistent, with 56% female versus 55% last year, whereas at the senior level this has marginally decreased to 32% versus 33% in the prior year.



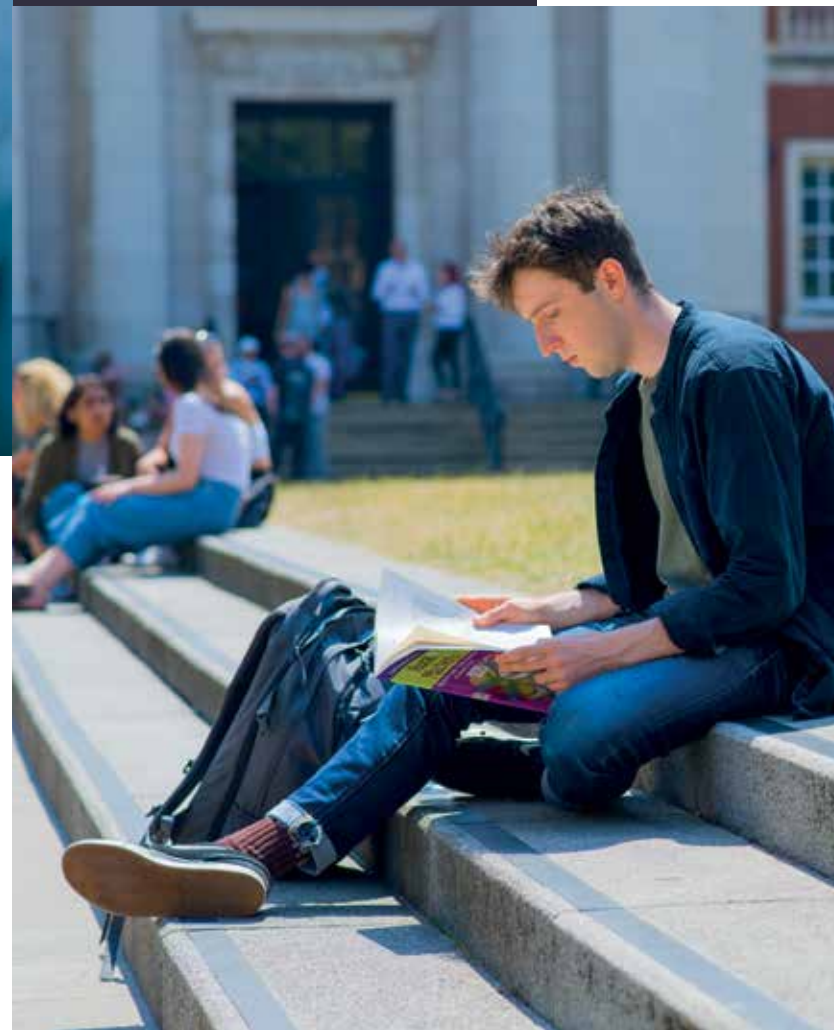
“Our dedicated team takes a collaborative approach to partnerships, helping partners **achieve their own ambition** for the living experience they want to create for their students.

UNIVERSITIES

Our strong relationships with our higher education partners have allowed us to work collaboratively with them to unlock mutual value.

48

AGREEMENTS WITH 35 HIGHER EDUCATION PARTNERS



Universities

A PARTNER OF CHOICE

Our relationships with higher education institutions underpin our strong direct let business, and make up 40% of our total beds. We have 48 agreements in place with 35 public and private higher education institutions who trust us to offer not just safe and secure homes to their students, but ones that are fun and enrich the student experience.

Over the year we have entered into new agreements with York St. John University in York and the Royal Veterinary College in London. In addition, our major three-year renovation projects at Marsden House, with Leeds Beckett University, and Allen Court, with Sheffield University, concluded in the summer on time and on budget. Feedback from staff and students at both institutions has been hugely positive and both schemes rank among the most popular choices for applicants.

We believe that through our high-quality, conveniently located accommodation, and our focus on providing a student-centric offer, we play a key role in enhancing the overall university experience. This is a valuable service to our higher education partners, making them more attractive to prospective students.

We joined the Higher Education Policy Institute, HEPI, during the year, which provides us with regular sector insight, and gives us increased access to key stakeholder groups and thought leaders through their events and forums, helping us to further enhance our offer and approach based on the needs of the sector.

HOW WE ENGAGE WITH UNIVERSITIES

- We have a dedicated university partnerships team who actively work to maintain strong relationships with our partners
- Our site teams have direct relationships with their local university partners, working with them to manage student relations

ACTIVITIES IN THE YEAR

- We joined HEPI, gaining access to increased insight and opportunities to engage with the sector
- We began developing a more coordinated approach to managing our higher education partners, including more engagements with senior leaders

Portfolio review

**ILIYA
BLAZIC**



iQ is one of the largest providers of student accommodation in the UK, with a portfolio value of £3.7bn, and a strong development pipeline of 4,398 beds wholly focused in Russell Group cities.

Unrivalled portfolio
iQ has an unrivalled portfolio, of which 84%, by value, is located in Russell Group cities and 52%, by value, is located in London. This positions us to benefit from the growing demand for places in the leading student cities in the world. Our considered approach to design and environment continues to be a core focus for us.

See page 40

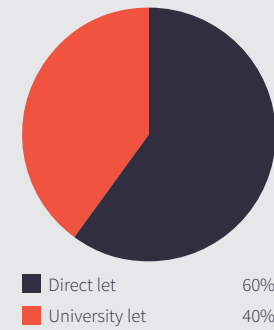
Enhancing our properties
Our experienced in-house portfolio management team applies a systematic approach to identifying opportunities in the market, and has proven ability to grow and enhance the portfolio through strategic investments. This year we have invested £35.7m in enhancing our properties, refurbishing 2,301 beds and adding 27 new beds.

See page 40

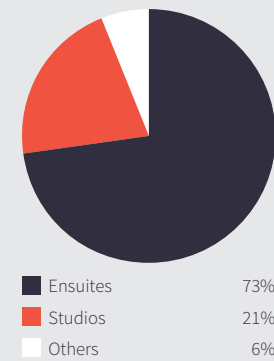
Growth through development
We closed the year with 28,162 operational beds, including the 257-bed Knight House scheme added through development. Our growth is focused on those university cities which have strong student demand, and our development pipeline of 4,398 beds due to become operational between 2020 and 2023, is 100% located in Russell Group cities.

See page 41

Portfolio breakdown by lease type (2018/19 beds)



Portfolio breakdown by room type (2019/20 beds)



86% of studios are located in Russell Group markets, 50% in London

Portfolio breakdown by Russell Group city (value)

2017	75%
2018	83%
2019	84%



Market-leading portfolio in the UK's leading university cities

	Location	% Value*	Sites	Beds
1	London	52%	15	6,776
2	Manchester	9%	10	3,605
3	Sheffield	6%	7	2,692
4	Leeds	4%	2	1,612
5	Edinburgh	3%	3	795
6	Lincoln	3%	2	1,553
7	Birmingham	2%	2	897
8	Leicester	2%	2	943
9	Brighton	2%	2	402
10	Nottingham	2%	3	652
11	Huddersfield	2%	2	1,382
12	Bournemouth	2%	1	590
13	Bristol	2%	1	367
14	Bath	1%	1	330
15	Glasgow	1%	1	324
16	York	1%	1	326
17	Salford	1%	1	541
18	Oxford	1%	1	140
19	Kingston	1%	1	214
20	Newcastle	<1%	2	601
21	Dundee	<1%	1	498
22	Plymouth	<1%	1	519
23	Liverpool	<1%	1	294
24	Preston	<1%	1	679
25	Bangor	<1%	1	382
26	Bradford	<1%	1	752
27	Wolverhampton	<1%	1	296
Total			67	28,162

* % of portfolio value

27
CITIES

67
PROPERTIES

£3.7bn
PROPERTY VALUE

28,162
BEDS

97%
OCCUPANCY

4,398
BEDS IN DEVELOPMENT PIPELINE

27
NEW BEDS ADDED IN 2019/20

Portfolio review

CONTINUED

Our portfolio

iQ has a market-leading portfolio of 67 wholly-owned and operated properties. Our rental growth is driven by our strong direct let model, 60% of our portfolio in 2018/19. We are able to leverage our market-leading brand and differentiated offer, including an attractive room type and mix, to attract international and non-first year undergraduate and postgraduate students, a core demand pool for private PBSA. Our direct let business is underpinned by strong relationships with higher education institutions across the UK, representing the remaining 40% of our portfolio.

We have high exposure to Russell Group cities, where student growth and demand is highest, representing 84% of our portfolio value. London, home to five of the prestigious Russell Group universities, continues to be the student destination of choice. We now offer 6,776 beds across Zones 1-4, with 90% of these located in Zones 1-2, highly desirable central London locations. In recent years there has been a continuing undersupply of PBSA beds, particularly in London, where there is a c.231,000 shortfall in beds, which creates significant opportunities for us as the market leader in London, by owned operational beds. We have enhanced our position in this key market over the past year, investing in the portfolio and adding value to the 3,653 beds acquired from Pure in 2017.

Enhancing our properties

Our in-house portfolio management team constantly seeks opportunities to enhance our existing properties. We use our Demand Intelligence platform and student feedback to optimise our properties, including the refurbishment and addition of rooms and amenities. We have a rolling refurbishment and upgrade programme of c.10% of the portfolio per year, at a blended Yield on Cost of c.8%, delivering around 1% of incremental revenue growth each year.

During the year, we have invested £35.7m in refurbishment, which included 2,310 beds across 26 properties, adding 27 new beds. This included a significant uplift in the investment in our London properties, solidifying our leadership position in this highly desirable market.



90%

OF BEDS IN CENTRAL
LONDON ZONES 1-2

£35.7m

INVESTED IN
REFURBISHMENT

“Our in-house portfolio management team constantly seeks opportunities to **enhance our existing properties.**”

iQ SHOREDITCH

Transforming a flagship property

iQ Shoreditch is a popular, originally 673-bed, scheme in the heart of London's Zone 1. When iQ acquired the scheme in 2012, there were 25 amenity spaces located throughout the building. Whilst these provided a wide range of different types of amenity, they were disconnected and were therefore not as widely used by students as they might have been. Our portfolio management team identified opportunities to enhance the student experience by transforming these social spaces and refurbishing rooms, as well as reconfiguring the site to add beds to the property and drive increased revenue potential. A comprehensive redevelopment plan is in place, which commenced in Summer 2018 and is expected to be completed in Summer 2021.

Phase one, completed in 2018, consisted of the reconfiguration of existing amenity space to create 32 new beds and the refurbishment of 33 beds. Phase two is underway, and involves a one-storey vertical

rooftop extension and the creation of the Sky Lounge, offering unrivalled views across London for residents. In summer 2019, we refurbished 243 beds. In addition, a single storey study space is also being built in the courtyard, together with a new Zen garden and a repositioned reception space, which is expected to be completed by January 2020. The remaining beds in the property are planned to be refurbished in Summer 2020 and Summer 2021. Following the completion of the redevelopment plan, these will create a best-in-class welcome and amenity offering, that will transform the property.

This investment is expected to achieve a c.7% Yield on Cost at project completion. It has allowed us to gain market share in the area, whilst driving revenue growth opportunities through an improved room mix.

Over the last 12-months we have added significant value to the Pure portfolio acquired in December 2017, through refurbishment, rebranding and reconfiguration. We have added 28 new beds and upgraded amenity spaces since its acquisition, as well as strategically rearranged our room type mix based on our Demand Intelligence platform, which provides insight into what room types are most popular. This is an example of how our scalable operating model allows us to grow and integrate at pace, underpinning efficiencies and delivery of our robust financial returns.

Providing safe homes is our top priority and, as such, we set ourselves the highest standards when it comes to student safety. We take a highly proactive approach to fire safety and since 2017 we have undertaken a full and rigorous assessment of all our sites. As such, all sites have been confirmed as safe and fit for residential occupation by external Fire Engineers and by independent Fire Risk Assessors, and have the appropriate fire safety measures in place. These include staff trained in fire safety and on-site 24/7, and advanced fire safety systems such as Life fire detection systems in all properties. We continue to work closely with local fire and rescue services and our primary authority partner, the Greater Manchester Fire and Rescue Service, for guidance where appropriate. We have a clear programme of activity in place where remediation of building fabric is deemed necessary, in line with government guidance. This programme of activity is overseen by a dedicated team and supported by external delivery partners.

Growth through development

Throughout the year, our portfolio management team has continued to explore a range of opportunities to grow our portfolio, from large scale funding opportunities in city centre locations such as Leeds and Coventry, to smaller, more opportunistic acquisitions close to existing iQ schemes in York and Edinburgh, unlocking operational synergies and driving revenue growth. We exited the year with 28,162 operational beds in 2019/20.



Portfolio review

CONTINUED

We opened our Sheffield development for the 2019/20 academic year, bringing 257 beds to this attractive market. Whilst the property opened slightly later than anticipated, students were compensated and offered alternative accommodation, including at other iQ properties or temporarily with the university, free of charge, while the scheme was completed. This was the advantage of having our scale of platform, with strong ties to the university, as well as alternative accommodation of our own. We believe that our support of our residents and the commitment of the local team ensured that we retained the vast majority of original bookings.

We have a development pipeline of 4,398 beds, 100% in Russell Group cities, due to become operational between 2020 and 2023. This includes developments in Newcastle, York, Leeds, Manchester and Edinburgh.

We have secured our portfolio growth in Newcastle to address deep and growing demand in this Russell Group city. Following the successful delivery of our Collingwood property in 2018/19, we have secured planning consent for an adjacent secured development of more than 800 beds across two schemes, to be delivered between 2022 and 2023. The development of this 'micro-campus' will enable us to create a unique city centre accommodation cluster, drawing students from both universities, and benefiting from market-leading accommodation, amenities and localised operational economies.



