

KRF Holdings Limited

REPORT AND FINANCIAL STATEMENTS

31 July 2020



Company Registration No. 03840094 (England & Wales)

KRF Holdings Limited

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KRF Holdings Limited

DIRECTORS AND ADVISORS

DIRECTORS

Wilmington Trust SP Services (London) Limited

Daniel Wynne

Eileen Hughes – resigned 30th September 2019

Christopher John Duffy – appointed 30 September 2019

REGISTERED OFFICE

Third Floor

1 King's Arms Yard

London,

EC2R 7AF

BANKERS

HSBC Bank Plc

2 Etruria Office Village

Forge Lane

Festival Park

Stoke on Trent

ST1 5RQ

AUDITORS

BDO LLP

55 Baker Street

London

W1U 7EU

UNITED KINGDOM

SECRETARY

Wilmington Trust SP Services (London) Limited

KRF Holdings Limited

STRATEGIC REPORT

PRINCIPAL ACTIVITIES

The principal activity of the Group and its subsidiaries is the management of a Financial Asset and its component element which comprise mainly the receipt of student rent from Keele University and the facilities management contract with the University for the maintenance of student accommodation.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

For the year 2020, the Group achieved total income £7,519,230 (2019: £7,384,529) and the result for the year after tax, was a profit of £2,765,748 (2019 restated: £2,387,946). Both rental income and associated expenditure were in line with expectations. This has driven the increase in net assets to £18,962,919 (2019 restated: £16,197,171).

No dividend was proposed or paid (2019: £nil).

The directors believe that the Group's accommodation units related to the financial asset will continue to attract student tenants at realistic rents throughout 2021 – see going concern statement. Average occupancy of total accommodation units during the year 2020 was 98.4% covering the occupancy period of September to March 2020. Students were allowed by the university to vacate their campus accommodation during April 2020 due to the growing Covid crisis. This did not affect KRF rental income for the year to 31 July 2020 as the University continued to pay the contractual obligations under the financial arrangements with KRF. The University reports good levels of recruitment and accommodation occupation for the start of 2021 student year.

The key business risks affecting the group come from:

- Under-occupation of the available accommodation units
- Failure to achieve anticipated rental from the leasehold interest

The directors judge the performance of the business by reference to the overall rental achieved from its leasehold interest. Finance costs are calculated by reference to the terms of the bonds which form the underlying funding of the business.

SECTION 172(1) STATEMENT

As a special purpose vehicle, the governance structure of the Group is such that the key policies have been predetermined at the time of issuance. There are no sub-committees below the board level. The directors have had regards to the matters set out in section 172(1) of the Companies Act 2006 as follows:

- with reference to subsection (a) concerning the likely consequences of any decision in the long term: the Transaction Documents have been formulated to achieve the Group's purpose and business objectives, safeguard the assets and promote the success of the Group with a long term view and in accordance with relevant securitisation legislation the Group is only permitted to retain minimal profit.
- the matters set out in subsections (b)–(f) have limited relevance in the year given the nature of the company as a vehicle for holding listed debt. The directors of the Group have not been required to make any decision in the year other than routine or administrative decisions.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to two key financial risks, cash flow risk and liquidity risk. Exposure to price risk and credit risk is limited due to the nature of the market.

Cash flow risk

The Group's main cash flow risk is the timely receipt of the contracted rental income stream from the University. This is mitigated by ensuring proper maintenance of the accommodation by the University and recruitment of students into that accommodation. Covid is a potential risk to rental income but as noted in the going concern statement, the University advises that it does not expect any interruption to rent flows to KRF during 20/21.

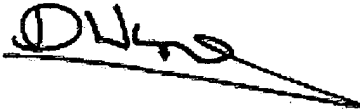
KRF Holdings Limited

STRATEGIC REPORT

Liquidity risk

The Group's main liquidity risk relates to its ability to discharge its debt service liabilities when due as a result of insufficient rental income. The directors manage this risk by careful forecasting and transferring any anticipated cash requirements into liquid funds accounts twice a year.

