

KRF Management Limited

REPORT AND FINANCIAL STATEMENTS

31 July 2007



Company Registration No 3749715 (England & Wales)

KRF Management Limited

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KRF Management Limited

DIRECTORS AND ADVISORS

DIRECTORS

Wilmington Trust SP Services (London) Limited
M McDermott (appointed 24 November 2006)
R Samson (appointed 24 November 2006)
S Masson (appointed 26 October 2007)

REGISTERED OFFICE

Tower 42 (Level 11)
25 Old Broad Street
London
EC2N 1HQ

BANKERS

HSBC Bank plc
18a, Curzon Street
London
W1J 7LA

AUDITORS

Moore Stephens
6 Ridge House
Ridgehouse Drive
Festival Park
Stoke-on-Trent
Staffordshire
ST1 5TL

SECRETARY

Wilmington Trust SP Services (London) Limited

KRF Management Limited

DIRECTORS' REPORT

The directors submit their report and the financial statements of KRF Management Limited for the 14 month period ended 31 July 2007

CHANGE OF OWNERSHIP

On the 24th November 2006 the entire share capital of KRF Management Limited was acquired by Keele Residential Funding plc

ACCOUNTING REFERENCE PERIOD

Following the acquisition by Keele Residential Funding plc, the accounting reference date for KRF Management Limited has been amended to 31st July. These financial statements cover the 14 month period from 1st June 2006 to 31st July 2007. The comparative period is for the year ended 31st May 2006.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the company is the provision of management services to its parent company Keele Residential Funding plc. For the period to 31st July 2007, the company achieved total income of £77,955 (2006 £83,255) and the result for the period was a profit of £4,489 (2006 £156).

The Directors have decided that no dividend will be payable (2006 Nil).

GOING CONCERN

The directors confirm that they are satisfied that the company has adequate resources to continue in business for the foreseeable future. For this reason they have adopted the going concern basis in preparing these accounts.

POLITICAL AND CHARITABLE DONATIONS

During the period the company made no political or charitable donations.

DIRECTORS

The following directors held office since 1 June 2001 and resigned upon acquisition of the company by Keele Residential Funding plc:

Mr P. M. Bruton (resigned 24th November 2006)
Mr D. D. Pinnock (resigned 24th November 2006)

The following directors were appointed:

Wilmington Trust SP Services (London) Limited
M McDermott (appointed 24th November 2006)
R Samson (appointed 24th November 2006)
S Masson (appointed 26th October 2007)

REPORTING ACCOUNTANTS

The accounts are prepared by the University of Keele under a management services contract.

KRF Management Limited

DIRECTORS' REPORT

AUDITORS

Following acquisition of the company the directors appointed Moore Stephens as auditors to the company

A resolution to reappoint Moore Stephens, Chartered Accountants & Registered Auditors, as auditors will be put to the members at the Annual General Meeting

By order of the board



M McDermott

Director

Tower 42 (Level 11)

25 Old Broad Street

London

EC2N 1HQ

KRF Management Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

The financial statements are required by law to present fairly the financial position and performance of the company, the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation

In preparing the financial statements, the directors are required to

- a select suitable accounting policies and then apply them consistently,
- b make judgements and estimates that are reasonable and prudent,
- c state whether they have been prepared in accordance with IFRSs adopted by the EU,
- d prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985

They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities



M McDermott
Director

KRF Management Limited

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF KRF MANAGEMENT LIMITED

We have audited the financial statements of KRF Management Limited for the year ended 31 July 2007 which are set out pages 7 to 19. These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards as adopted by the European Union are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion

We conducted our audit work in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in preparation of the financial statements, and of whether the accounting policies are appropriate for the company's circumstances consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give a reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

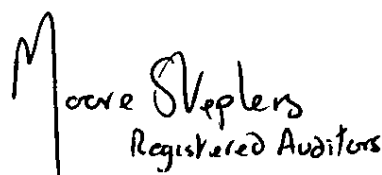
KRF Management Limited

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF KRF MANAGEMENT LIMITED

OPINION

In our opinion

- the financial statements give a true and fair view, in accordance with IFRS adopted by the European Union, of the state of the group's and the parent company's affairs as at 31 July 2007 and of the group results and cashflows for the period then ended and have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation, and
- the information given in the Directors' Report is consistent with the financial statements