“Throughout the year, our portfolio management team has continued to explore a **range of opportunities to grow our portfolio.**”



In the 2018/19 year, we entered into a forward funding agreement to deliver 1,575 beds across three schemes in Leeds and Coventry, both cities with strong student growth. Our existing Leeds presence and strong university relationships will be enhanced with the construction of a flagship 752-bed property completed for the 2021/22 academic year. Altus House, Leeds will be one of the most prominent buildings in the city and will benefit from a prime city centre location and market-leading amenities. Our Coventry development will be iQ's first in the city, and will offer 823 new beds in time for the 2020/21 academic year. A further piece of adjacent land has also been acquired as a direct development opportunity, and will add 377 beds to the portfolio.

We expect construction on our unique co-living and student accommodation mixed-use property in Manchester to commence towards the end of 2019. This scheme of 621 co-living beds and 242 student beds is due to be opened during the 2022/23 academic year. We believe that this development will demonstrate the ability of our operating platform to extend into adjacent sectors, taking advantage of our access to students, particularly postgraduate residents who may be looking to stay in Manchester when their studies are complete.

Looking forward, we are well placed to deliver value growth. Through the combination of our scalable operating platform and a highly experienced in-house portfolio management team, we are able to perform asset enhancements, developments and acquisitions, well-aligned to Russell Group cities where we have a strong presence.

ILIYA BLAZIC

Chief Investment Officer



“We have high exposure to Russell Group cities, where student **growth and demand is highest, and representing 84% of our portfolio value.**”

Financial review

The 2018/19 financial year has seen iQ deliver a strong set of financial results with revenue and Adjusted EBITDA growing by 11% compared to the prior year.

BECKY WORTHINGTON



This is my first report since joining iQ in September 2019 and I am pleased to be able to present another set of strong results for the Group. With its performance underpinned by well-located properties in locations of highest demand, welcoming site teams and innovations throughout the customer journey, particularly in digital, iQ is a great place for students to call home. Combined with our ability to deliver accretive returns on capital investment programmes and with a growing development pipeline we are well placed to continue to deliver solid performance.

Group overview

The Group's portfolio contributed to an 11% increase in our annual revenue and enhanced NOI margins for 2018/19. The 2018/19 annual results include the impact of a full 12-month contribution from the Pure portfolio, acquired in December 2017, and also benefited from the opening of a new site, Collingwood, in Newcastle (opened September 2018). We also completed the disposal of a non-core private rented site in Plymouth.

“Underpinning revenue performance in the 2018/19 academic year is **continued high average occupancy**, and like-for-like revenue growth of 5.2%.

Our net valuation gain of £148.3m demonstrates a continued strong operational focus on schemes in university cities and towns where student demand is highest. This 4.1% gain together with our capital spend and acquisitions made during the year takes our portfolio value to £3.7bn, with 28,162 (excluding the hotel) active beds at 30 September 2019.

During the year we continued to grow our secured development pipeline, which now totals 4,398 beds across nine sites, all located in Russell Group cities. The pipeline includes both direct development and forward funding of other developers schemes, with completions over each of the next four years.

Revenue

Total revenue for the year ended 30 September 2019 is £223.2m (2017/18: £200.4m), an 11% increase compared to the prior year.

Underpinning revenue performance in the 2018/19 academic year is continued high average occupancy of 97%, and like-for-like revenue growth of 5.2%. During the year we continued to enhance our Demand Intelligence platform, a key element of our operating platform. Demand Intelligence has accumulated three years of historical market data and enables us to effectively manage our room inventory and price according to local market demand. Combined with accretive returns from our investment programme in summer 2018, this has allowed us to again achieve greater than average market growth, whilst still offering exceptional value to our customers.

Our revenue increase is also due to a full year contribution from the Pure portfolio, acquired in December 2017, along with our Newcastle development, Collingwood, which opened September 2018. This is partly offset by the disposal of a non-core private rented site in Plymouth in March 2018.

The Group's bad debt charge for the year was £0.7m (2018: £0.8m), which represents 0.3% of total revenue (2018: 0.4%).

We invested £35.7m of capital in our accretive works summer programme, enabling us to improve the quality of space, add beds and increase our NOI. This, together with longer leases in other sites, has reduced availability for the summer, with revenue for the summer period delivering £4.7m (2018: £5.5m).

Net operating income for the year was £168.4m (2017/18: £150.2m) an increase of 12% compared to the prior year and a like-for-like revenue increase of 5.2%. Strong revenue growth, in excess of cost increases has driven the improvement in NOI margin percentage. Adjusted net operating margin for the year was 76.4% an increase of 30 basis points on the prior year, which reflects the strong revenue growth, while we continue to focus on driving operational efficiency.

The Group has reported profit before tax for the year of £168.9m (2017/18: £314.1m), which includes an unrealised revaluation gain of £148.3m (2017/18: £295.7m).

Within the business, management uses EBITDA as a KPI to monitor earnings performance. In this year's report, we have renamed EBITDA to Adjusted EBITDA to make it clear that this excludes certain costs, such as exceptional items and share-based payment expenses, that management considers do not reflect to underlying recurring performance of the business. The calculation remains the same as in the prior year.

Adjusted EBITDA for the year was £143.6m (2017/18: £129.5m) an increase of £14.1m (11%). This represents an Adjusted EBITDA per bed of £5,231 (2017/18: £4,868) and an Adjusted EBITDA margin of 64.3% (2017/18: 64.6%).

Revenue

	Year ended 30 September 2019 £m	Year ended 30 September 2018 £m	12 month period ended 30 September 2017 £m
Total revenue	223.2	200.4	155.0
Like-for-like revenue growth	5.2%	4.7%	5.8%
Average core occupancy	97%	98%	98%

Net operating income

	Year ended 30 September 2019 £m	Year ended 30 September 2018 £m	12 month period ended 30 September 2017 £m
Net operating income	168.4	150.2	115.0
Adjusted NOI margin	76.4%	76.1%	75%

Earnings

	Year ended 30 September 2019 £	Year ended 30 September 2018 £	12 month period ended 30 September 2017 £
Adjusted EBITDA	143.6m	129.5m	95.5m
Adjusted EBITDA per bed	5,231	4,868	4,100

Financial review

CONTINUED

The reduction in the Adjusted EBITDA margin has been the result of targeted investment in our central functions both to support site operations and create a scalable platform for future growth. Overall, administrative and other expenses included in Adjusted EBITDA for the year totalled £24.8m (2017/18: £20.7m).

Interest for the year was £101.6m, of which £68.5m related to external bank debt, with the balance being on shareholder loans.

EPRA earnings for the year, excluding revaluation gains on investment properties, valuation movements on financial instruments and exceptional items was £23.4m (2017/18: £26.4m).

A full reconciliation between EPRA earnings, Adjusted EBITDA and Profit after tax is provided in note 5 to the financial statements.

Cash flow

The cash generated from operations during the year was £138.1m (2017/18: £124.6m). Net capital expenditure during the period was £119.7m, of which £66.2m relates to expenditure on our development properties, £35.5m on accretive programmes and £18.0m on maintenance.

The net outflow from financing activities in the year was £22.4m, which including a repayment of £15.7m of shareholder loans during the year and loan arrangement fees of £6.7m. The net change in cash for the year was £72.0m, decreasing cash and cash equivalents from £275.7m to £203.7m at 30 September 2019.

Balance sheet

Our balance sheet has been further strengthened during the year, with an increase in net assets from £1,161.2m at 30 September 2018 to £1,308.5m at this year end. This increase of 12.7% reflects both solid operating performance in the year, together with an increase in value of our property portfolio, reflecting our well-located properties, a number of which have benefited from the investment we have made in refurbishment and development.

As in the prior year, 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 2019, the aggregate market value of all the properties in our portfolio totalled £3.7bn, a 7.8% increase from 30 September 2018. The average portfolio yield at 30 September 2019 was 4.61% (4.71% at 30 September 2018).

After taking account of capital expenditure, the net revaluation surplus for the year was £148.3m (2017/18: £295.7m). CBRE have included in their valuation for the year an estimated cost for building remediation identified as a result of recent legislation changes around the safety and appropriateness of building fabric of £60.3m.

The portfolio continues to align with the Group's overall investment strategy and 52% (30 September 2018: 51%) of the value of iQ's portfolio is in London and 84% (30 September 2018: 83%) 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 (2018: £2.5bn) of which £518m (2018: £501m) 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 2019, the Group had term loans of £2.0bn, which is the same as the prior year. The Group entered into a new development loan arrangement in June 2019 to fund the development of three assets in Manchester, Coventry and Leeds, with principal borrowings of £162.7m. At 30 September 2019, this loan had not been drawn.

Expenses of £4.2m were incurred as part of securing this facility in the year and will be capitalised in accordance with the Groups accounting policy.

The Group's net LTV ratio excluding shareholder loans was 49% at 30 September 2019 (30 September 2018: 50%).

£223.2m

TOTAL REVENUE

£168.4m

NET OPERATING INCOME (NOI)

76.4%

ADJUSTED NOI MARGIN

£143.6m

ADJUSTED EBITDA



As at 30 September 2019, the weighted average remaining term of the bank debt including company controlled extension options was 3.4 years (30 September 2018: 4.4 years) and the average cost of debt during the year was 2.84% (2018: 2.85%).

Impact of the new accounting standards

The new revenue accounting standard, IFRS 15 'Revenue from Contracts with Customers' is effective for the Group for the 2018/19 financial year commencing on 1 October 2018. The adoption of the new standard has resulted in no material changes for the Group.

The adoption of IFRS 9, also from 1 October 2018 resulted in immaterial adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions, comparative figures have not been restated.

IFRS 16 'Leases' is effective for the Group for the 2019/20 financial year commencing on 1 October 2019. We have substantially completed our review of the impact of this standard and do not believe there will be a material impact on profit or NAV. From 1 October 2019, the Group as a lessee will recognise a leasing asset and liability which will have an immaterial impact on the balance sheet.

In the consolidated statement of comprehensive income, within administrative expenses, £0.5m will be reclassified to depreciation and interest instead of being an operating lease cost. EPRA earnings and profit before tax are unaffected by this change, but Adjusted EBITDA will increase by £0.5m.

BECKY WORTHINGTON

Chief Financial Officer

“With our growing development pipeline, we are well placed to continue to deliver **solid performance.**”

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 and 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.

Effective risk management and a strong risk culture are fundamental to the delivering on our commitments to our customers.

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, which in turn reports to the Audit and Risk Committee, also on a quarterly basis.

 Further detail on the Group's principal risks and their impact on our strategic objectives is set out on pages 50-53.

Key developments this year

During the year the Group's risk management framework has been enhanced and processes introduced in recent years further embedded.

Key areas of focus included:

Risk appetite: formalising the Group's risk appetite statements across the four categories of risk: strategic, operational, financial and regulatory;

Reporting: enhancement of the risk management reporting to the Audit and Risk Committee, with the introduction of a standing quarterly report on the Group's principal risks;

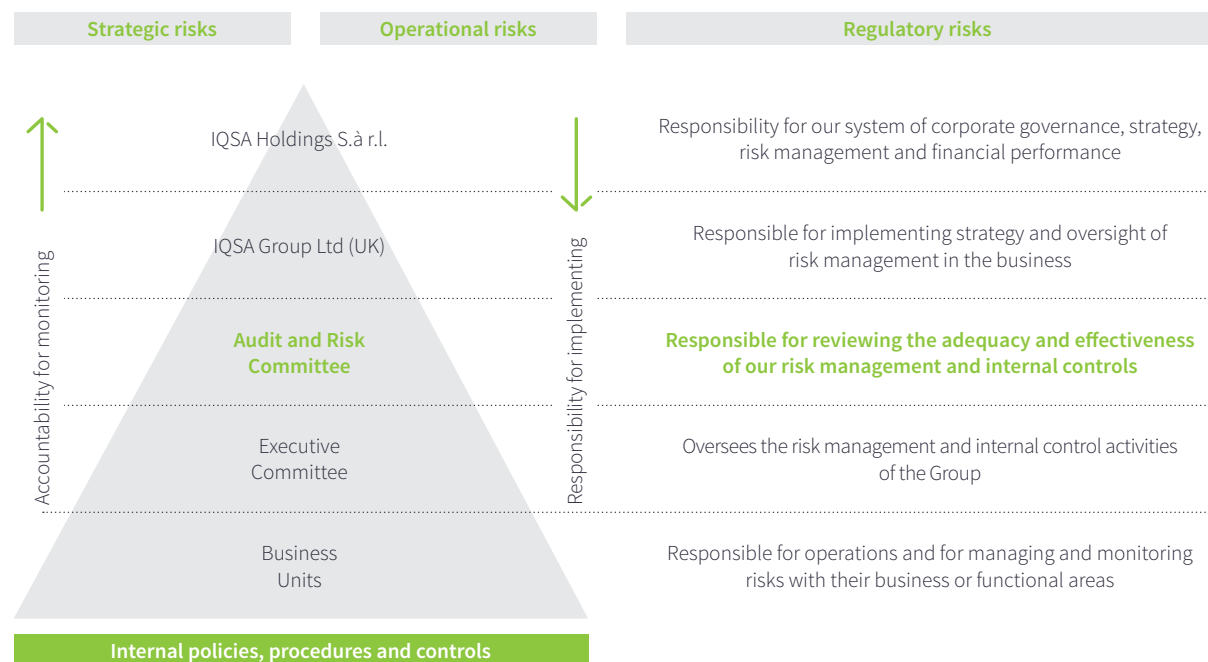
Emerging risks: introduction of emerging risk deep dives and reporting, both as part of the Group's strategy day and on an ongoing basis as part of quarterly reporting, in relation to topics such as Brexit and the increasing demand from, and exposure to, the Chinese market;

Policy and training: individual training sessions for heads of department on their risk management responsibilities, coupled with creation and delivery of a new training module on risk management available to all staff on IQ's e-learning platform.