By order of the board

A handwritten signature in black ink, appearing to read 'D Wynne', written over a horizontal line.

D Wynne
Director

15 February 2021

KRF Holdings Limited

DIRECTORS' REPORT

The directors submit their report and the audited financial statements for the year ended 31 July 2019.

DIRECTORS

The following directors have held office during the year:

Wilmington Trust SP Services (London) Limited

Daniel Wynne

Eileen Hughes – resigned 30th September 2019

Christopher John Duffy – appointed 30th September 2019

GOING CONCERN

The Covid 19 outbreak and the UK Government's lockdown instructions through March 2020 caused students in university accommodation at Keele University to leave their accommodation before the end of their letting period. The University elected to refund students for this early departure but fulfilled its rental obligation to KRF for the year ending 31 July 2020. The University advised the Directors that its levels of confirmed student places for September 2020 entry were good and in line with budget. Occupation levels in the University accommodation were also good at the start of term in September 2020. However, the lockdown which commenced in January 2021 has resulted students whose course does not require attendance at campus to remain at home. Whilst the University may need to engage in further student refunds, rental flows to KRF through 2020/21 are expected to be uninterrupted. The University will be keeping the Directors informed regarding the University and the accommodation through the year to July 2021. The Directors have prepared cashflow forecasts that cover at least twelve months from the authorisation of these financial statements. If the payments from the University continue as anticipated and in line with their contractual obligations, then the Group and Company have sufficient cash to settle its financial obligations.

However, should the current situation worsen and the student population is materially impacted by Covid, this may impact on the University's ability to make the contractual payments to KRF, and in turn on to the continued ability of KRF to settle its financial obligations as they fall due during the 2020/21 academic year. The current vaccination programme in the UK is clearly very positive and the University considers it to be particularly encouraging regarding applications for September 2021 entry. However, the Directors will continue to monitor the University's situation, in particular the effect of the current lockdown. In this regard, as at the date of authorisation of these financial statements there is a material uncertainty which may cast significant doubt over the ability of the Group and the Company to continue as a going concern. The financial statements do not include the adjustments that would be required should the going concern basis of preparation no longer be appropriate.

The Directors note that there has been no change in the principal activities of the business as noted in the strategic report in page 2 nor has there been any change in the contractual relationship between the Group and Keele University. The Directors expect business activities to remain unchanged for the remaining life of the contract.

Further information regarding the Group's financial instruments, related policies and a consideration of its liquidity and other financing risks can be found in note 17.

No dividend was proposed or paid (2019: £nil).

PRIOR YEAR ADJUSTMENT

In preparation of these accounts, the company's subsidiary, Keele Residential Funding Plc's accounting treatment of its Other Financial Asset (see note 12) was considered in the context of the intended use of these funds to satisfy a deferred liability to the University under the reversionary lease signed in 2007 which extended the rights of the Company under the lease from 2029 to 2047 including rights to the rental income rights under the lease. Previous accounts have noted that the subsidiary has a guaranteed investment contract in place dating from 2007 which matures in December 2029 and will then enable the Company to discharge liabilities in the form of a deferred premium payable to the University and SDLT liability due on the lease.

KRF Holdings Limited

DIRECTORS' REPORT

The deferred obligation to the University and the deferred associated transaction costs of the lease were excluded from the calculation of the entity's financial asset in previous years.

While the funds due under the investment contract will be sufficient to satisfy the liabilities and no further cash liability to KRF should arise, current accounting practise suggests that a provision should be recognised on the balance sheet relating to the SDLT as a deferred transaction cost and the value of the Financial Asset should be reduced by the value of the liability to the University. The total value of these amounts is equal to the value of the guaranteed investment deposit at the date of the balance. See note 26 for an analysis of the impact of the change. The Directors note that this change will have no detrimental effect on the company's cash position and its abilities to satisfy its other liabilities.

AUDIT INFORMATION

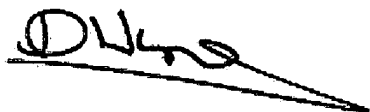
Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

AUDITORS

A resolution to reappoint BDO LLP, Chartered Accountants, as auditors will be considered by the members at the group Annual General Meeting.