Moore Stephens
Registered Auditors

Moore Stephens
Chartered Accountants
Stoke on Trent

20/03/08

KRF Management Limited

INCOME STATEMENT FOR THE 14 MONTH PERIOD ENDED 31ST JULY 2007

	Note	2007 £	12 Months to 31 st May 2006 £
CONTINUING OPERATIONS			
REVENUE	4	77,955	83,255
Fees payable		<u>(47,886)</u>	<u>(45,723)</u>
PROFIT FROM OPERATIONS	5	30,069	37,532
Administration expenses		<u>(25,050)</u>	<u>(37,625)</u>
Operating Profit/(Loss)		5,019	(93)
Finance Costs		(64)	-
Finance Income		<u>169</u>	<u>249</u>
PROFIT BEFORE TAX		5,124	156
Taxation on profit on ordinary activities	7	<u>(635)</u>	<u>-</u>
PROFIT FOR THE YEAR		<u>4,489</u>	<u>156</u>
ATTRIBUTABLE TO.			
EQUITY HOLDERS OF THE PARENT		<u>4,489</u>	<u>156</u>

No separate Statement of Recognised Income and Expense has been presented as all such gains and losses have been dealt with in the Income Statement

KRF Management Limited

BALANCE SHEET

as at 31 July 2007

	Note	2007 £	At 31 st May 2006 £
CURRENT ASSETS			
Trade and other receivables	8	20,280	6,528
Cash and cash equivalents	9	4,807	12,317
TOTAL CURRENT ASSETS		<u>25,087</u>	<u>18,845</u>
CURRENT LIABILITIES			
Trade and other payables	10	(20,685)	(18,932)
TOTAL CURRENT LIABILITIES		<u>(20,685)</u>	<u>(18,932)</u>
NET ASSETS/(LIABILITIES)		<u>4,402</u>	<u>(87)</u>
EQUITY			
Share capital	12	2	2
Retained earnings		4,400	(89)
ISSUED CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS		<u>4,402</u>	<u>(87)</u>

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies

The financial statements on pages 7 to 19 were approved by the board of directors and authorised for issue on 18 March, 2008 and were signed on its behalf by



M McDermott
Director

KRF Management Limited

CASH FLOW STATEMENT

For the 14 months ended 31 July 2007

	Note	2007	12 months to 31 st May 2006
		£	£
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		4,489	156
<i>Adjustments for</i>			
Finance costs		64	-
Finance income		(169)	(249)
Income tax expense		635	-
OPERATING PROFIT BEFORE MOVEMENT IN WORKING CAPITAL		5,019	(93)
Increase in trade and other receivables		(13,737)	(1,502)
Increase in trade and other payables		1,113	10,948
NET CASH FLOW FROM OPERATING ACTIVITIES		(7,605)	9,353
CASH FLOWS FINANCING ACTIVITIES			
Finance Costs		(58)	-
Finance income		153	249
NET CASH FLOW FROM FINANCING ACTIVITIES		95	249
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(7,510)	9,602
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		12,317	2,715
CASH AND CASH EQUIVALENTS AT END OF YEAR	9	4,807	12,317

KRF Management Limited
CHANGES IN SHAREHOLDERS' EQUITY
For the 14 months ended 31 July 2007

	Share capital £	Retained earnings £	Total £
At 31 May 2005	2	(245)	(243)
Total recognised income and expense – profit for the year	-	156	156
At 31 May 2006	2	(89)	(87)
Total recognised income and expense – profit for the period	-	4,489	4,489
At 31 July 2007	2	4,400	4,402

KRF Management Limited

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

KRF Management Limited ("the company") is incorporated and trades in the United Kingdom. The financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Prior to the acquisition of the company by Keele Residential Funding PLC on 24th November 2006, the directors of the company took advantage of the exemptions conferred by Part VII to the Companies Act 1985 applicable to small companies and as a result only unaudited financial statements were produced. Comparatives have been produced in the financial statements in accordance with the IFRS accounting standards adopted by the directors but it should be noted that they are unaudited. Subsequent to the acquisition of the company the directors appointed Moore Stephens as auditors to the company.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1. STATEMENT OF COMPLIANCE

The following adopted IFRSs were available but have not been applied by the company in these financial statements:

- IAS 1 (Amendment) 'Presentation of financial statements' – effective for annual periods beginning on or after 1 January 2007
- IFRS 8 'Operating segments' – effective for annual periods beginning on or after 1 January 2009
- IFRIC 10 'Interim financial reporting and impairment' – effective for annual periods beginning on or after 1 November 2006
- IFRIC 11 'IFRS 2 – Group and treasury share transactions' – effective for annual periods beginning on or after 1 March 2007
- IFRIC 12 'Service concession arrangements' – effective for annual periods beginning on or after 1 January 2008
- IFRIC 14 'IAS19 – The limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective 1 January 2008)

The company does not anticipate that the adoption of these standards and interpretations will have a material effect on its financial statements on initial adoption.

The amendments brought in by IFRS 7 have been adopted early by the group.

2.1. BASIS OF PREPARATION

The financial statements are prepared on the historical cost basis.