Areas of focus for 2018/19 and 2019/20

Monitoring and responding to developments in fire safety regulation and government advice and the potential impacts of remediation activity will remain a high priority for the Group in 2019/20. The Group is also planning a review of its group policy suite and associated governance framework and is updating its business continuity and disaster recovery plans.

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 Managers consider 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 9.

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	Risk commentary 2018/19 developments and mitigation activity
Strategic risks			
REDUCTION IN STUDENT DEMAND 3 4 5 6 			
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 revenue • Reduced profitability • Potential breach of banking covenants 	<ul style="list-style-type: none"> • Strong presence in Russell Group university cities • Partnership arrangements with selected universities which secure guaranteed income over the life of the contract • Board monitoring of potential impacts of government policy and engagement with industry bodies 	<p>Risk commentary Risk is stable with the number of bookings broadly in line with the previous year, supported by strong demand from international students and postgraduates.</p> <p>The government published proposals for two-year post-study work visas for international students and confirmed that EU students commencing study in 2020 will continue to benefit from current maintenance and tuition fee position.</p> <p>The post-18 review of education and funding (the 'Augar review') proposed an OfS review of the affordability of university accommodation. It is not certain whether or how the proposals will be implemented; however, the Group anticipates increased political focus on the affordability of a university education (including accommodation).</p> <p>Key developments and mitigation activity</p> <ul style="list-style-type: none"> • Formalised horizon scanning process, with reporting to ARC • Strengthened partnerships team with additional hire • Sales agency engagement programme, with particular focus on China • Investment in website enhancements to further enhance booking journey

Potential events	Impact	Mitigating measures	Risk commentary 2018/19 developments and mitigation activity
Strategic risks continued			
PROPERTY MARKET CYCLICALITY 4 6 			
Reduction in demand for commercial property results in a fall in asset values	<ul style="list-style-type: none"> • Reduced valuation • Lower investment returns • Potential breach of banking covenants • Inability to sell underperforming assets 	<ul style="list-style-type: none"> • Active monitoring of the property market and reviews by the ARC and Board of the Group's valuation on an annual basis • Dedicated portfolio management team with an active asset management strategy • Marketing and customer proposition activity and university partnerships to protect against revenue shortfalls • Loan facilities have headroom and cure rights to reduce risk of an event of default with Board monitoring banking covenant compliance 	<p>Risk commentary Risk is stable, with the Group's valuation increasing from £3.5bn to £3.7bn, with continued strong valuation uplifts in the the Group's target towns and cities, in particular London.</p> <p>Key developments and mitigation activity</p> <ul style="list-style-type: none"> • Refurbishment of 2,310 beds across the portfolio, addition of 27 new beds, re-opening of two sites following major refurbishment works, investment in amenity spaces and the opening of the 257-bed Knight House in Sheffield • Continued focus on customer experience to drive customer advocacy, NPS progression and rebooker demand
ACQUISITION AND DEVELOPMENT PIPELINE 4 6 			
Reduced ability to grow the portfolio through acquisition or as a result of inability to execute development projects on time or in budget	<ul style="list-style-type: none"> • Reduced valuation • Lower investment returns 	<ul style="list-style-type: none"> • Dedicated portfolio management team with specialist skills supported by expert advisers • Investment Committee review of capital projects 	<p>Risk commentary Strong development pipeline of 4,398 beds; however, Brexit uncertainty and other macroeconomic factors are putting pressure on contractors' margins, increasing overall development risk. Demand for student accommodation assets remains high, making acquisition environment competitive.</p> <p>Key developments and mitigation activity</p> <ul style="list-style-type: none"> • Opening of Knight House in Sheffield for current financial year was delayed by eight weeks due to late delivery of the development. Mitigation plans were put in place, including offering accommodation at alternative iQ properties or temporary options via the University of Sheffield. The site opened in late October, with the majority of its original bookings retained.
UNIVERSITY PARTNERS 1 4 6 			
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 revenue • Potential reputational damage 	<ul style="list-style-type: none"> • Commercial Director and operational teams maintain close working relationships with key individuals and stakeholders at partner universities 	<p>Risk commentary Risk is stable, with no material non-renewals in the year.</p> <p>Key developments and mitigation activity</p> <ul style="list-style-type: none"> • Recruitment of dedicated university partnerships resource • Development of a university engagement plan, supported by a contact matrix • Continued focus on customer experience and NPS progression supporting university relationships

Risk management

CONTINUED

Potential events	Impact	Mitigating measures	Risk commentary 2018/19 developments and mitigation activity
Operational risks			
HEALTH AND SAFETY 2 5			
Significant health and safety incident and/or failure to meet regulatory requirements	<ul style="list-style-type: none"> Tragedy of serious injury or loss of life Reputational damage Potential fines or legal action Increased costs 	<ul style="list-style-type: none"> Board oversight of annual Health & Safety programme, including regular reporting to Audit and Risk Committee and Board Establishment by the IQSA Board of a Fire Safety Committee with dedicated oversight of the Group's response to the government's Building Safety programme Full range of policies and procedures to mitigate health and safety risk Specialist health and safety staff to oversee, guide and challenge operations on a day-to-day basis Site teams trained on health and safety compliance on a regular basis Rolling programme of external health and safety audits 	<p>Risk commentary The risk is stable but elevated, principally due to the changing environment in relation to fire safety</p> <p>Key developments</p> <ul style="list-style-type: none"> Review of ongoing government advice in relation to the safety of tall buildings issued by the Building Safety programme, and changes to Building Regulations to ban the use of materials not of limited combustibility in facades of tall buildings Completion of comprehensive building survey programme and appointment of dedicated Building Improvement Programme team to undertake building fabric remediation activity as appropriate Fire risk assessments undertaken by external fire risk assessors in relation to each site Working with Greater Manchester Fire & Rescue Services in a primary authority partnership to obtain assured advice in relation to mitigation activity arising from fire risk assessments Live disaster simulation exercise undertaken at our site in Plymouth in conjunction with local fire rescue services and presented lessons learned to the Audit and Risk Committee
CYBER SECURITY AND IT RESILIENCE 1 3 5			
Loss of data or income due to cyber security attack or failure of IT infrastructure	<ul style="list-style-type: none"> Potential loss of revenue Data loss Potential fines and penalties Reputational damage 	<ul style="list-style-type: none"> Comprehensive disaster recovery and business continuity plans Training for staff on data protection and cyber security Policies and procedures which support compliance with GDPR Use of industry-leading Cloud services providers Encryption of data at rest and in transit Multi-factor authentication and industry recognised vulnerability management systems and processes 	<p>Risk commentary Risk is stable with no material incidents in the year</p> <p>Key developments and mitigation activity</p> <ul style="list-style-type: none"> Undertook a comprehensive external cyber security review against the NIST framework with outcomes presented to the Audit and Risk Committee Ongoing enhancements to Information Security policies and procedures Simulated phishing exercise undertaken for all staff
Operational risks continued			
PEOPLE RISK 2 5			
Failure to attract, retain and develop the right people	<ul style="list-style-type: none"> Loss of know-how and business disruption Increased costs Reputational 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 programme Dialogue with staff via an annual engagement survey and staff roadshows Robust performance management framework has been developed which aligns individual objectives to the Group's strategic rocks Succession plans for key roles 	<p>Risk commentary Risk is stable, with voluntary turnover reducing across the business and engagement levels increasing. The impact of Brexit on recruitment to site roles and potential for wage inflation is being monitored.</p> <p>Key developments and mitigation activity</p> <ul style="list-style-type: none"> Succession plans for executive and heads of department roles formalised and reviewed by the Board Achieved one-star rating in Best Companies engagement survey, supported by employee listening forums to support action planning Comprehensive leadership and talent development programme rolled out across the Group Role specific training developed for operations, e.g. maintenance technicians
KEY SUPPLIER FAILURE 1 2 5 6			
Significant failure of a key supplier	<ul style="list-style-type: none"> Increased costs Business disruption 	<ul style="list-style-type: none"> Supplier onboarding processes and due diligence requirements Dedicated procurement team and processes for supplier relationship management Contractual SLAs 	<p>Risk commentary Risk is stable overall with no material risk events, but is increasing with respect to construction contractors.</p> <p>Key developments</p> <ul style="list-style-type: none"> Revision of supplier onboarding policies and procedures Enhanced approval processes for creditworthiness of non-HEI nominations counterparties Strengthened procurement capability with recruitment of Head of Procurement
Regulatory risks			
CHANGE IN REGULATION 1 4			
Failure to respond to change in legal or regulatory requirements impacting PBSA	<ul style="list-style-type: none"> Potential fines or penalties Reputational damage Reduced income and profitability 	<ul style="list-style-type: none"> Membership with trade bodies, including BPF, HEPI and ANUK Regulatory horizon scanning reported to Audit and Risk Committee 	<p>Risk commentary Risk is stable. Regulatory environment remains dynamic; however, iQ is proactively engaged in material regulatory issues impacting the sector</p> <p>Key developments</p> <ul style="list-style-type: none"> Implementation of changes to booking journey in response to the Tenant Fees Act Participating in consultation in relation to the reform of the building safety regulations Close monitoring of developments and lobbying in relation to local authority development schemes and their application to PBSA

Fantastic student experience

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.

STRATEGIC PRIORITIES

1 2 5 6

+35

NET PROMOTER SCORE

GOVERNANCE

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“ I’m a musician and music is just everything, it’s my relaxation time, it’s my happy time. iQ has really helped me focus on my music – I can bring so many people back, we can practice and rehearse in the music space whenever we want to. **Everyone loves being here, it’s such a social and happy space.** From the studio to the studio set-up in my room as well, to record and just have as much fun as I possibly want.

DYLAN’S iQ LIFE
iQ BRISTOL

Our UK operational team



iQ has a strong UK operational team, with significant combined experience across the real estate, student accommodation, hospitality and leisure sectors. With support offices in London and Manchester, the operational team leads a 602-strong workforce, empowered to contribute to the success of the business through locally based decision making.

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

Operating an open culture is important to the operational 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.

We asked our UK operational team what giving students their 'best year yet' means to them.

1. ROB ROGER

Chief Executive Officer

“The student experience at the **heart** of our decisions.

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.

2. BECKY WORTHINGTON

Chief Financial Officer

“Providing **excellent** value for money.

Becky joined iQ in September 2019 as CFO. Becky has been a Non-Executive Director at British Land since January 2018. Alongside this, Becky held the role of Group Chief Operating Officer of Countryside Properties PLC, having previously been Chief Financial Officer from August 2015. She spent 15 years at Quintain Estates and Development PLC, first as Finance Director and latterly as Deputy Chief Executive. She qualified as a chartered accountant with Pricewaterhouse Coopers LLP.

3. MATT MERRICK

Chief Operating Officer

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

Matt joined iQ in April 2017 following 12 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.

4. ILIYA BLAZIC

Chief Investment Officer

“Properties in the **best** locations.

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.

5. DAVID TYMMS

Commercial Director

“Outstanding facilities, and **great** partnerships.

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.

6. ALEX MOON

General Counsel

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

Alex joined iQ in October 2018 and is a corporate lawyer with over 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.

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 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 that 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 56 and 57.

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 General Counsel 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 and 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 is the chair of the Remuneration Committee, a member of the Audit and 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 and 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 2019 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 and approved the Group's internal audit plan.

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 undertook a tender during 2019 and is advised by FIT remuneration consultants.

Investment Committee

The committee's purpose is to consider all significant transactions including acquisitions, disposals and development of property and land across the Group and to make recommendations to IQSA Group and to the Board of Managers.

During the year under review, the committee met five times to consider potential investment opportunities and material refurbishment projects in accordance with the Group's approved strategy.

Fire Safety Committee

The committee was established in June 2018 to oversee the Group's continuous building improvement programme and to oversee implementation of fire safety strategy in light of the changing regulatory environment.

Managers' report

FOR THE YEAR ENDED 30 SEPTEMBER 2019

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 (2018: £nil). The Managers do not recommend the payment of a final dividend (2018: £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
- Eloise N'takpe
- Grenville Carr Jones (from 1 October 2018 to 8 October 2018)
- Supreetee Saddul (from 8 October 2018 to 9 November 2019)
- Aleksander Jakima (from 9 November 2019)
- Peter John Pereira Gray
- Richard Spencer

Accounting principles

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

Financial risk management

Details of the key financial risk management are disclosed in Note 6 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 25 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 and safety are set out on page 53.
- 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 36.

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 Group'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 Group'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 Group will continue in business.

The Managers are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group 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

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.

STRATEGIC PRIORITIES

1 2 5 6

90%

OF iQ STAFF BELIEVE THEY CAN MAKE A VALUABLE CONTRIBUTION TO THE ORGANISATION'S SUCCESS

Customer-focused people

FINANCIAL STATEMENTS

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“ Growing up I would always be in the kitchen. At iQ, I would cook for my neighbours, or bring home the food I cooked at school and share this with the team at reception or bring people together in my room over a shared meal. **iQ helped me pursue my aspirations** to be a chef because I could share my passion, and food, with everyone in the building!