By order of the board



D Wynne
Director
Third Floor
1 King's Arms Yard
London,
EC2R 7AF

15 February 2021

KRF Holdings Limited

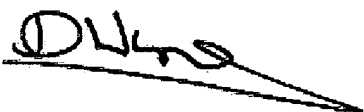
STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, 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 international accounting standards in conformity with the requirements of the Companies Act 2006, international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and applicable law. The financial statements must, in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, 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 international accounting standards in conformity with the requirements of the Companies Act 2006; and
- 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. 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.



D Wynne
Director

15 February 2021

KRF Holdings Limited

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF KRF HOLDINGS LIMITED

Opinion

We have audited the financial statements of KRF Holdings Limited ("the Parent Company") and its subsidiaries (together "the Group") for the year ended 31 July 2020 which comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006, and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 July 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.
- the Parent Company financial statement have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw your attention to the disclosures in note 2.3 to the financial statements which explains that the ability of the Group to continue as a going concern is dependent on whether the university is able to remain open to students and as able to continue to pay the rental amounts due to the Group. As stated in note 2.3, these events or conditions, along with other matters as set out in note 2.3, indicate that material uncertainty exists which may cast significant doubt over the Group's and Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Report and Financial Statements, other than the financial statements and our auditor's report

KRF Holdings Limited

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF KRF HOLDINGS LIMITED

thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

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:

- proper accounting records have not been kept by the Parent Company, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company 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.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are 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 Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our

KRF Holdings Limited

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF KRF HOLDINGS LIMITED

opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) 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 financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Other matters which we are required to address

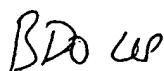
BDO LLP were appointed by the Board of Directors on 19 February 2019 to audit the financial statements for the year ended 31 July 2019 and subsequent periods. The period of total uninterrupted engagement of BDO LLP is two years, covering the years ending 31 July 2019 to 31 July 2020.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting our audit.

Our audit opinion is consistent with the additional report to the Board of Directors.

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Charles Ellis (Senior Statutory Auditor)
For and on behalf of

BDO LLP, Statutory Auditor
London
United Kingdom
Date: 15 February 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

KRF Holdings Limited

CONSOLIDATED INCOME STATEMENT

For the year ended 31 July 2019

	Note	2020 Group £	Restated 2019 Group £
CONTINUING OPERATIONS			
REVENUE	4	7,519,230	7,384,529
Administrative expenses		(376,239)	(338,414)
Gain/(Loss) on financial asset	10	2,731,344	4,275,079
PROFIT FROM OPERATIONS	5	9,874,335	11,321,194
Finance costs	7	(7,403,535)	(8,834,894)
Finance income	8	294,948	285,027
PROFIT/(LOSS) BEFORE TAX		2,765,748	2,771,327
Income tax (expense)/credit	9	-	(383,381)
PROFIT/(LOSS) FOR THE YEAR		2,765,748	2,387,946
TOTAL COMPREHENSIVE INCOME		2,765,748	2,387,946
ATTRIBUTABLE TO:			
EQUITY HOLDERS OF THE PARENT		2,765,748	2,387,946

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 Holdings Limited
REGISTERED NUMBER: 03840094
CONSOLIDATED BALANCE SHEET
At 31 July 2020

