

KRF Management Limited

REPORT AND FINANCIAL STATEMENTS

31 July 2011



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
M Filer

REGISTERED OFFICE

Third Floor
1 King's Arms Yard
London
EC2R 7AF

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 year ended 31 July 2011

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 2011, the company achieved total income of £78,232 (2010 £74,722) and the result for the period was a profit of £9,968 (2010 £9,428)

The Directors have declared a dividend of £5,000 per share for 2011 (2010 £5,000)

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 have held office during the year

Wilmington Trust SP Services (London) Limited

M McDermott

M Filer – appointed 4 May 2011

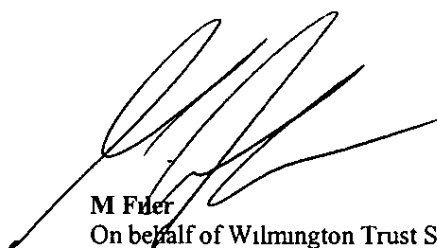
R Samson – resigned 4 May 2011

S Masson – resigned 4 May 2011

AUDITORS

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 Filer
On behalf of Wilmington Trust SP Services (London) Ltd
Director
Third Floor
1 King's Arms Yard
London
EC2R 7AF

28 November 2011

KRF Management Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with IFRS as adopted by the European Union and applicable law. The financial statements must, in accordance with IFRS as adopted by the European Union, present fairly the financial position and performance of the company, such references in the UK Companies Act 2006 to such financial statements giving a true and fair view are references to their achieving a fair presentation. Under company law directors must not approve the financial statements unless they are satisfied that they give a true and fair view. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether the financial statements have been prepared in accordance with IFRS as adopted by the European Union,
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation. 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 Filer

On behalf of Wilmington Trust SP Services (London) Ltd
Director

28 November 2011

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 2011 which are set out on pages 6 to 16. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at Year End and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

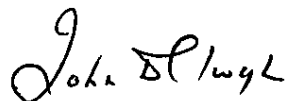
Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

KRF Management Limited

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF KRF MANAGEMENT
LIMITED



John D Clough (Senior Statutory Auditor)
For and on behalf of Moore Stephens, Stoke-on-Trent, Statutory Auditors
6 Ridge House
Ridgehouse Drive
Stoke on Trent
Staffordshire
ST1 5TL

30/11/11

KRF Management Limited

INCOME STATEMENT

For the year ended 31st July 2011

	Note	2011 £	2010 £
CONTINUING OPERATIONS			
REVENUE	4	78,232	74,722
Fees payable		<u>(54,553)</u>	<u>(52,106)</u>
PROFIT FROM OPERATIONS	5	23,679	22,616
Administration expenses		<u>(13,711)</u>	<u>(13,188)</u>
Operating Profit		9,968	9,428
Finance income		<u>-</u>	<u>-</u>
PROFIT BEFORE TAX		9,968	9,428
Taxation on profit on ordinary activities	7	<u>-</u>	<u>-</u>
PROFIT FOR THE YEAR		9,968	9,428
Ordinary Dividend on Equity Shares		(10,000)	(10,000)
ATTRIBUTABLE TO: EQUITY HOLDERS OF THE COMPANY		<u>(32)</u>	<u>(572)</u>

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

KRF Management Limited

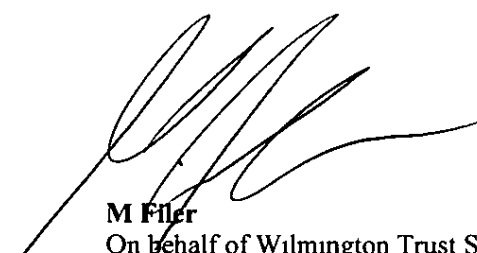
BALANCE SHEET

as at 31 July 2011

	Note	2011 £	2010 £
CURRENT ASSETS			
Trade and other receivables	8	-	5,781
Cash and cash equivalents	9	25,016	23,043
TOTAL CURRENT ASSETS		<u>25,016</u>	<u>28,824</u>
CURRENT LIABILITIES			
Trade and other payables	10	(3,871)	(7,647)
TOTAL CURRENT LIABILITIES		<u>(3,871)</u>	<u>(7,647)</u>
NET ASSETS		<u>21,145</u>	<u>21,177</u>
EQUITY			
Share capital	12	2	2
Retained earnings		<u>21,143</u>	<u>21,175</u>
ISSUED CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS		<u>21,145</u>	<u>21,177</u>

The financial statements have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies

The financial statements on pages 6 to 16 were approved by the board of directors and authorised for issue on 28 November 2011 and were signed on its behalf by



M Filer
On behalf of Wilmington Trust SP Services (London) Ltd
Director

KRF Management Limited

CASH FLOW STATEMENT

For the year ended 31 July 2011

	Note		
		2011	2010
		£	£
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		(32)	(572)
<i>Adjustments for</i>			
Dividend payable		10,000	10,000
OPERATING PROFIT BEFORE MOVEMENT IN WORKING CAPITAL		9,968	9,428
Decrease/(Increase) in trade and other receivables		5,781	(3,185)
(Decrease)/Increase in trade and other payables		(3,776)	4,617
CASH GENERATED BY OPERATIONS		11,973	10,860
Income tax paid		-	-
NET CASH FLOW FROM OPERATING ACTIVITIES		11,973	10,860
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(10,000)	(10,000)
NET CASH FLOW FROM FINANCING ACTIVITIES		(10,000)	(10,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,973	860
CASH AND CASH EQUIVALENTS			
AT BEGINNING OF YEAR		23,043	22,183
CASH AND CASH EQUIVALENTS AT END OF YEAR	9	25,016	23,043