SARA'S iQ LIFE
iQ BLOOMSBURY

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

To the shareholders 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 2019, 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 comprehensive income for the year ended 30 September 2019;
- the consolidated statement of financial position as at 30 September 2019;
- the consolidated statement of changes in shareholders' equity for the year ended 30 September 2019;
- the consolidated cash flow statement for the year ended 30 September 2019; 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 Managers' 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 judgement 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, 19 December 2019

Represented by



LAURENCE DEMELENNE

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September 2019

	Notes	Year ended 30 September 2019 £m	Year ended 30 September 2018 £m
Rental income	16	216.6	193.9
Other income	16	6.6	6.5
Total revenue		223.2	200.4
Cost of sales		(54.8)	(50.2)
Administrative expenses	18,20	(45.0)	(35.0)
Profits from operating activities		123.4	115.2
Profit from operating activities before exceptional items		124.5	122.1
Exceptional items	21	(1.1)	(6.9)
Profits from operating activities after exceptional items		123.4	115.2
Loss on disposal of investment properties	7	(1.6)	-
Net valuation gains on investment properties	7	148.3	295.7
Profit before net financing costs		270.1	410.9
Loan interest and similar charges		(102.4)	(95.9)
Net valuation loss on derivative financial instruments	6	(0.1)	(1.1)
Finance costs	19	(102.5)	(97.0)
Interest income	19	1.3	0.2
Net financing costs		(101.2)	(96.8)
Profit before income tax		168.9	314.1
Income tax expense	10	(14.3)	(14.0)
Other tax		-	(0.2)
Profit for the year		154.6	299.9
Other comprehensive income	6	(7.3)	(1.4)
Total comprehensive income		147.3	298.5

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 2019

	Notes	30 September 2019 £m	30 September 2018 £m
Assets			
Non-current assets			
Intangible assets	9	3.0	2.4
Investment property	7	3,639.3	3,420.8
Investment property under development	7	92.7	40.1
Plant and equipment	8	0.9	1.0
Total non-current assets		3,735.9	3,464.3
Current assets			
Trade and other receivables	11	45.5	36.7
Derivative financial instruments	6	0.4	0.5
Cash and cash equivalents		203.7	275.7
Total current assets		249.6	312.9
Total assets		3,985.5	3,777.2
Liabilities			
Current liabilities			
Trade and other payables	14	123.9	118.3
Short-term borrowings	13	630.7	6.8
Current income tax liabilities	10	4.4	5.6
Other current liabilities	15	24.8	-
Total current liabilities		783.8	130.7
Non-current liabilities			
Long-term borrowings	13	1,868.9	2,469.5
Deferred tax liabilities	10	15.6	8.2
Derivate financial instrument	6	8.7	1.4
Other non-current liabilities	15	-	6.2
Total non-current liabilities		1,893.2	2,485.3
Total liabilities		2,677.0	2,616.0
Equity			
Equity attributable to equity holders of the Company			
Share capital	12	5.4	5.4
Share premium		699.3	699.3
Legal Reserve	12	0.5	0.5
Other Reserves	6	(8.7)	(1.4)
Retained earnings		612.0	457.4
Total equity		1,308.5	1,161.2
Total equity and liabilities		3,985.5	3,777.2

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 30 September 2019

Attributable to equity holders of the Company:

	Notes	Share capital £m	Share premium £m	Legal Reserve £m	Other Reserves £m	Retained earnings £m	Total Equity £m
Balance as at 30 September 2017		3.8	533.9	-	-	158.0	695.7
Issue of ordinary shares and share premium	12	1.6	165.4	-	-	-	167.0
Allocation of legal reserve	12	-	-	0.5	-	(0.5)	-
Other comprehensive income		-	-	-	(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
Other comprehensive income	6	-	-	-	(7.3)	-	(7.3)
Profit for the year		-	-	-	-	154.6	154.6
Balance as at 30 September 2019		5.4	699.3	0.5	(8.7)	612.0	1,308.5

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

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 September 2019

	Notes	Year ended 30 September 2019 £m	Year ended 30 September 2018 £m
Cash flows from operating activities			
Profit before income tax		168.9	314.1
Adjustments for:			
Depreciation of plant and equipment	8	0.4	0.3
Amortisation of intangible assets	9	0.8	0.5
Loss on disposal of Investment Property	7	1.6	-
Net valuation gains on investment properties	7	(148.3)	(295.7)
Net change in fair value of financial instruments at fair value through profit or loss	6	0.1	1.1
Finance costs – net	19	101.1	95.7
Impairment charge for trade and other receivables	11	0.7	0.8
Lease incentive receivable	11	(0.2)	(1.7)
(Increase)/decrease in trade and other receivables	11	(7.8)	(12.3)
Increase/(decrease) in other current and non-current liabilities	15	18.6	6.2
Increase/(decrease) in trade and other payables	14	2.2	15.6
Cash generated from operations		138.1	124.6
Interest expense paid		(58.1)	(48.3)
Income tax paid	10	(8.2)	(12.6)
Net cash generated from operating activities		71.8	63.7
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired		-	(851.5)
Acquisition of investment property	7	(27.7)	(6.8)
Subsequent expenditure on investment property	7	(95.0)	(50.8)
Proceeds from sale of investment property	7	3.0	-
Purchases of intangible assets	9	(1.4)	(0.8)
Purchases of plant and equipment	8	(0.3)	(0.2)
Net cash used in investing activities		(121.4)	(910.1)
Cash flows from financing activities¹			
Proceeds from bank borrowings	13	-	1,515.7
Repayments of bank borrowings	13	-	(680.0)
Repayments of equity partner borrowings	13	(15.7)	-
Shareholder equity contribution	12	-	167.0
Loan arrangement fees	13	(6.7)	(27.7)
Net cash generated from financing activities		(22.4)	975.0
Net increase/(decrease) in cash and cash equivalents		(72.0)	128.6
Cash and cash equivalents at the beginning of the year		275.7	147.1
Cash and cash equivalents at the end of the year		203.7	275.7

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

¹ See Reconciliation of financing activities for the year ended 30 September 2019 on page 70.

CONSOLIDATED CASH FLOW STATEMENT CONTINUED

For the year ended 30 September 2019

¹Reconciliation of financing activities for the year ended 30 September 2019

	Cash flows						Non-cash changes					Balance at 30 Sep 2019 £m
	Balance at 30 Sep 2018 £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	Accrued loan fees £m	Amortisation of loan costs £m	Non-current to current reclassification £m	
Long-term borrowings – non-current	2,469.5	–	(15.7)	(6.7)	–	–	33.1	–	2.2	8.4	(621.9)	1,868.9
Short-term borrowings	6.8	–	–	–	(58.1)	–	–	60.1	–	–	621.9	630.7
Share capital	5.4	–	–	–	–	–	–	–	–	–	–	5.4
Share premium	699.3	–	–	–	–	–	–	–	–	–	–	699.3
Total liabilities from financing activities	3,181.0	–	(15.7)	(6.7)	(58.1)	–	33.1	60.1	2.2	8.4	–	3,204.3

Reconciliation of financing activities for the year ended 30 September 2018

	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 borrowings	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 2019

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 United Kingdom (‘UK’).

The Group’s financial year starts on 1 October and ends on 30 September of each year. The consolidated financial statements of the Group for the financial year ended 30 September 2019 comprise those of the Company and its subsidiary undertakings.

A full list of the legal entities that form the Group is set out in Note 26.

2. SIGNIFICANT CHANGES IN THE CURRENT REPORTING PERIOD

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), which is further explained in Note 12.

During the financial year ended 30 September 2019, the Group has entered into a new £162.7m debt facility. This is to fund three property development projects. As of 30 September 2019, the Group has not drawn down any cash but has incurred loan arrangement fees of £4.2m.

The Building (Amendment) Regulations 2018 came into force on 21 December 2018. This is an area of significant judgement and includes estimates by the Managers which are further explained in Note 4. The impact on the valuation of the Group’s investment portfolio is detailed in Note 7.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation

The Group’s consolidated financial statements include the financial statements of the Company and its subsidiaries.

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 (‘IFRS’) and approved for issuance by the Board of Managers (the ‘Managers’) on 19 December 2019.

For the year ended 30 September 2019 all subsidiaries have 30 September as their year end, unless otherwise stated in Note 26. Consolidated financial statements are prepared using uniform accounting policies. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

All balances in these accounts and accompanying notes are disclosed in millions of pounds sterling unless otherwise stated.

b. Basis of consolidation

Subsidiaries are entities controlled by the Company and control exists when the Company 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 results of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 30 September 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

c. Measurement convention

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, interest rate floors and interest rate swaps, all of which are stated at their fair value.

d. 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 is disclosed as cash flows from investing activities because this most appropriately reflects the Group's business activities.

e. 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 6.

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. Borrowing facilities are used to support acquisition activities where necessary.

The net current working capital position is negative at 30 September 2019 as a result of a £621.9m debt facility classified at the balance sheet date as a current liability. The Board of Managers expects this loan to be extended for a further one year at the end of the initial three-year term, therefore does not consider this as a risk to the going concern of the Group. Further details can be found in Note 13.

The Managers have considered the Group's funding requirements, its current and future opportunities, its available loan facilities, as well as forecast covenant compliance. 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 for at least 12 months from the date of signing these financial statements. Accordingly, they continue to adopt the going concern basis in preparing these consolidated financial statements.

f. Impact of new and amended accounting standards and interpretations

The Group has elected to adopt the following standards and amendments:

- (i) IFRS 9 'Financial Instruments'
- (ii) IFRS 15 'Revenue from Contracts with Customers'

(i) **IFRS 9 'Financial Instruments'**: IFRS 9 replaces the provision of IAS 39 that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of IFRS 9 has resulted in no adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transitional provisions, comparative figures have not been restated.

Classification and measurement

On 1 October 2018 (the date of initial application of IFRS 9), the Group's management assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories. The Group did not hold assets classified as 'held to maturity' or 'available for sale' under IAS 39 at 1 October 2018 and as a result there was no reclassification of these financial assets on adoption of IFRS 9.

Derivatives and hedging activity

The Group's risk management strategies and hedge documentation are aligned with the requirement of IFRS 9 and these relationships are therefore treated as continuing hedges. The Group has not changed its accounting treatment of derivative instruments used as part of its risk management strategy as hedging relationships under IFRS 9.

Impairment of financial assets

The Group's significant financial assets that are subject to IFRS 9's new expected credit loss model are trade receivables from the leasing of investment properties. Based on the reasons set out in the credit risk management section, the credit risk associated with unpaid rent is deemed to be low. The Group was required to revise its impairment methodology under IFRS 9. This did not result in a material change in the loss allowance recognised under IFRS 9 compared to the previous impairment provision held under IAS 39. Note 6.1(c) provides further details on the measurement of the loss allowance and amount recognised at 30 September 2019.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was considered as immaterial.

(ii) IFRS 15 'Revenue from Contracts with Customers':

The Group has adopted IFRS 15 'Revenue from Contracts with Customers' from 1 October 2018, using the modified retrospective approach.

The Group's revenue from contracts with customers, as defined in IFRS 15 includes hotel income, ancillary revenue, service charge income, and property sales proceeds. IFRS 15 does not apply to rental income (within the scope of IAS 17 Leases) which makes up over 90% of total revenue of the Group.

Rental income, including fixed rental uplifts, is recognised in the consolidated statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives being offered to occupiers to enter into a lease are an integral part of the net consideration for the use of the property and are therefore recognised on the same straight-line basis. Contingent rents, being lease payments that are not fixed at the inception of a lease, for example turnover rents, are variable consideration and are recorded as income in the year in which they are earned.

There are no significant changes to the way the Group has historically accounted for income as a result of the adoption of IFRS 15.

Proceeds received from the sale of investment properties are recognised when control of the property transfers to the buyer, i.e. the buyer can direct the use of the property

and the right to the cash inflows and outflows generated by it. This generally occurs on unconditional exchange or on completion.

The adoption of IFRS 15 does not have a material impact on the timing of revenue recognition for the non-core income streams.

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 IFRS that have been issued:

IFRS 16 'Leases': 'Leases' was issued in January 2016. The standard is effective for annual periods beginning on or after 1 January 2019. 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.

Details of the operating leases held by the Group at 30 September 2019 are shown in Note 23. Management have performed an assessment of the impact of bringing the existing operating leases held by the Group on to the consolidated statement of financial position under IFRS 16, and have concluded that IFRS 16 will not have a material impact on the gross and net asset position of the Group upon transition, or on the consolidated statement of comprehensive income for the year ended 30 September 2020. In the first year of adoption as at 1 October 2019, based on current lease information, projected impact will be an increase in right of use assets of £2.3m, and a corresponding increase in current liabilities of £0.6m and non-current liabilities of £1.7m. The discount rate used is based on weighted average cost debt of 3.6%. There will also be an immaterial net impact on the underlying profit with the reduction in rental expense outweighing the increase in finance costs and depreciation in the first year of adoption.

The Group has also assessed the impact of all its ground leases, concluding the overall impact of these will be immaterial.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 30 September 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

The Group has considered the following other amended standards and interpretations endorsed by the EU that are not yet effective in the current reporting period, and determined that these do not have a material impact on the consolidated financial statements of the Group:

- Amendments to IFRS 3, 'Business Combinations'
- IFRIC Interpretation 23 'Uncertainty over Income Tax Treatments'

The following amended standards that are not yet effective in the current reporting period are not applicable to the Group:

- Amendments to IAS 28 'Long-term Interests in Associates and Joint Ventures'
- Amendments to IFRS 9 'Prepayment Features with Negative Compensation'
- Amendments to IAS 19 'Plan Amendment, Curtailment or Settlement'

g. Segmental information

The Managers are of the opinion that the Group is engaged in a single segment business, being student accommodation in the UK and therefore present one reportable segment for the year ended 30 September 2019 and 30 September 2018.

IFRS 8 'Operating Segments' requires operating segments to be identified on the same basis as is used internally for the review of performance and allocation of resources by the chief operating decision maker ('CODM'). The CODM is the Executive Committee, which comprise the Key Executives being the Chief Executive Officer, Chief Finance Officer, Chief Investment Officer, Chief Operating Officer, General Counsel and Commercial Director.

The CODM monitors the business performance as a whole with a single operating line, therefore one reportable segment for the year ended 30 September 2019 and 30 September 2018.

The Group's operations are organised in one operating segment, which is predominantly the results driven from its Student Accommodation portfolio. The portfolio consists of properties located exclusively in the UK, therefore the Group has one geographical segment. The Managers have determined that the Group has a single operating segment based on the information reviewed by Senior Management to make strategic decisions.