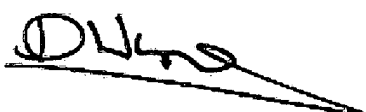
	Note	2020 Group £	Restated 2019 Group £	Restated 2018 Group
ASSETS				
NON CURRENT ASSETS				
Financial Asset	10	157,867,364	155,481,072	151,416,986
Other financial assets	12	4,975,003	4,732,750	4,502,900
TOTAL NON CURRENT ASSETS		162,842,367	160,213,822	155,919,886
CURRENT ASSETS				
Financial Asset	10	7,557,963	7,212,911	7,001,918
Trade and other receivables	13	18,667	212,584	264,563
Cash and cash equivalents	14	4,206,001	4,156,126	3,675,676
TOTAL CURRENT ASSETS		11,782,631	11,581,621	166,862,043
TOTAL ASSETS		174,624,998	171,795,449	166,862,043
LIABILITIES				
CURRENT LIABILITIES				
Trade and other payables	15	(540,410)	(569,729)	(178,260)
Other financial liabilities	16	(3,081,039)	(977,036)	(470,694)
Taxation	9	(383,381)	(383,381)	-
TOTAL CURRENT LIABILITIES		(4,004,830)	(1,930,146)	(648,954)
NON CURRENT LIABILITIES				
Financial liabilities	16	(149,849,447)	(151,948,458)	(150,767,827)
Provision	26	(1,807,802)	(1,719,668)	(1,636,037)
TOTAL NON CURRENT LIABILITIES		(151,657,249)	(153,668,126)	(152,403,864)
TOTAL LIABILITIES		(155,662,079)	(155,598,272)	(153,052,818)
NET ASSETS		18,962,919	16,197,171	13,809,225
EQUITY				
Share capital	19	50,000	50,000	50,000
Retained earnings	20	18,912,919	16,147,171	13,759,225
ISSUED CAPITAL AND RESERVES		18,962,919	16,197,171	13,809,225
ATTRIBUTABLE TO EQUITY HOLDER		18,962,919	16,197,171	13,809,225
TOTAL EQUITY		18,962,919	16,197,171	13,809,225

KRF Holdings Limited
COMPANY BALANCE SHEET
At 31 July 2020

	Note	<u>2020</u>	<u>2019</u>
		Company	Company
		£	£
ASSETS			
NON CURRENT ASSETS			
Investments	11	50,000	50,000
TOTAL NON CURRENT ASSETS		50,000	50,000
NET ASSETS		<u>50,000</u>	<u>50,000</u>
EQUITY			
Share capital	19	50,000	50,000
Retained earnings		-	-
ISSUED CAPITAL AND RESERVES		<u>50,000</u>	<u>50,000</u>
ATTRIBUTABLE TO EQUITY HOLDERS		<u>50,000</u>	<u>50,000</u>
TOTAL EQUITY		<u>50,000</u>	<u>50,000</u>

The company was dormant during the year ended 31 July 2020 and therefore no separate individual income statement is included in the annual accounts.

The financial information on pages 10 to 33 was approved by the board of directors and authorised for issue on 15 February 2021 and was signed on its behalf by:



D Wynne
Director

KRF Holdings Limited
CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 July 2020

	Note	2020	Restated 2019
		Group	Group
		£	£
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) for the year		2,765,748	2,387,946
<i>Adjustments for:</i>			
Finance costs		7,403,535	8,834,894
Finance income		(294,948)	(285,027)
(Gain)/Loss on Financial Asset		(2,731,344)	(4,275,079)
Income tax (credit)/expense		-	383,381
		7,142,991	7,046,115
Decrease/(increase) in trade and other receivables		193,917	43,979
Increase in trade and other payables		(29,319)	391,469
CASH GENERATED BY OPERATIONS		7,307,589	7,481,563
Income tax paid			-
NET CASH FLOW FROM OPERATING ACTIVITIES		7,307,589	7,481,563
CASH FLOWS FROM INVESTING ACTIVITIES			
Finance income		52,695	63,177
NET CASH FLOW FROM INVESTING ACTIVITIES		52,695	63,177
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment made on bonds		(7,310,409)	(7,064,290)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES		(7,310,409)	(7,064,290)
NET INCREASE IN CASH AND CASH EQUIVALENTS		49,875	480,450
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		4,156,126	3,675,676
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	14	4,206,001	4,156,126

No company cashflow statement has been completed as there were no transactions in the year.