2.2. REVENUE

Revenue is measured at the fair value of the consideration received or receivable and represents fees receivable in respect of the company's principal activity, net of discounts, VAT and other sales related taxes.

2.3 FINANCE COSTS

Interest payable is recognised in the income statement as it accrues, using the effective interest method.

KRF Management Limited

NOTES TO THE FINANCIAL STATEMENTS

2.4. FINANCE INCOME

Interest income is recognised in the income statement as it accrues, using the effective interest method

2.5. TAXATION AND DEFERRED TAXATION

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future profits will be available against which the asset can be utilised.

2.6. FINANCIAL ASSETS

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

2.6.1. Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

2.6.2. Derecognition of financial assets

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

2.7. FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS ISSUED BY THE COMPANY

2.7.1 Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

KRF Management Limited

NOTES TO THE FINANCIAL STATEMENTS

2.7.2. Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

2.7.3 Financial liabilities

Financial liabilities are classified as 'other financial liabilities'.

2.7.4. Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated net future cash flows through the expected life of the financial liability, or, where appropriate, a shorter period.

2.7.5. Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the company's obligations are discharged, cancelled or expire.

3. ACCOUNTING ESTIMATES AND JUDGEMENTS

No significant management estimates and assumptions were required in the provision of the financial statements which warrant disclosure.

KRF Management Limited

NOTES TO THE FINANCIAL STATEMENTS

For the 14 month period ended 31 July 2007

4 REVENUE

An analysis of the company's revenue is as follows

	2007 £	2006 £
<i>Continuing operations</i>		
Fees for the provision of Management Services	77,955	83,255
	<u>77,955</u>	<u>83,255</u>

5. PROFIT FROM OPERATIONS

Profit for the year has been arrived at after charging

	2007 £	2006 £
<i>Auditors' remuneration</i>		
Audit services		
- Statutory audit	2,000	-
Tax services		
- Compliance services	-	-
- Advisory services	-	-
	<u>2,000</u>	<u>-</u>

No benefits in kind have been paid to the auditors

6. STAFF COSTS

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows

	2007	2006
Head office and administration	2	2

KEY MANAGEMENT AND DIRECTORS' REMUNERATION

Since acquisition of the company by Keele Residential Funding plc on 24th November 2006, the key management of the company comprises the directors only. Their remuneration is paid by Wilmington Trust SP Services (London) Limited.

Prior to acquisition, the director Mr P M Bruton and Mr D D Pinnock received a fee totalling £55,037.

KRF Management Limited
NOTES TO THE FINANCIAL STATEMENTS
For the 14 month period ended 31 July 2007

7. INCOME TAX EXPENSE

	2007	2006
	£	£
<i>Recognised in the income statement</i>		
Current tax		
Current year	(635)	-
Total current tax	(635)	-
Deferred tax		
Origination and reversal of temporary differences	-	-
Effect of tax rate change on opening balance	-	-
Total deferred tax	-	-
Total tax credit/(expense) in income statement	(635)	-
	<u> </u>	<u> </u>
 <i>Reconciliation of effective tax rate</i>		
	2007	2006
	£	£
(Loss)/Profit before tax	<u>5,124</u>	<u>156</u>
Tax using the UK corporation tax rate of 30%	(1,537)	(47)
EFFECT OF:		
Expenses not deductible for tax purposes	(30)	-
Other fixed asset differences, adjustment & movements	906	47
Tax adjustments & other timing differences	<u>26</u>	<u>-</u>
Total current tax charge and effective rate of tax	<u>(635)</u>	<u>-</u>

8. TRADE AND OTHER RECEIVABLES

	2007	2006
	£	£
<i>Amounts falling due within one year</i>		
Trade and other receivables	20,264	2
Prepayments and accrued income	16	6 526
	<u>20,280</u>	<u>6 528</u>

KRF Management Limited
NOTES TO THE FINANCIAL STATEMENTS
For the 14 month period ended 31 July 2007

Aging of trade and other receivables

	2007 £	2006 £
0-60 days	20,264	2
	<u> </u>	<u> </u>

9 CASH AND CASH EQUIVALENTS

	2007 £	2006 £
Cash at bank and in hand	4,807	12,317
	<u> </u>	<u> </u>

10. TRADE AND OTHER PAYABLES

	2007 £	2006 £
<i>Amounts falling due within one year</i>		
Trade Payables	14,131	-
Accruals and deferred income	5,006	18,932
Social Security and other taxes	1,548	-
	<u> </u>	<u> </u>
	20,685	18,932
	<u> </u>	<u> </u>