The Group's primary measure of underlying profit before tax is net operating income ('NOI'), and income and expenses are allocated to its operations based on the number of beds located within each of its sites. The Group's cost of financing its operations are allocated to the properties used and security against the property.

The Board does not manage or monitor the Operations segment through the consolidated statement of financial position and therefore no segmental information for assets and liabilities is provided for the operation segment.

h. 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 (£).

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at the year end exchange rates, are generally recognised in profit or loss.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

i. Revenue recognition

For the year ended 30 September 2018, the Group recognised revenue under the principles of IAS 18 'Revenue' standard and IAS 17 'Leases'. From 1 October 2018 revenue is accounted under IFRS 15 'Revenue from Contracts with Customers'. However, IFRS 15 does not apply to rental income as it is accounted for within the scope of IAS 17. The Group's other income refers to revenue from contracts with customers as defined in IFRS 15, and includes hotel income, ancillary revenue, service charge income.

(i) Student rental income

Rental income, including minimum fixed rental uplifts, is recognised in the consolidated statement of comprehensive income on a straight-line basis over the term of the lease with the balance of any payments recognised as a contract asset or liability on the consolidated statement of financial position. Lease incentives being offered to occupiers to enter into a lease are an integral part of the net consideration for the use of the property and are therefore recognised on the same straight-line basis. Contingent rents, being lease payments that are not fixed at the inception of a lease, for example turnover rents, are variable consideration and are recorded as income in the year in which they are earned.

(ii) Other income under IFRS 15

The adoption of IFRS 15 does not have a material impact on the timing of revenue recognition for the Group's other income streams.

For this reporting period, service charge income and expenses for those properties where the property management activities are performed by a third party are presented on a net basis, in accordance with IFRS 15. In the prior year the Group reported this income under IAS 18 'Revenue', and there has been no change in accounting treatment under IFRS 15. For these properties, the Group considers the third party performing the activities to be the principal delivering the service.

j. European Public Real Estate Association (EPRA) best practice in relation to earnings

Whilst the consolidated financial statements are prepared in accordance with IFRS, Managers also review business performance based on the principles of EPRA earnings as best practice recommendations (see Note 5 EPRA earnings). EPRA earnings exclude movements in relation to changes in fair values of investment properties and derivative instruments, gain or loss on disposal of investment properties, any exceptional items, and income taxation. It allows users to compare the business performance of the Group with other real estate companies on a consistent basis. Managers use EPRA earnings as a key comparable indicator across other real estate companies in the UK and it is used as a critical financial performance measure for the Group.

k. Exceptional items

Exceptional items are items that are unusual because of their size, nature or incidence that the Managers consider to be outside of the normal operations of the business and should be disclosed separately to enable a full understanding of the Group's results. An amount of £1.1m (2018: £6.9m) has been charged in the Group's consolidated statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 30 September 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

l. Investment property

The Group's wholly owned investment property portfolio is held in two categories at fair value, 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 is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value.

Investment property disposals are recognised on completion. The profit or loss on disposal is determined as the difference between the sales proceeds and the carrying amount of the asset at the beginning of the accounting period plus capital expenditure to the date of disposal. The profit or loss on disposal of investment properties is presented separately on the face of the consolidated statement of comprehensive income.

(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 an investment property of all categories are 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 at least once a year 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 and in accordance with IFRS 13. CB Richards Ellis Ltd ('CBRE') were the independent valuers for the year ending 30 September 2019 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, net of anticipated purchasers' costs, including stamp duty, land tax, and agency and legal fees.

The Group has analysed the list of all its ground leases. Where a property is subject to ground lease payments this has been taken into account for valuation purposes.

Rental income from investment property is accounted for as described in Note 3(i).

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 and capital expenditure. This information is derived from the Group's business systems and is subject to the Group's overall control environment; and
- 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.

Further details of investment properties are included in Note 7.

m. 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 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: 5 years; and
- Computer hardware: 3 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.

n. 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.

An internally generated intangible asset arising from development is only recognised once the feasibility, intention and ability to complete the intangible asset can be demonstrated and economic benefit are expected to flow to the Group. Any expenditure of research activities is recognised as an expense when incurred.

Intangible assets are tested for impairment in accordance with the policy for impairment of non-financial assets disclosed in Note 3(p).

The estimated useful life is as follows:

- Software: 3-5 years.

o. Leases

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. Refer to Note 7.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 30 September 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

p. Impairment of non-financial assets

Assets that are subject to depreciation or amortisation are reviewed for impairment under IAS 36 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.

q. Financial instruments

(i) Financial assets

Financial assets are classified as financial assets at fair value recognised through profit and loss.

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 'impairment' section on page 79).

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.

The Group has chosen to apply hedge accounting to interest rate swaps in accordance with IAS 39 for year ended 30 September 2018, and subsequently IFRS 9 for year ended 30 September 2019. 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 prior year comparative was not restated as allowed in transitional provisions in IFRS 9.

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 6.1(b). Movements in the hedging reserve in shareholders' equity are shown in the consolidated statement of changes in shareholders' equity. 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.

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 the consolidated statement of comprehensive income in the periods when the hedged item affects consolidated statement of comprehensive income (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 the consolidated statement of comprehensive income 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 the consolidated statement of comprehensive income.

Impairment

From 1 October 2018, the Group was required to revise its impairment methodology under IFRS 9. For trade receivables the Group applies IFRS 9's simplified approach to measure the expected credit losses (ECL), which uses a lifetime expected impairment provision for all trade receivables. Applying the ECL model did not result in a material change in the loss allowance recognised under IFRS 9 compared to the previous impairment provision held under IAS 39. Note 6.1(c) provides further details on the measurement of the loss allowance and amount recognised at 30 September 2019.

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.

(ii) Financial liabilities

Liabilities within the scope of IFRS 9 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, 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. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Trade and other payables

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

Tenant deposits

Certain Group companies hold 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 IFRS 9 and they are initially recognised at fair value which is consistent in the prior year as they were accounted for under IAS 39. The difference between fair value and cash received is considered to be part of the minimum lease payments received for the operating lease (refer to Note 3(i) 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 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

r. 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.

s. Current and deferred income tax

The tax expense for the period represents the sum of Luxembourg and UK current and deferred income taxes. Tax is recognised in the 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 substantively 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.

On 6 April 2019, new UK legislation came into force such that gains arising in respect of the property held by Luxembourg companies in the Group from that date are subject to UK tax. Deferred tax has therefore been calculated based on the difference between the tax base and the property valuation at the balance sheet date. The tax base in respect of investment property is determined by reference to the Capital Gains Tax (CGT) valuation as at 31 March 2019 adjusted by any capital expenditure from that date to the balance sheet date. Deferred income tax is measured using the tax rates (and laws) that are expected to apply when the underlying temporary differences reverse, based on the rates enacted or substantially enacted at the balance sheet date. The calculation has been undertaken on a property by property basis, applying the approach discussed above.

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.

t. 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.

u. Share-based payments

Share-based compensation benefits are provided to certain employees under the Group's Long-Term Incentive Plan ('LTIP') that requires the payment of a cash amount in accordance with a performance-based formula. Information relating to this scheme is set out in Note 18.

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.

v. 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.

w. 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 ended 30 September 2019 and 2018 respectively.

x. 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 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.

y. 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.

z. 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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Judgements made by the Managers, in the application of IFRS that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment are discussed in Note 6.2.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 30 September 2019

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS CONTINUED

a. Investment property

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

The valuation of the Group's property portfolio is inherently subjective as it involves significant assumptions (such as estimated rental value and yield profile applied) and judgements that could result in a material misstatement of the consolidated statement of comprehensive income and consolidated statement of financial position. There is also a risk that management may influence significant estimates and judgements in respect of property valuations. Due to the size of the investment portfolio in the Group's consolidated statement of financial position, a small movement in the underlying core assumptions may have a significant impact on the value of the portfolio and therefore the performance of the Group. A key judgement made by Managers is to classify investment property into three categories: UK student accommodation, investment property under development and other investment properties. Refer to Note 7 for more information on each category.

In determining the valuation of the Group's investment property portfolio, the valuer's ('CBRE') opinion of fair value was primarily determined using comparable recent market transactions on arm's length terms using appropriate valuation techniques and adjusting for property specific attributes.

The valuation technique for student accommodation investment properties is primarily based on direct capitalisation approach (income approach) to estimate a market participant valuation. Where a property is reversionary, the valuers have applied a market net initial yield to the market rent of property. This value is then targeted in the passing rent cash flow by adjusting NIY accordingly. Where a property has nomination agreements, the assumption is that the property will achieve market rent at the end of its nomination agreement. A low occupancy shortfall is also factored into the valuation as a one-off capital deduction for properties with low occupancy levels during the year. CBRE takes into account property-specific information such as current tenancy agreements, rents achieved,

operating costs and capital expenditure. Significant estimates made by the valuer include, but are not limited to, expected rental growth, occupancy rates, expected operating cost, yield and discount rates. This valuation methodology is market standard and accords with the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards UK 2014 (revised April 2015).

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 key inputs: net operating income ('NOI') (total revenue from the property less operating costs directly related to the property), future rental growth, expected occupancy rates, tenancy length, and net initial and exit yield. Key considerations in the rental growth, applied include current rental and occupancy rate. Where the factors indicate a different level of likely rental growth for a particular asset, the cash flow is adjusted accordingly. For all investment properties the valuation assumes the highest and best use.

Investment properties under development are valued using a residual appraisal to determine the existing site value, which is calculated as the gross development value less costs to complete including an allowance for developer's profit. The gross development value is based on discounted cash flows assuming the development is completed, let and stabilised at market rents. Significant estimates include estimating the fair value of the completed project, the costs to completion and an allowance for developer's profit.

Sensitivity analysis on the Group's investment property portfolio is set out in Note 7.

In addition, the new Building (Amendment) Regulations 2018 ('the Amendment Regulations') came into force on 21 December 2018. This has added a further degree of uncertainty to the investment property valuations this year. The Amendment Regulations placed emphasis on allowable building materials and imposed a ban on the use of combustible materials in the external walls of new, high rise buildings over 18 metres high. The ban also affects existing buildings undergoing major works or undergoing a change of use. In light of the new regulation, the Group has established a Building Improvement Programme ('BIP') and engaged CBRE and Watts, both leading consultancy firms in the UK

property and construction industry, to perform building surveys on all of the Group's investment property portfolio from a fire safety perspective.

The following building surveys were commissioned:

- Watts and CBRE have performed intrusive investigations and surveys on the external walls/facades and internal works on all buildings over 18 metres high, and some buildings below 18 metres in height where recommended by the external consultants; and
- Watts performed internal surveys on all properties focusing on fire stopping, compartmentation and other fire safety related issues.

These have provided a comprehensive understanding of the property portfolio materials that will enable the Group to make future adaptations should any combination of material become considered unsafe. An updated fire risk assessment was obtained for each building based on the results of these surveys and all buildings are certified to be safe for occupation. However, the survey results also identified several buildings that require remediation work to comply with the Amendment Regulations and, in line with market practice, the valuers have deducted the estimated costs for these works from the market value of the portfolio as a capital deduction. The determination of the overall exposure to the Group to undertake this remediation work is inherently subjective and required Managers and valuers to make significant judgements and assumptions in relation to estimated cost of the works.

Significant judgements made by the Managers include where certain materials or combinations of materials remain subject to government testing and any potential recoveries from contractors. Significant estimates include estimates on the amount and timing of cash flow for remediation works. Refer to Note 7 for the impact of the overall exposure that was considered by the valuers in the valuation of the Group's investment property.

b. Share-based payments

The fair value of share-based payments is determined by using valuation techniques, which is an accounting estimate. Further details of the judgements and assumptions made are set out in Note 18.

c. Deferred taxes

The deferred tax liability in respect of investment property is determined by reference to external valuation performed by the valuers as at 31 March 2019, which determined the fair value of investment properties at that date. Further details of the judgements and assumptions made are set out in Note 10.

The deferred tax liability as at 30 September 2019 is mainly in respect of the investment property portfolio held by the Group. This is calculated with reference to the external CGT valuation performed by the valuers as at 31 March 2019 in accordance with RICS Valuation UK VPGA 15 Valuations for Capital Gains Tax, which determined the tax base of the Group's investment properties at that date. Deferred tax has therefore been calculated based on the difference between the tax base of the assets and the property valuation at 30 September 2019, the balance sheet date. The valuation of the Group's property portfolio is inherently subjective as it involves significant assumptions. We have provided more information on these judgements in Note 10, where we have disclosed a sensitivity analysis.

The CGT valuation on the Group's investment property portfolio as at 31 March 2019 also includes an adjustment for estimated costs on remediation works, net of estimated recovery, arising from the Amendment Regulations. Refer to Note 4(a) for the significant judgements and estimates made by Managers in relation to this adjustment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 30 September 2019

5. 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 3(k)), any gain or loss on disposal of investment properties, and income taxation.

	Notes	Year ended 30 September 2019 £m	Year ended 30 September 2018 £m
EPRA earnings			
Rental and other income	16	223.2	200.4
Cost of sales		(54.8)	(50.2)
Net operating income		168.4	150.2
Administrative expenses (excl. depreciation, exceptional items and share-based payments/ long-term employee benefits (including social security))		(24.8)	(20.7)
Adjusted EBITDA*		143.6	129.5
Depreciation and amortisation		(1.2)	(0.9)
Share-based payments/long-term employee benefits (including social security)	18	(17.9)	(6.5)
Net financing costs excluding valuation loss on derivative financial instruments	19	(101.1)	(95.7)
Operating result		23.4	26.4
EPRA earnings		23.4	26.4

	Notes	Year ended 30 September 2019 £m	Year ended 30 September 2018 £m
IFRSs reconciliation to EPRA earnings			
EPRA earnings		23.4	26.4
Loss on disposal of investment properties		(1.6)	-
Net valuation gains on investment property	7	148.3	295.7
Net valuation loss on derivative financial instruments	6	(0.1)	(1.1)
Exceptional items	21	(1.1)	(6.9)
Profit before tax		168.9	314.1
Income tax	10	(14.3)	(14.0)
Other tax		-	(0.2)
Profit after tax		154.6	299.9

* Adjusted EBITDA calculation is consistent with the prior year, however the description has been updated to include the word 'adjusted' in order to clarify the measure which excludes share-based payments.