KRF Holdings Limited

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 July 2020

GROUP	Note	Share Capital	Retained Earnings	Total
		£	£	£
Balance as at 31 July 2018 (restated)		50,000	13,759,225	13,809,225
Total comprehensive income for the year (restated)		-	2,387,946	2,387,946
Balance as at 31 July 2019 (restated)		50,000	16,147,171	16,197,171
Total comprehensive income for the year (restated)		-	2,765,748	2,765,748
Balance as at 31 July 2020	20	50,000	18,912,919	18,962,919

COMPANY	Note	Share Capital	Retained Earnings	Total
		£	£	£
Balance as at 31 July 2018		50,000	-	50,000
Total comprehensive income for the year		-	-	-
Balance as at 31 July 2019		50,000	-	50,000
Total comprehensive income for the year		-	-	-
Balance as at 31 July 2020	20	50,000	-	50,000

KRF Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2020

1. GENERAL INFORMATION

KRF Holdings Limited and its subsidiaries are incorporated and domiciled in England and Wales. The company is a public company limited by shares.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 STATEMENT OF COMPLIANCE

The financial statements have been prepared and approved by the directors in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union with the exception of those standards in issue but not in force. None of the new standards and amendments to standards that are mandatory for the first time for the financial year commencing 1 August 2019 affected any of the amounts recognised in the current period or any prior period.

New IFRSs not yet endorsed by the EU

The directors have also considered international accounting standards in conformity with the requirements of the Companies Act 2006 which have not been endorsed and which are in issue but not in force at the balance sheet date which includes IFRS 17 – Insurance Contracts, becoming effective for the accounting period to July 2024. The directors believe that the adoption of the aforementioned standard will not have a significant impact on these financial statements.

2.2 BASIS OF PREPARATION

The financial statements are prepared on the historical cost basis except that the financial asset is carried at fair value.

The functional and presentational currency is pounds sterling.

2.3 GOING CONCERN

The Covid 19 outbreak and the UK Government's lockdown instructions through March 2020 caused students in university accommodation at Keele University to leave their accommodation before the end of their letting period. The University elected to refund students for this early departure but fulfilled its rental obligation to KRF for the year ending 31 July 2020. The University advised the Directors that its levels of confirmed student places for September 2020 entry were good and in line with budget. Occupation levels in the University accommodation were also good at the start of term in September 2020. However, the lockdown which commenced in January 2021 has resulted students whose course does not require attendance at campus to remain at home. Whilst the University may need to engage in further student refunds, rental flows to KRF through 2020/21 are expected to be uninterrupted. The University will be keeping the Directors informed regarding the University and the accommodation through the year to July 2021. The Directors have prepared cashflow forecasts that cover at least twelve months from the authorisation of these financial statements. If the payments from the University continue as anticipated and in line with their contractual obligations, then the Group and Company have sufficient cash to settle its financial obligations.

KRF Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2020

However, should the current situation worsen and the student population is materially impacted by Covid, this may impact on the University's ability to make the contractual payments to KRF, and in turn on to the continued ability of KRF to settle its financial obligations as they fall due during the 2020/21 academic year. The current vaccination programme in the UK is clearly very positive and The University considers it to be particularly encouraging regarding applications for September 2021 entry. However, the Directors will continue to monitor the University's situation, in particular the effect of the current lockdown. In this regard, as at the date of authorisation of these financial statements there is a material uncertainty which may cast significant doubt over the ability of the Group and the Company to continue as a going concern. The financial statements do not include the adjustments that would be required should the going concern basis of preparation no longer be appropriate.

The Directors note that there has been no change in the principal activities of the business as noted in the strategic report in page 2 nor has there been any change in the contractual relationship between the Group and Keele University. The Directors expect business activities to remain unchanged for the remaining life of the contract.

2.4 BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-Group transactions, balances, income and expenses are eliminated in full on consolidation.

2.5 REVENUE RECOGNITION

REVENUE

Revenue is the interest generated from holding the financial asset, calculated on an effective interest rate basis over the term of the lease.

FINANCE INCOME

Interest income is accrued on a time basis, by reference to the cash balances and at the interest rate applicable.

2.6 SEGMENTS

The Group operates in only one business segment as defined by IFRS 8 which is the management of a Financial Asset. As the income source for the Financial Asset is located wholly within the United Kingdom, no segmental analysis is presented.