KRF Management Limited
CHANGES IN SHAREHOLDER'S EQUITY
For the year ended 31 July 2011

	Share capital £	Retained earnings £	Total £
At 31 July 2009	2	21,747	21,749
Total recognised income and expense – profit for the year	-	(572)	(572)
At 31 July 2010	2	21,175	21,177
Total recognised income and expense – profit for the year	-	(32)	(32)
At 31 July 2011	2	21,143	21,145

KRF Management Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2011

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.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1. STATEMENT OF COMPLIANCE

The financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU with the exception of the following adopted IFRSs which were available and applicable to the group but have not been applied by the group in these financial statements:

- IFRS 9 (Financial Instruments – Classification and Measurement) – effective for annual periods beginning on or after 1 January 2013
- IFRS 10 (Consolidated Financial Statements) – effective for annual periods beginning on or after 1 January 2013
- IFRS 12 (Disclosure of Interests in Other Entities) – effective for annual periods beginning on or after 1 January 2013
- IFRS 13 (Fair Value Measurement) – effective for annual periods beginning on or after 1 January 2013
- IAS 1 (Presentation of Financial Statements – Amendments resulting from May 2010 Annual Improvements to IFRSs) – effective for annual periods beginning on or after 1 January 2011
- IAS 1 (Presentation of Financial Statements – Amendments to revise the way other comprehensive income is presented) – effective for annual periods beginning on or after 1 July 2012

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

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.

2.4. FINANCE INCOME

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

KRF Management Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2011

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

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.

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

Liabilities consist of trading accounts payable and other liabilities. Upon initial recognition, liabilities are stated at fair value including transaction costs. In the periods thereafter, liabilities are carried at amortised cost.

KRF Management Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2011

2.7.4. 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

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

4. REVENUE

An analysis of the company's revenue is as follows

	2011 £	2010 £
<i>Continuing operations</i>		
Fees for the provision of management services	78,232	74,722

5. PROFIT FROM OPERATIONS

Profit for the year has been arrived at after charging

	2011 £	2010 £
<i>Auditors' remuneration</i>		
Audit services		
- Statutory audit	2,500	2,500
- Taxation services	500	500
	<u>3,000</u>	<u>2,500</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

	2011	2010
Head office and administration	<u>2</u>	<u>3</u>

KEY MANAGEMENT AND DIRECTORS' REMUNERATION

The key management of the company comprises the directors only Their remuneration is paid by Wilmington Trust SP Services (London) Limited

KRF Management Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2011

7. INCOME TAX EXPENSE

	2011	2010
	£	£
<i>Recognised in the income statement</i>		
Total current tax	-	-
Total deferred tax	-	-
Total tax (expense) in income statement	-	-

Reconciliation of effective tax rate

	2011	2010
	£	£
Profit before tax	9,968	9,428
Tax using the UK corporation tax rate of 26% (2010 28%)	2,592	2,640
EFFECT OF:		
Group relief	(2,592)	(2,640)
Total current tax charge and effective rate of tax	-	-

8. TRADE AND OTHER RECEIVABLES

	2011	2010
	£	£
<i>Amounts falling due within one year</i>		
Amounts owed by group undertakings	-	5,781
	-	5,781

9. CASH AND CASH EQUIVALENTS

	2011	2010
	£	£
Cash at bank and in hand	25,016	23,043

KRF Management Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2011

10. TRADE AND OTHER PAYABLES

	2011	2010
<i>Amounts falling due within one year</i>	£	£
Accruals and deferred income	3,029	7,160
Social Security and other taxes	842	487
	<u>3,871</u>	<u>7,647</u>

11. FINANCIAL INSTRUMENTS

11.1.CAPITAL RISK MANAGEMENT

The company manages its capital to ensure it 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

11.3.CATEGORIES OF FINANCIAL INSTRUMENTS

FINANCIAL ASSETS

	2011	2010
	£	£
Loans and other receivables	-	5,781
	<u>-</u>	<u>5,781</u>

FINANCIAL LIABILITIES

	2011	2010
	£	£
Loans and other payables	3,871	7,647
	<u>3,871</u>	<u>7,647</u>

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

KRF Management Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2011

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 receivables 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.

11.5. ANALYSIS BY CURRENCY

Cash and cash equivalents

	2011 £	2010 £
Sterling	25,016	23,043
	<u>25,016</u>	<u>23,043</u>

11.6. UNDRAWN COMMITTED BORROWING FACILITIES

At the year-end the company had no undrawn committed borrowing facilities (2010 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.

	2011		2010	
	Book value £	Fair value £	Book value £	Fair value £
Cash at bank and in hand	25,016	25,016	23,043	23,043
Trade and other receivables	-	-	5,781	5,781
Trade and other payables	(3,871)	(3,871)	(7,647)	(7,647)
	<u>21,145</u>	<u>21,145</u>	<u>21,177</u>	<u>21,177</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.

KRF Management Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2011

12. SHARE CAPITAL

	Authorised Ordinary shares of £1 each Number
At beginning and end of the period	10,000

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

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 £78,232 (2010 £74,722) 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 £54,553 (2010 £52,106).

During the year £6,332 (2010 £6,000) was charged by the Wilmington Trust SP Services (London) Limited for the provision of corporate services.

At the year end the company was owed £Nil (2010 £5,781) from Keele Residential Funding plc.

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.

The ultimate controlling party is the Millslade Charitable Trust. The 100 Ordinary share capital of the Parent company, KRF Holdings Limited, is held by Wilmington Trust SP Services (London) Limited, on trust for the benefit of the Millslade Charitable Trust, and these shares have specific rights attached which would define the trust as having ultimate control.