6. FINANCIAL RISK MANAGEMENT

6.1 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 and Risk Committee.

a. Capital management

The Group's objectives, when managing capital, are to safeguard the Group's ability to continue as a going concern in order to provide returns for the principal shareholders and benefits to other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust its capital structure, the Group can adjust the amount of dividends paid to the principal shareholders.

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 13). Borrowings issued at variable rates expose the Group to cash flow interest rate risk. All bank borrowings have floating rates of interest and therefore have no significant exposure to the fair value of such borrowings. Bank borrowings bear average coupons of 2.84% annually (2018: 2.85%).

The shareholder mezzanine loan notes are at a fixed rate of 6.5% and therefore the Group is not exposed to fair value changes in relation to movements in market interest rates relating to this debt.

As of 30 September 2019, if interest rates had been 50 basis points higher with all other variables held constant, pre-tax profit for the year would have been £10.0m (2018: £8.6m) 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 £10.0m (2018: £8.6m) 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.

The interest rate caps have cap rates of 2.5%.

At 30 September 2019, the Group held interest rate caps with a notional value of £1,357.7m (2018: £1,357.7m) representing 68% (2018: 68%) of bank borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 30 September 2019

6. FINANCIAL RISK MANAGEMENT CONTINUED

Key terms of the interest rate caps outstanding at 30 September 2019 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	0.3	1,357.7	-	621.9	735.8	-

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

As at 30 September 2019, the Group held an instruments arrangement and has elected to apply hedge accounting to the interest rate swap in accordance with IFRS 9. 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 2019.

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 principal of £632.3m.

Key terms of the interest rate swap and floors outstanding at 30 September 2019 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	(8.7)	632.3	-	-	632.3	-
Interest rate floor	0.1	632.3	-	-	632.3	-

Key terms of the interest rate swap and floors outstanding at 30 September 2018 were 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

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:

	2019 £m	2018 £m
Trade and other receivables (Note 11):		
Rent receivables from lessees	29.1	13.1
Other financial assets	14.5	21.9
Cash and cash equivalents	203.7	275.7
Total	247.3	310.7

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 £3.3m (2018: £6.0m). 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

As a result of the implementation of IFRS 9, from 1 October 2018 the Group has to assess on a forward-looking basis the expected credit losses ('ECL') associated with its debt instruments carried at amortised cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group applied the simplified approach and record lifetime ECL in receivables based on the payment profiles of tenants and suppliers over a period of 12 months, before 30 September 2019 and the corresponding historical credit losses experienced within the period. On that basis, the Group concludes that the impact of implementing IFRS 9 on the impairment provision as at 30 September 2019 (on adoption of IFRS 9) is not material. A £3.1m provision was recognised as at 30 September 2019, related to trade receivable due over 90 days.

	2019 £m	2018 £m
Trade receivables:		
Receivables from universities	12.5	1.9
Receivables from individual tenants	19.1	12.1
Other receivables	0.6	1.5
Impairment provision	(3.1)	(2.4)
Total trade receivables	29.1	13.1

The closing impairment provision for trade receivables under IFRS 9 as at 30 September 2019 reconciles to the opening impairment provision under IAS 39 as follows:

	2019 £m	2018 £m
Opening impairment provision as at 30 September 2018 under IAS 39	(2.4)	(1.6)
Amounts restated through opening retained earnings	-	-
Opening impairment provision as at 1 October 2018 under IFRS 9	(2.4)	(1.6)
Impairment change recognised in profit or loss during the year	(0.7)	(0.8)
Closing impairment provision	(3.1)	(2.4)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 30 September 2019

6. FINANCIAL RISK MANAGEMENT CONTINUED

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 £203.7m (2018: £275.7m) of cash and cash equivalents, £3.3m (2018: £6.0m) relates to students' deposits that are either held under an insurance scheme or are yet to be transferred to the tenant deposit custodial scheme due to timing. These deposits are subjected to regulatory restrictions and are therefore not available for general use by the Group. In addition, £32.8m (2018: £43.4m) is restricted in usage under the terms of the Group's debt 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 2019 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	203.7	-	-	-	-	203.7
Trade receivables	29.1	-	-	-	-	29.1
Other financial assets	14.5	-	-	-	-	14.5
Liabilities						
Bank borrowings	(5.2)	(673.1)	(1,393.4)	-	-	(2,071.7)
Mezzanine debt	(3.3)	-	-	-	(791.2)	(794.5)
Accrued interest on interest rate swap	(0.3)	-	-	-	-	(0.3)
Other current liabilities	-	(24.8)	-	-	-	(24.8)
Trade and other payables:						
Tenant deposits	-	(3.3)	-	-	-	(3.3)
Trade payables	(3.9)	-	-	-	-	(3.9)
Accruals	(30.8)	-	-	-	-	(30.8)
Total non-derivatives	203.8	(701.2)	(1,393.4)	-	(791.2)	(2,682.0)

The maturity analysis of financial assets and liabilities at 30 September 2018 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	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:						
Tenant 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)

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 Sterling (£).

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.

6.2 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 30 September 2019

6. FINANCIAL RISK MANAGEMENT CONTINUED

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% based on the Managers' assessment of the factors affecting the business over the period of the LTIP (Note 18).

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.

The following table analyses within the fair value hierarchy the Group's assets and liabilities (by class) which are measured at fair value as at 30 September 2019.

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets				
Investment property	-	-	3,639.3	3,639.3
Investment property under development	-	-	92.7	92.7
Derivative financial instruments	-	0.4	-	0.4
Total assets	-	0.4	3,732.0	3,732.4
Liabilities				
Derivative financial instruments	-	8.7	-	8.7
Share-based payments	-	-	17.2	17.2
Total liabilities	-	8.7	17.2	25.9

The following table analyses within the fair value hierarchy the Group's assets and liabilities (by class) which are measured at fair value as at 30 September 2018.

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets				
Investment property	-	-	3,420.8	3,420.8
Investment property under development	-	-	40.1	40.1
Derivative financial instruments	-	0.5	-	0.5
Total assets	-	0.5	3,460.9	3,461.4
Liabilities				
Derivative financial instruments	-	1.4	-	1.4
Share-based payments	-	-	4.6	4.6
Total liabilities	-	1.4	4.6	6.0

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 2019 but for which fair value is disclosed.

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets				
Trade and other receivables	-	45.5	-	45.5
Cash and cash equivalents	203.7	-	-	203.7
Total assets	203.7	45.5	-	249.2
Liabilities				
Trade and other payables	-	120.6	-	120.6
Tenant deposits	-	3.3	-	3.3
Borrowings	-	2,499.6	-	2,499.6
Total liabilities	-	2,623.5	-	2,623.5

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 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 tenant deposits represent contract amounts and obligations due by the Group.

A substantial portion of the Group'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, £517.8m (2018: £500.5m) is the shareholder mezzanine loans which has a fixed rate of interest of 6.5% (2018: 6.5%). As at 30 September 2019 and 2018 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 2019 and the year ended 2018.

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 CONTINUED

For the year ended 30 September 2019

7. INVESTMENT PROPERTY

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

The Group holds 77 (2018: 72) investment properties, all located in the UK, including eight properties under development. The Group's investment properties are primarily student accommodation, making up 97.3% (2018: 98.4%) of the Group's investment property portfolio.

Other investment property consists of a hotel in Manchester. In the prior year, other investment properties also included Opal Villas, which was sold on 28 March 2019 for net sales proceeds of £2.9m. This asset had a net book value of £4.4m on disposal.

a. Reconciliation of carrying amount

	UK Student Accommodation £m	Investment property (under development) £m	Other £m	Total £m
Fair market value per external valuation report at 30 September 2018	3,406.7	40.1	15.8	3,462.6
Less: lease incentive receivable	1.7	-	-	1.7
Fair value at 30 September 2018	3,405.0	40.1	15.8	3,460.9
Additions:				
Direct acquisitions	-	27.7	-	27.7
Capital expenditure	57.5	42.5	0.9	100.9
Disposals	-	-	(4.5)	(4.5)
Transaction cost adjustment	(1.3)	-	-	(1.3)
Transfer to/(from) other property under development	13.3	(11.6)	(1.7)	-
Gain from fair value adjustments on investment property	193.0	14.3	-	207.3
Loss from fair value adjustments on investment property	(37.7)	(20.3)	(1.0)	(59.0)
Net gain/(loss) from fair value adjustments on investment property	155.3	(6.0)	(1.0)	148.3
Fair value at 30 September 2019	3,629.8	92.7	9.5	3,732.0
Lease incentive receivable	1.9	-	-	1.9
Fair market value per external valuation report at 30 September 2019	3,631.7	92.7	9.5	3,733.9

The net gain/loss from fair value adjustment on investment properties reflects a decrease of £1.9m (2018: £1.7m) for lease incentive receivable.

The transaction cost adjustment of £1.3m (2018: £nil) relates to the Pure acquisition which was accounted for in the year ended 30 September 2018.

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 during the year ended 2019 and 2018.

ii. Valuation technique and significant unobservable inputs

Valuation technique

Valuation techniques for the Group's investment property portfolio is detailed in Note 4(a). There were no changes to the valuation techniques during the year.

The new Building (Amendment) Regulations 2018 ('the Amendment Regulations') came into force on 21 December 2018 and it imposed a ban on the use of combustible materials in the external walls or new high rise buildings over 18 metres high, including existing buildings undergoing major works or undergoing a change of use. In line with market practice, the valuers have factored in the costs of the overall estimated exposure for the remediation works required to comply with the Amendment Regulations as a capital deduction. This resulted in a reduction of fair value of the investment property portfolio of £60.3m (2018: £nil).

Significant unobservable inputs

	Fair value at 30 September		Valuation technique	Unobservable inputs	Range of inputs (probability-weighted average)	
	2019 £m	2018 £m			2019	2018
Student accommodation	3,629.8	3,405.0	Direct capitalisation approach	NOI per annum (‘p.a.’) per bed	£1,856 – £20,011 (£9,018)	£1,736 – £19,984 (£8,412)
				NIY	2.32% – 9.76% (4.61%)	2.35% – 9.42% (4.71%)
Investment properties under development	81.6	37.1	Residual method	Cost of completion per bed (‘CCPB’) ¹	£0.05m – £0.1m (£0.1m)	£0.04m – £0.07m (£0.07m)
				NOI p.a. per bed	£5,411 – £8,737 (£6,822)	£4,580 – £8,138 (£7,715)
				NIY	4.75% – 5.65% (5.25%)	5.00% – 5.50% (5.06%)
	11.1	3.0	Direct capitalisation approach	NOI p.a. per sq ft	£10.0 – £16.5 (£12.70)	£7.7 (£7.7)
				NIY	14.15% – 14.33% (14.26%)	10.97% (10.97%)
Other	9.5	15.8	Discounted cash flow	Pre-tax discount rate	10.00% (10.00%)	11.00% (11.00%)
Total	3,732.0	3,460.9				

¹ This does not include forward funds with fixed development costs.

The range and probability-weighted average of unobservable inputs for student accommodation above and the sensitivity disclosures below exclude: commercial income and Private Rented Sector ('PRS') properties; and 2 sites (2018: 2) where the valuation of these sites are apportioned from student accommodation sites. In addition, 2 properties (2018: 1) in 'investment property under development' are valued based on the existing office use and are not included in the sensitivity analysis below. These properties are, individually and in aggregate, not material to the overall investment property portfolio and fluctuations in the inputs are not expected to have a material impact on the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 30 September 2019

7. INVESTMENT PROPERTY CONTINUED

Management have assessed the impact of changes in significant unobservable inputs (Level 3) on the fair value of the student accommodation portfolio and investment properties under development for the year ended 30 September 2019 as follows:

	Impact on valuation		Impact on valuation		Impact on valuation	
	+5% NOI £m	-5% NOI £m	-25bps NIY £m	+25bps NIY £m	-5% cost of completion per bed £m	+5% cost of completion per bed £m
Property portfolio						
Student accommodation	180.6	(187.1)	220.0	(200.6)	-	-
Investment properties under development	14.9	(15.1)	15.2	(14.0)	4.6	(4.4)

Impact of changes in significant unobservable inputs (Level 3) on the fair value of student accommodation portfolio and investment properties under development for the year ended 30 September 2018 as follows:

	Impact on valuation		Impact on valuation		Impact on valuation	
	+5% NOI £m	-5% NOI £m	-25bps NIY £m	+25bps NIY £m	-5% Cost of completion per bed £m	+5% Cost of completion per bed £m
Property portfolio						
Student accommodation	165.3	(170.7)	198.0	(181.4)	-	-
Investment properties under development	6.1	(6.1)	6.3	(5.7)	3.4	(3.3)

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.

8. PLANT AND EQUIPMENT

	Computer hardware £m	Fixtures and fittings £m	Total £m
Cost			
At 1 October 2018	0.5	1.1	1.6
Additions	0.2	0.1	0.3
At 30 September 2019	0.7	1.2	1.9
Depreciation			
At 1 October 2018	(0.2)	(0.4)	(0.6)
Charged in the year	(0.2)	(0.2)	(0.4)
At 30 September 2019	(0.4)	(0.6)	(1.0)
Net book value			
At 30 September 2018	0.3	0.7	1.0
At 30 September 2019	0.3	0.6	0.9

9. INTANGIBLE ASSETS

	Total £m
Cost	
At 1 October 2018	3.3
Other acquisitions – externally purchased	1.4
At 30 September 2019	4.7
Amortisation and Impairment	
At 1 October 2018	(0.9)
Amortisation for the year	(0.8)
At 30 September 2019	(1.7)
Net book value	
At 30 September 2018	2.4
At 30 September 2019	3.0

Intangible assets relate to software and include the costs incurred in relation to the development and implementation of the business and financial systems. The Group has not incurred any research expenses during the year (2018: £nil).