2.7 ADMINISTRATION COSTS

The Group recognises administration costs when incurred.

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2.8 FINANCE COSTS

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

2.9 TAXATION

Current taxation

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Tax charge for the period

Current and deferred tax are recognised as an expense or income, except when they relate to items credited or debited directly to equity, in which case, the tax is also recognised directly in equity.

2.10 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group classifies its financial assets into one of two categories, fair value through profit and loss or at amortised cost.

Fair value through profit or loss

The Group's Financial Asset representing student rent receivable from Keele University is carried in the balance sheet at fair value with changes in fair value recognised and presented separately as "Gain/(loss) on financial asset" in the consolidated statement of comprehensive income. Other than this financial asset the Group does not have any assets carried at fair value through the profit and loss.

Amortised cost

The Group's financial assets measured at amortised cost comprise trade and other receivables a long term guaranteed investment contract deposit and cash and cash equivalents in the balance sheet. Cash and cash equivalents include deposits held at call with banks.

These assets arise principally from trading activities and are carried at amortised cost less any provision for impairment.

Impairment provisions for financial assets are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During

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this process the probability of the non-payment of the financial asset is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the financial asset. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Financial liabilities

The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired.

Fair value through profit or loss

This category comprises out-of-the-money derivatives where the time value does not offset the negative intrinsic value. They are carried in the balance sheet at fair value with changes in fair value recognised in the consolidated statement of comprehensive income. The Group does not hold or issue derivative instruments for speculative purposes or for hedging purposes. The Group does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss.

Other financial liabilities

Other financial liabilities include the following items: the Guaranteed Index Linked Bond, bond insurance premiums payable to Assured Guaranty and trade payables net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding. Trade payables are carried at amortised cost.

2.11 SHARE CAPITAL

Financial instruments issued by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

2.12 RELATED PARTIES

Contracts between Keele Residential Funding Plc, its subsidiary company KRF Management Ltd, Wilmington Trust SP Services (London) Limited and the University of Keele are arm's length transactions. Details of any outstanding balances between the parties are contained in Related Party Transactions in note 22.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Except for the estimation of the Financial Asset, directors do not believe that they have had to make any significant judgements in relation to accounting policies in preparing these financial statements. A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value.

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The fair value measurement of the Group's financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- *Level 1:* Quoted prices in active markets for identical items (unadjusted)
- *Level 2:* Observable direct or indirect inputs other than Level 1 inputs
- *Level 3:* Unobservable inputs (i.e. not derived from market data)

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

3.1 Valuation of the Financial Asset

The Group will determine annual valuations for its Financial on the basis of the present value of expected future cash flows. These future cash flows are subject to inflation and therefore fluctuation over time. The estimate of long term inflation used at 31 July 2020 is 2% and is based on the latest Bank of England RPI forecast available at the time of compiling these accounts. These cash flows are used to derive a fair value of the financial asset using a discount factor comprising the 2% estimate of long term inflation and the 2.108% coupon on the issued bonds. The assessment of the discount rate is consistent with the prior year. A movement in both the inflation rates and discount rate would impact on the valuation though are generally offsetting due to the linked assessment of the cashflows and discount rate.

4. REVENUE

An analysis of the Group's revenue is as follows:

	2020 Group £	2019 Group £
<i>Continuing operations:</i>		
Interest on the Financial Asset	7,519,230	7,384,529
The Group earns all of its revenue from a single entity.		

5. PROFIT FROM OPERATIONS

Group profit/(loss) for the year has been arrived at after charging:

	2020 £	2019 £
Gain/(loss) on financial asset revaluation (note 10)	2,731,344	4,275,079
<i>Auditors' remuneration</i>		
Audit services	40,000	25,000
Taxation services re prior years non-audit fee work	-	-

During the year no other non-audit fees were paid to the Auditors of the Group.

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For the year ended 31 July 2020

6. STAFF COSTS

	2020	2019
Group & Company		
The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows:		
Head office and administration	2	2

Staff remuneration in the year ended 31 July 2020 amounted to £nil (2019 - £nil).