Aging of trade payables

	2007 £	2006 £
0-60 days	14,131	-
	<u> </u>	<u> </u>

11 FINANCIAL INSTRUMENTS

11.1. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance

11.2 SIGNIFICANT ACCOUNTING POLICIES

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements

KRF Management Limited

NOTES TO THE FINANCIAL STATEMENTS

For the 14 month period ended 31 July 2007

11.3 CATEGORIES OF FINANCIAL INSTRUMENTS

FINANCIAL ASSETS

	2007	2006
	£	£
Loan and other receivables	20,280	6,528

FINANCIAL LIABILITIES

	2007	2006
	£	£
Loan and other payables	20,685	18,932

11.4 FINANCIAL RISK MANAGEMENT

The company's activities potentially expose it to a variety of financial risks that include the effects of changes in debt market prices, credit risks, liquidity and interest rates. The company has in place risk management policies that seek to limit the adverse effects on the financial performance of the company by using various instruments and techniques. The directors do not believe that the company is subject to significant finance risk or market risk.

Risk management policies have been set by the Board and applied by the company.

11.4.1 Foreign exchange risk

The company does not enter into transactions or hold balances in foreign currencies and is therefore not exposed to foreign exchange risk.

11.4.2 Interest rate risk

The company operates an interest rate policy designed to minimise interest costs and reduce volatility in reported earnings. This policy is achieved by maintaining a target range of fixed and floating rate debt as required for discrete annual periods, over a defined time horizon.

11.4.3 Credit risk

The company's financial assets are bank balances and cash, trade and other receivables, which represent the company's maximum exposure to credit risk in relation to financial assets.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The company carries no significant risk with regard to its trade receivable as the debtor is the company's parent company, Keele Residential Funding plc.

11.4.4 Liquidity risk

The company actively maintains facilities that are designed to ensure the company has sufficient funds for operations.

KRF Management Limited
NOTES TO THE FINANCIAL STATEMENTS
For the 14 month period ended 31 July 2007

11.5.ANALYSIS BY CURRENCY

	Cash and cash equivalents	
	2007	2006
	£	£
Sterling	4,807	12,317

11.6 UNDRAWN COMMITTED BORROWING FACILITIES

At the year-end the group had no undrawn committed borrowing facilities (2006 Nil)

11.7 FAIR VALUE OF BORROWINGS AND CASH AND CASH EQUIVALENTS

The comparison of book and fair values of all the company's financial assets and liabilities at the period end is set out below

	2007		2006	
	Book value	Fair value	Book value	Fair value
	£	£	£	£
Cash at bank and in hand	4,807	4,807	12,317	12,317
Trade and other receivables	20,280	20,280	6,528	6,528
Trade and other payables	(20,685)	(20,685)	(18,932)	(18,932)
	<u>4,402</u>	<u>4,402</u>	<u>(87)</u>	<u>(87)</u>

The following methods and assumptions were used in estimating fair values for financial instruments

Short-term borrowings, cash and deposits approximate to book value due to their short maturities

12. SHARE CAPITAL

	Authorised Ordinary shares of £1 each Number
At beginning and end of the period	2
	<u>2</u>
	Allotted, called up and fully paid Ordinary shares of £1 each Number
At beginning and end of the period	2
	<u>2</u>

KRF Management Limited

NOTES TO THE FINANCIAL STATEMENTS

For the 14 month period ended 31 July 2007

Each of the ordinary shares carries one vote per share and is entitled to dividends at the discretion of the directors. There are no restrictions on any of the shares.

13 RELATED PARTY TRANSACTIONS

During the period £84,481 (2006 Nil) was charged to Keele Residential Funding plc for the provision of management services and also during the year Keele Residential Funding plc charged the company fees totalling £24,052 (2006 Nil).

During the current period, former director Mr P. M. Bruton received £44,759 in fees for the year (2006 £45,699) and former director Mr D. D. Pinnock received £2,778. Owengate Securities Limited, a company controlled by Mr Pinnock, received fees totalling £7,500 (2006 £25,086).

14 POST BALANCE SHEET EVENTS

There are no reportable post-balance sheet events.

15. CONTINGENT LIABILITIES

There are no contingent liabilities to report.

16. ULTIMATE CONTROLLING PARTY

The parent company is Keele Residential Funding plc which in turn is a wholly owned subsidiary of KRF Holdings Limited. Copies of the consolidated accounts can be obtained from Companies House Cardiff.

17. EXPLANATION OF TRANSLATION TO IFRS

As stated in the accounting policies, these are the company's first financial statements prepared in accordance with the adopted IFRSs.

Comparative figures have been restated to comply with IFRS. With the exception of reclassification, there are no material differences between the income statement, balance sheet and cash flow statement presented under IFRS and the UK GAAP. No adjustment has been made to the opening retained earnings.