10. INCOME TAX

a. Income tax expense

	Year ended 30 September 2019 £m	Year ended 30 September 2018 £m
Current tax		
Current tax on profits for the year:		
UK taxation at 20%/19%	7.0	5.4
Luxembourg taxation at 26.01% (2018: 26.01%)	1.5	1.5
Luxembourg net wealth tax	0.6	0.8
Adjustments to current tax in respect of prior years	(2.1)	1.9
Total current tax expense	7.0	9.6
Deferred tax		
Decrease/(increase) in deferred tax assets	-	(0.1)
Increase in deferred tax liabilities	8.1	3.0
Adjustments to deferred tax in respect of prior years	(0.8)	1.5
Total deferred tax expense	7.3	4.4
Total income tax expense	14.3	14.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 30 September 2019

10. INCOME TAX CONTINUED

b. Total tax reconciliation

	Year ended 30 September 2019 £m	Year ended 30 September 2018 £m
Profits on ordinary activities before taxation	168.9	314.1
Tax at the UK income tax rate of 20% (2018: 20%)	33.8	62.7
Effects of:		
Non-taxable income	(51.1)	(61.0)
Non-deductible expenses	3.2	2.0
Losses utilised for which no deferred tax asset was recognised	(0.2)	(0.1)
Prior year adjustment to current tax	(2.1)	1.9
Temporary differences arising on which no deferred tax asset is recognised	29.1	5.9
Prior year adjustment to deferred tax	(0.8)	1.5
Non-income based taxes (Net Wealth Tax)	0.6	0.8
Tax rate differences	1.6	0.3
Other	0.2	–
Tax expense in the consolidated statement of comprehensive income	14.3	14.0

c. Factors affecting future tax charges

The Group has deductible temporary differences of £215.1m at 30 September 2019 (2018: £71.9m). Losses generated from 1 January 2017 can be carried forward for a maximum period of 17 years, losses generated before this date are not subject to these limitations and may be carried 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 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). Historically, they have not been subject to UK capital gains tax in respect of gains arising on the sale of either student accommodation or commercial property in the UK. As such, no deferred tax has previously been recognised in respect of unrealised gains on investment property.

On 6 April 2019, new UK legislation came into force such that gains on property disposals arising from that date are subject to UK tax at the UK corporation tax rate (currently 19%). The cost of the properties has therefore been rebased for tax purposes to the 6 April 2019 value and a deferred tax liability has been recognised in respect of gains arising from that date on a property by property basis. The tax base used was based on an independent external valuation by the Group's valuers, CBRE. Deferred tax assets are not recognised in respect of properties standing at a loss for tax purposes unless they meet the recognition criteria. 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

	2019 £m	2018 £m
Income tax liabilities at the beginning of the year/period	5.6	8.7
Income tax liability acquired	–	–
Prior year adjustment to current tax	(2.1)	1.9
Current tax expense for the year	9.1	7.6
Tax payments made during the year	(8.2)	(12.6)
Income tax liabilities at the end of the year	4.4	5.6

e. Deferred taxes

	Balance at 1 October 2018 £m	Prior year adjustment £m	Current year movement £m	Balance at 30 September 2019 £m
Recognised deferred tax assets				
Tax losses carried forward	–	–	–	–
Other temporary differences	0.1	(0.1)	–	–
Total	0.1	(0.1)	–	–
Deferred tax liabilities				
Investment property	(8.3)	0.8	(8.1)	(15.6)
Total	(8.3)	0.8	(8.1)	(15.6)

The Group had a total recognised deferred tax liability of £8.2m as at 30 September 2018. This predominantly related to capital allowances previously claimed in respect of investment property as this may crystallise if the Group decided to dispose of these assets. At 30 September 2019, the balance is £15.6m, and the movement is mainly due to an upward revaluation of the investment property from 31 March 2019 to the year end.

As at 30 September 2019, if the tax value of the investment property portfolio is decreased by 5% with all other variables held constant, the net deferred tax expense would have increased by £15.3m. If the tax value of the investment property portfolio is increased by 5% with all other variables held constant, the net deferred tax expenses would have decreased by £3.5m.

A sensitivity analysis has not been performed in prior year as the new UK tax legislation in respect of capital gains tax on investment property came into force in the current financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 30 September 2019

11. TRADE AND OTHER RECEIVABLES

	2019 £m	2018 £m
Trade and other receivables:		
Rent receivables from lessee, net of impairment	29.1	13.1
Lease incentive receivable (Note 7)	1.9	1.7
Contract assets	1.2	4.2
Prepayments	2.1	1.9
Deposits	1.6	1.6
Other financial assets	9.6	14.2
Trade and other receivables, net of provision for impairment	45.5	36.7

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.

Under IFRS 9, the Group has recognised a loss of £0.7m (2018 under IAS 39: £0.8m) during 2019 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 £8.4m (2018: £12.7m) of cash in transit.

12. SHARE CAPITAL AND RESERVES

	Number 2019 (millions)	Number 2018 (millions)	Nominal value 2019 £m	2018 £m
Issued share capital				
Shares in issue at 1 Oct 2018 – ordinary shares of 1p each, fully paid	543.9	376.9	5.4	3.8
Issued during the year	–	167.0	–	1.6
Shares in issue at end of year – ordinary shares and EAPs, fully paid	543.9	543.9	5.4	5.4

On 28 November 2018, the Company undertook a share capital reorganisation under which it redesignated 27,196,866 of the existing J shares to redeemable preference shares, having a nominal value of one pence (GBP 0.01) each. The equity accounted preference shares ("EAPs") carry a preferential dividend of 12% on the subscription price of Preference Shares, payable annually. The payment is subject to (i) the Company having sufficient distributable funds pursuant to Luxembourg law, (ii) the Company being permitted to make such payment pursuant to any Shareholder Agreement in force from time to time, and (iii) the Board at its discretion making a valid decision to distribute. The Preference Dividend will be paid in priority to any distribution with regards to the Ordinary Shares. If the Preference Dividend remains unpaid in any one year, it shall be paid in priority to any other dividend or distribution on the Ordinary Shares on the next Preference Share Dividend Payment Date for Preference Shares if the three conditions above are met. The Company may only pay dividends in respect of Ordinary Shares if Preference Dividends on all outstanding Preferred Shares are fully paid. Subject to the Company having sufficient distributable funds, the Board may at any time declare an interim dividend in respect of previously unpaid Preference Dividends. The Preference Shares carry no other right to profits of the Company. The Board of Directors has chosen not to pay a preferential dividend. The total number of voting rights has not changed.

As at 30 September 2019, the subscribed and fully paid up capital amounts to GBP 5,439,373 and is represented by 543,937,329 shares of GBP 0.01 each divided into:

- i. 57,415,619 (2018: 54,393,745) Class A Shares,
- ii. 57,415,606 (2018: 54,393,732) Class B Shares,
- iii. 57,415,605 (2018: 54,393,731) Class C Shares,
- iv. 57,415,606 (2018: 54,393,732) Class D Shares,
- v. 57,415,605 (2018: 54,393,731) Class E Shares,
- vi. 57,415,606 (2018: 54,393,732) Class F Shares,
- vii. 57,415,605 (2018: 54,393,731) Class G Shares,
- viii. 57,415,606 (2018: 54,393,732) Class H Shares,
- ix. 57,415,605 (2018: 54,393,731) Class I Shares, and
- x. 27,196,866 (2018: 54,393,732 Class J Ordinary Shares) Class J Preference Shares.

(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 £0.5m (2018: £0.5m) as at 30 September 2019.

(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 3(q). Amounts are reclassified to profit or loss when the associated hedged transaction affects profit or loss.

13. BORROWINGS

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

	2019 £m	2018 £m
Non-current		
Bank borrowings	1,368.1	1,990.0
Loan arrangement fees	(17.0)	(21.0)
Shareholder mezzanine loan notes	517.8	500.5
Total non-current borrowings	1,868.9	2,469.5
Current		
Bank borrowings	621.9	–
Accrued interest	8.5	6.7
Accrued interest on interest rate swap	0.3	0.1
Total current borrowings	630.7	6.8
Total borrowings	2,499.6	2,476.3

The bank borrowings are secured on investment property valued at £3,604.2m (2018: £3,401.0m) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 30 September 2019

13. BORROWINGS CONTINUED

The Group's bank borrowings are provided under three debt facilities, each of which have their own covenants. The Group monitors and complies with these covenants and the headroom available on an ongoing basis.

Accrued interest includes £3.3m (2018: £3.2m) of the Company's borrowings under the mezzanine loan notes.

The three existing debt facilities of £1.99bn (2018: £1.99bn) are fully drawn down as at 30 September 2019.

Bank borrowings bear average coupons of 2.84% annually (2018: 2.85%).

During the year ended 30 September 2019, the Group entered into a new £162.7m debt facility to finance three property development projects. As of 30 September 2019, the Group has not drawn down any cash but has incurred loan arrangement fees of £4.2m.

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

	2019 £m	2018 £m
In one year or less	621.9	-
In more than one year but not more than two years	1,368.1	621.9
In more than two years but not more than three years	-	1,368.1
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	1,990.0

The Group's external borrowing facilities have been presented on the basis of the initial maturity of each loan, which from the start of the lending period was three years.

At 30 September 2019, the Group has £621.9m of borrowings due to mature in less than one year. The Board of Managers expects that this loan will be extended and that all conditions of extension will be met. These conditions are: 1) no event of default is or will be continuing on the initial maturity date; 2) a hedging agreement will be in place for the extension period; and 3) the Company will supply the Agent an extension certificate no later than 10 business days prior to the initial date.

The facility has a Group controlled extension which it intends to exercise for a further one year at the end of the initial three-year term and for a further one year at the end of the first extended maturity date.

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 are as follows:

	2019 £m	2018 £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	517.8	500.5
Total	517.8	500.5

14. TRADE AND OTHER PAYABLES

	2019 £m	2018 £m
Financial liabilities		
Trade payables	3.9	6.9
Contract liabilities	84.1	77.6
Tenant deposits	3.3	6.0
Accruals	30.8	25.8
Non-financial liabilities		
Social security and other taxes	1.8	2.0
Trade and other payables	123.9	118.3

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

15. OTHER LIABILITIES

	2019 £m	2018 £m
Other current liabilities		
Share-based payments	19.5	-
Other employee benefits	2.3	-
Accrued social security	3.0	-
Total other current liabilities	24.8	-
Other non-current liabilities		
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 18 for further information on share-based payments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 30 September 2019

16. REVENUE AND COSTS

	Year ended 30 September 2019 £m	Year ended 30 September 2018 £m
Rental income	216.6	193.9
Other income	6.6	6.5
Total income	223.2	200.4

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 retail price index, a fixed percentage or a 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:

	2019 £m	2018 £m
No later than one year	61.4	72.0
Later than one year and no later than five years	199.8	143.9
Later than five years	337.4	254.2
Total	598.6	470.1

The average occupancy rate for the 2019/20 academic year is budgeted to be 97% (2018/19: 98%), therefore there would be an additional £161.0m in no later than one year relating to student lets (2018/19: £119.0m) 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.

17. AUDITOR REMUNERATION

For the financial year, auditor's remuneration were as follows:

	2019 £m	2018 £m
Audit fees	0.9	1.1
Non-audit fees	0.3	1.8
Total	1.2	2.9

There were £0.3m of fees paid to the auditors for other non-audit services in 2019 (2018: £1.8m). Non-audit fees relate mainly to consultancy costs on compliance matters. Such fees are included in administrative expenses and exceptional items in the consolidated statement of comprehensive income.

18. 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 at the year end, Management's assessment of the likely vesting date is March 2020. In the prior year, payments were estimated to take place at the specific vesting dates of 1 January 2021 and 1 January 2023. 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 31 March 2020.

The Group accounts for the LTIP within the scope of IFRS 2 'Share-based Payment'. The Group has recorded current liabilities of £19.5m at September 2019 (2018: non-current liabilities of £4.8m). Fair value of the LTIP is based on the estimated transaction value, discounted at 15% (2018: 15%). Actual transaction value may differ from the estimates.

The Group recorded total expenses of £14.3m in 2019 (2018: £4.8m). Such expenses are included in administrative expenses.

The value of the LTIP provision at 30 September 2019 is driven by judgements and assumptions. The most significant of these judgements are the vesting date and the value of the business at that point in time. We have calculated alternative scenarios below to demonstrate the sensitivity of the main inputs of the calculation.

The net impact on delaying the vesting date on the provision at September 2019 and the variance to the current proposal is set out in the table below.