Key management and directors' remuneration

The key management of the Group and company comprises the directors only. Their remuneration is paid by Wilmington Trust SP Services (London) Limited. Group subsidiaries pay Wilmington Trust SP Services (London) Limited for corporate services as disclosed in note 22 of the Financial Statements.

7. FINANCE COSTS

Group	2020 £	2019 £
Interest on secured bond	7,276,390	8,706,974
Interest on AGL liability	39,011	44,289
Interest on Liability provision	88,134	83,631
	<u>7,403,535</u>	<u>8,834,894</u>

8. FINANCE INCOME

Group	2020 £	2019 £
Interest on cash balances	<u>294,948</u>	<u>285,027</u>

9. INCOME TAX EXPENSE

Group	2020 £	2019 £
<i>Recognised in the income statement:</i>		
Current tax	-	(383,381)
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	<u>-</u>	<u>(383,381)</u>

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Reconciliation of effective tax rate

	2020 £	2019 (restated) £
Group profit/(loss) before tax	<u>2,765,748</u>	<u>2,771,327</u>
Tax using the UK corporation tax rate of 19% (2018:19%)	(525,492)	(526,552)
EFFECT OF:		
Opening balance adjustments	-	(1,312,489)
Unprovided bought forward losses	59,285	1,330,978
Annual allowance on lease premiums paid	168,354	168,354
Other temporary differences	<u>297,853</u>	<u>(43,672)</u>
Total current tax charge and effective rate of tax	<u>0</u>	<u>(383,381)</u>

Deferred tax assets and liabilities

The Group is not recognising in the accounts gross deferred tax assets arising on brought forward non-trade loan relationship and excess management expenses of £53,276,339 (2019: £46,263,622). The Group is not recognising the deferred tax asset in the balance sheet as there is insufficient evidence as to the future use of the losses at this time. This will be kept under review.

10. FINANCIAL ASSET

Group & Company	2020 £	2019 (Restated) £
<i>Fair value</i>		
At beginning of year	162,693,983	158,418,904
Increase/(reduction) in fair value in the year	2,731,344	4,275,079
At end of year	<u>165,425,327</u>	<u>162,693,983</u>
Value of the Financial Asset in 1 year	7,557,963	7,212,911
Value of the Financial Asset in greater than 1 year	157,867,364	155,481,072
Total Financial Asset Value	<u>165,425,327</u>	<u>162,693,983</u>

The Financial Asset is carried at its fair value at the balance sheet date. Gains or losses arising from changes in the fair value of financial asset are included in net profit or loss for the period in which they arise. The fair value of the Group's financial asset at 31 July 2020 has been arrived at on the basis of a valuation based on the income earned from the asset including licence income less the premium liability to Assured Guaranty and the value of the liability to the University which operates and maintains the student accommodation.

The group has pledged all of its property interests to secure general banking facilities granted.

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For the year ended 31 July 2020

11. INVESTMENT IN SUBSIDIARY

Company	2020 Shares in subsidiaries £	2019 Shares in subsidiaries £
<i>Cost and net book value</i>		
At beginning and end of year	50,000	50,000

Details of the company's subsidiaries at 31 July 2020 are as follows:

Name of the company	Principal activity	Place of incorporation	Proportion of shares acquired	Proportion of voting rights	Cost of acquisition £
Keele Residential Funding plc	Rental of student accommodation	England & Wales	100%	100%	50,000
KRF Management Limited	Management Services	England & Wales	100%	100%	587,500

Shares in KRF Management Limited are owned by Keele Residential Funding plc. The registered office of KRF Management Limited and Keele Residential Funding Plc is Third Floor, 1 King's Arms Yard, London, EC2 7AF.

12. OTHER FINANCIAL ASSETS

Group	2020 £	2019 £
Long term cash investment	4,975,003	4,732,750

Under the terms of the lease arrangements with the University of Keele, a portion of the premium due under the leases is deferred to be paid in 2029. The long term cash investment is a guaranteed investment contract which will return the required amount at the due date.