Vesting date	Value vesting date March 2020 £m	Value at alternative vesting dates £m	Variance £m
September 2020	22.2	22.0	(0.2)
September 2021	22.2	16.8	(5.4)
September 2022	22.2	15.7	(6.5)

To provide an indication of the impact of applying a premium to NAV, two alternative scenarios have been calculated:

- Increasing the premium to NAV by 5% would increase the value of the provision at 30 September 2019 (and the income statement charge for the year) by £3.1m.
- Increasing the premium to NAV by 10% would increase the value of the provision at 30 September 2019 (and the income statement charge for the year) by £6.2m.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 30 September 2019

19. FINANCE INCOME AND COSTS

	Year ended 30 September 2019 £m	Year ended 30 September 2018 £m
Interest expense on bank borrowings	57.2	48.6
Interest expense on shareholders' mezzanine loan notes	33.1	29.7
Interest expense on interest rate swap	2.9	0.1
Interest expense on LTIP liability	0.8	–
Amortisation of loan arrangement fees	8.4	17.5
Finance costs	102.4	95.9
Interest income on short-term deposits	(1.3)	(0.2)
Finance income	(1.3)	(0.2)
Finance costs – net	101.1	95.7

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

20. EMPLOYEE BENEFITS EXPENSES

	Management and administrative £m	Site operatives £m	Total £m
2019			
Wages and salaries	11.9	9.4	21.3
Social security costs	3.6	0.7	4.3
Other benefits	1.4	–	1.4
Pension costs – defined contribution plan	0.4	0.3	0.7
Share-based payments	14.3	–	14.3
Total employee benefit	31.6	10.4	42.0
Average number of people employed			
Management and administrative	127	–	127
Site operatives	–	472	472
Total average headcount	127	472	599

	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
Average number of people employed			
Management and administrative	109	–	109
Site operatives	–	455	455
Total average headcount	109	455	564

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.

21. EXCEPTIONAL ITEMS

	Year ended 30 September 2019 £m	Year ended 30 September 2018 £m
Integration costs	0.4	4.0
Strategic analysis	0.7	2.9
Total	1.1	6.9

Integration costs in the year include costs incurred with integrating the Pure portfolio within the Group, and finalising the LTIP scheme.

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

22. CONTINGENCIES AND COMMITMENTS

The Group has capital commitments of £118.7m (2018: £18.1m) in respect of capital expenditures contracted for at the date of the consolidated statement of financial position. The balance committed as at 30 September 2019 relates predominantly to 3 properties:

- £51.8m committed to contracts for Altus House (property under development in Leeds). Expected completion July 2021.
- £47.4m committed to contracts for Weaver Place (property under development in Coventry). Expected completion July 2020.
- £8.8m committed to contracts for Redeness Street (student accommodation in York). Expected completion July 2020.

23. 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.

	2019 £m	2018 £m
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
No later than one year	0.6	0.6
Later than one year and no later than five years	2.0	2.2
Later than five years	–	0.4
Total	2.6	3.2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 30 September 2019

24. RELATED-PARTY TRANSACTIONS

Group

A related party relationship exists with its shareholders and subsidiaries. Other related parties also include entities controlled by the Goldman Sachs Group, Inc. or Wellcome Trust that are neither the parent nor subsidiaries of the Company.

Shareholders

The Group's ultimate shareholders are Goldman Sachs Group, Inc. and Wellcome Trust (see Note 13 for details of shareholder mezzanine loan notes). Greystar (US) and Titanium Capital Co 2 Limited are intermediate shareholders 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 £0.6m (2018: £0.4m).

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., the Directors of IQSA Group Ltd and the Key Executives, consisting of the Chief Executive Officer, Chief Finance Officer, Commercial Director, Chief Investment Officer, Chief Operating Officer and General Counsel.

	Year ended 30 September 2019 £m	Year ended 30 September 2018 £m
Wages and salaries	3.9	3.2
Other employee benefits	1.6	0.9
Share-based payments	12.7	3.6
Total	18.2	7.7

There were no material transactions with key management in the year (2018: £nil).

25. 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 7 October 2019, the Group paid £6.3m to acquire Telegraph 'Block A' in Coventry for the direct development of 377 beds. This is the land parcel adjacent to Weaver Place where 823 beds are currently being developed under a development funding agreement.

The Group exchanged contracts to purchase 149 Lower Parliament Street in Nottingham on 8 November 2019 to create a minimum additional 178 beds under direct development. Completion of the land acquisition took place on 29 November 2019.

26. LIST OF SUBSIDIARIES

A list of the Group's related undertakings as at 30 September 2019 is detailed below.

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 Weston S.à r.l.	Active	100%	1
iQ (General Partner 2) Limited	Active	100%	2
iQ (General Partner) Limited	Active	100%	2
iQ (Shareholder GP) Limited	Active	100%	2
iQ Letting (General Partner 2) Limited	Active	100%	2
iQ Letting (General Partner) Limited	Active	100%	2
iQ Letting Property Limited Partnership	Active	100%	2
iQ Properties S.à r.l.	Active	100%	1
iQ Property Partnership	Active	100%	2
iQ Shoreditch (General Partner) Limited	Active	100%	2
iQ Shoreditch General Partner 2) Limited	Active	100%	2
iQ Shoreditch Letting (General Partner 2) Limited	Active	100%	2
iQ Shoreditch Letting (General Partner) Limited	Active	100%	2
iQ Shoreditch Letting Property Limited Partnership	Active	100%	2
iQ Shoreditch Property Limited Partnership	Active	100%	2
iQ Shoreditch Unit Trust	Active	100%	3
iQ Two (General Partner 2) Limited	Active	100%	2
iQ Two (General Partner) Limited	Active	100%	2
iQ Two Letting (General Partner 2) Limited	Active	100%	2
iQ Two Letting (General Partner) Limited	Active	100%	2
iQ Two Letting Property Limited Partnership	Active	100%	2
iQ Two Property Limited Partnership	Active	100%	2
iQ Unit Trust	Active	100%	3
IQSA (Athena) Limited	Active	100%	2
IQSA (Bloomsbury) LP	Active	100%	2
IQSA (Brighton) Limited	Active	100%	2
IQSA (Glasgow) Limited	Active	100%	2
IQSA (GP1) Limited	Active	100%	2
IQSA (GP2) Limited	Active	100%	2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 30 September 2019

26. LIST OF SUBSIDIARIES CONTINUED

Principal subsidiary undertakings	Status	Equity held %	Registered office/ principal place of business Key*
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 Limited	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
IQSA Weaver Place Limited	Active	100%	2
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 Limited	Active	100%	2
MP Newtown Limited	Active	100%	2
Newlands Studios Limited	Active	100%	2
Newtown Studios Limited	Active	100%	2
OCM Luxembourg Unicity Holdings S.à r.l.	Liquidated	100%	4

Principal subsidiary undertakings	Status	Equity held %	Registered office/ principal place of business Key*
Opal Villas Limited	Active	100%	2
Pure Bankside Limited	Active	100%	2
Pure City Opco Limited	Active	100%	2
Pure Hammersmith Limited	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&5
UKSA City University S.à r.l.	Active	100%	1&5
UKSA Hammersmith S.à r.l.	Active	100%	1&5
Westbourne Holdings S.à r.l.	Active	100%	1
Westbourne Portfolio S.à r.l.	Active	100%	1
IQSA Development Finance 1 S.à r.l.	Active	100%	1
IQSA Development Finance 2 S.à r.l.	Active	100%	1
IQSA General Operating Company Limited	Active	100%	2
IQSA Manors S.à r.l.	Active	100%	1
IQSA Redeness 2 S.à r.l.	Active	100%	1
IQSA St. George's Limited	Active	100%	2

Key*

- 1 2, rue du Fossé, L-1536, Luxembourg.
- 2 7th Floor, Cottons Centre, SE1 2QG, United Kingdom.
- 3 Lime Grove House Green Street, JE1 2ST, Jersey.
- 4 This company was liquidated during the year.
- 5 These entities have a year end of 30 June.

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 interact with our residents, making living with us easier.

STRATEGIC PRIORITIES

1 2 5 6

7,500+

VIRTUAL ASSISTANT
CONVERSATIONS

Sector- leading innovation

OTHER INFORMATION

Glossary

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“ I come from China and live in iQ Highbury. I'm a fashion blogger, and I chose iQ because of the location and the facilities. **Being connected is important,** and I use the big screen computers in the lounge for my studies, and to play games with my friends. I love to explore the city and to be in the fashion capital where I can meet new industry partners and explore my capabilities.

JACOB'S iQ LIFE
iQ HIGHBURY

Glossary

The Group

Encompasses IQSA Holdings S.à r.l. together with its subsidiaries

Academic year

The UK academic year commences each year in September and concludes in August

Adjusted EBITDA

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

Adjusted EBITDA per bed

Adjusted EBITDA divided by the weighted average number of operational beds for the full year

Adjusted NOI margin

NOI divided by total revenue, excluding the Pendulum Hotel, expressed as a percentage

ANUK

The Accreditation Network UK operates the National Code for Larger Developments for Student Accommodation Not Managed or Controlled by Educational Establishments, which aims to ensure transparent and professional management of purpose-built accommodation

AST

Assured shorthold tenancy

Average Portfolio Yield

NOI 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

Co-living

It is a way of living that centres itself around community and social involvement, to provide a vibrant work/life balance for residents. Co-living strategically targets those people looking for flexible accommodation of high-quality design and which is all-inclusive in nature. Co-living is situated in vibrant international cities and typically attracts young professionals or newcomers to a city

Commercial income

The Group's revenue earned in the financial year from commercial units

Commercial units

Units within the Group's properties (excluding PRS and Pendulum Hotel) that has commercial elements (typically ground floor retail or office space)

Core occupancy (%)

The number of operational beds less voids, divided by the number of operational beds during the core occupancy period. Consolidated occupancy is based on total voids across the Group, not an average of each property's occupancy. The rate is based on physical occupancy, not economic

Core occupancy period

The student tenancy period between October and June in each academic year. The core student tenancy generally ranges between 34 to 51 weeks

Demand Intelligence

Demand Intelligence is a technology-driven platform for analysing data and presenting actionable information to help executives, managers and other corporate end users make informed business decisions

Development pipeline

Properties within the Group that are under construction (or soon to commence construction), including sites that are subject to planning

Direct let (DL)

Properties where an AST agreement has been entered into directly between the Group and a student, with no contractual involvement from education institutions, apart from referral agreements

Direct let beds

The total operational beds subject to direct let

Direct let beds (%)

Direct let beds divided by the sum of direct let and university let beds

Direct let income

Revenue income generated by direct let beds

Dynamic pricing

Pricing variation for a room that is adjusted according to demand at a point in time

Educational institutions

Higher education institutions, including public and private universities and colleges, plus specialist providers such as pathway colleges and language schools

Eligible students

The pool of direct let residents (core and semester 1) in the prior leasing cycle who are eligible to rebook as their course of study is not due to finish

Financial year

The Group's financial year starts each year on 1 October and ends on 30 September

HMO

A house in multiple occupation (HMO) is a property rented out by at least three people who are not from one 'household' (for example a family) but share facilities like the bathroom and kitchen

International students

All full-time students coming from outside the UK to study, including those from the EEA

Like-for-like growth

The annual total revenue growth calculated each financial year from properties that were operating throughout the current and previous financial years. This excludes properties that were new, divested or closed during either year

Loan to value (LTV) 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) between financial reporting periods

Net external debt

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

Net operating income (NOI)

Total revenue less operating expenses

Net Promoter Score (NPS)

NPS is a metric for assessing customer loyalty for a company's brand, products or services

Nomination agreements

An agreement entered into between an education institution and the Group whereby the education institution nominates a specified number of rooms for a defined period at an agreed rent.

Operating expenses

Costs in the financial year which are directly attributable to the operations at the property

Operational beds

Portfolio beds excluding sites closed for most or all of the academic year for refurbishment

Other income

The Group's ancillary revenue earned in the financial year, including laundry, cancellations, keys and vending machines

PBSA

Purpose-built student accommodation including private PBSA and university PBSA

Pendulum Hotel

Pendulum Hotel is a hotel located in Manchester which is a non-core asset owned by the Group

Portfolio beds

Total beds within the Group during the academic year, including PRS and show beds (Pendulum Hotel and development pipeline beds are excluded)

Private PBSA

Privately owned PBSA

PRS

Private Rented Sector. iQ currently operates two PRS properties: Atlantic One (Sheffield –135 beds) and Raffles House Apartments (London –20 beds). Historically iQ operated Opal Villas (Plymouth –134 beds) which was sold in financial year 2018/19

PRS income

The Group's revenue earned in the financial year from PRS

Glossary

CONTINUED

Rebooker rate

The number of eligible students who rebook with the Group for the following academic year, adjusted for new, divested or closed properties in the current leasing cycle and properties where majority of beds were university let in the prior leasing cycle. Rebooker rate calculated as YTD DL Rebookers from the pool in the current leasing cycle divided by eligible students, i.e. prior year rebooker pool

Referral agreements

An agreement between an education institution and the Group, whereby the education institution contractually agrees to refer students to reserved rooms

Refurbishment yield on cost (YoC)

Calculated using renovation NOI premium and total costs to refurbish a property including amenity and new rooms; based on the capex plan including the income loss at the property as a result of reducing the tenancy length from long to short term or closing the property for the full academic year

Renovation premium

Additional income achieved by refurbishing a room compared to an unrefurbished room on a like-for-like basis (i.e. on an same tenancy length basis), assuming 100% occupancy. The renovation premium excludes underlying core market growth and any dynamic pricing uplift from the launch rate

Russell Group

24 members widely recognised as the UK's leading universities with a shared focus on research and a reputation for academic achievement

Show beds

Rooms/beds within the portfolio that are not let to students for the full academic year. The rooms/beds within the property are used for marketing purposes to show prospective tenants the living spaces for a property. Once the letting season is complete, the show beds may be let for a period during the academic year

Summer occupancy period

The tenancy period for each of the Group's properties that is outside the core occupancy period for each financial year, i.e. between July and September

Summer income

The Group's revenue generated during the summer occupancy period that is not direct let income or university let income

Total revenue

Total revenue includes direct let income, university let income, summer income, commercial income and other income including the Hotel operations

University let

The properties or beds where an education institution has entered into a contract with the Group. The education institution may either contract directly with a student or nominate students to live in our properties. Referral agreements are not recorded as university let

University let beds

The total operational beds subject to university let

University let beds (%)

University let beds divided by the sum of direct let and university let beds

University let income

Rental income generated by university let beds

University PBSA

University owned PBSA

hello@iqstudent.com

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