13. TRADE AND OTHER RECEIVABLES

Group	2020 £	2019 £
<i>Amounts falling due within one year:</i>		
Trade receivables	-	180,635
	18,667	31,949
Prepayments and accrued income		-
Social Security and other taxes	18,667	212,584

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14. CASH AND CASH EQUIVALENTS

Group	2020 £	2019 £
Cash at bank and in hand	<u>4,206,001</u>	<u>4,156,126</u>

15. TRADE AND OTHER PAYABLES

Group	2020 £	2019 £
Trade payables	488,260	522,782
Accruals and deferred income	49,650	44,527
Social Security and other taxes	2,500	2,420
	<u>540,410</u>	<u>569,729</u>

16. FINANCIAL LIABILITIES

Group

This note provides information about the contractual terms of the group's interest bearing loans and borrowings. For more information about the group's exposure to interest rate risk see note 17.

	<i>Current</i>		<i>Non-Current</i>	
	2020 £	2019 £	2020 £	2019 £
Guaranteed secured bond (see note 16.1)	3,019,744	919,393	148,351,153	150,385,760
Financial Guarantee fee payable to AGI (see note 16.2)	61,295	57,643	1,498,294	1,562,698
	<u>3,081,039</u>	<u>977,036</u>	<u>149,849,447</u>	<u>151,948,458</u>

16.1. GUARANTEED INDEX LINKED SECURED BOND

During July 2007 the subsidiary company Keele Residential Funding Plc recalled the previous fixed rate bonds and issued new 2.108% guaranteed index linked secured bonds. Interest and principal payments are made half yearly. The principal is repayable by instalments, which commenced in January 2008, in accordance with the issue documents; the final amounts to be repaid in 2047. The interest and capital repayments have been spread over the repayment period. At 31 July 2020 the principal outstanding on the new bonds, on a cash-paid basis, was £111,243,783 (2019: £112,700,753).

The above liability is secured by a charge created between Keele Residential Funding plc and Citibank, N.A., as trustee for the beneficiaries, in order to secure all obligations which the company may at any time have to the security trustee, on its own account or as trustee to the beneficiaries, or any other beneficiaries, including obligations under the terms of the debenture loan detailed above.

A second charge was also created between the subsidiary company Keele Residential Funding Plc, Citibank, N.A. and Assured Guaranty (UK) Ltd (AGL), the amount secured being all obligations which the company may at any time have to Citibank (whether on its own account or as trustee for the beneficiaries) or any other beneficiaries under or pursuant to finance documents including those

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relating to the issue of the above bonds, which shall include without limitation any obligations of the company to AGL which may from time to time arise by way of subrogation.

As a financial liability other than at fair value through profit or loss, the Group's guaranteed index linked secured bond liability is measured on an amortised cost basis using the effective interest rate method.

16.2. FINANCIAL GUARANTEE FEE PAYABLE TO AGL

A financial guarantee fee is payable to AGL with regards to the new issued 2.108% guaranteed index linked secured bonds. Payments are made half yearly. The amount is repayable by instalments, which commenced in August 2007 and the final amounts to be repaid in 2047. The above amount in note 16 has been derived at 31 July 2020 using the effective interest rate method.

17. FINANCIAL INSTRUMENTS

17.1. CAPITAL RISK MANAGEMENT

Neither Group nor Company are subject to externally imposed capital requirements. Capital is considered to comprise share capital and retained earnings; balances and movements in which are reported in the Statement of Changes in Equity.

The Group's assets and liabilities are constructed such that cash inflows and outflows are equalised over the life of the contracts. Any balance on retained earnings is timing differences resulting from differing accounting treatments applied to the assets and liabilities. No active management of capital is required. This capital strategy remains unchanged from 2019.

17.2. CATEGORIES OF FINANCIAL INSTRUMENTS

FINANCIAL ASSETS

GROUP	Fair Value through Profit & Loss £	2020 Fair Value through Profit & Loss £	Total £
Financial Asset	165,425,327	-	165,425,327
Cash at bank and in hand	-	4,206,001	4,206,001
Trade and other receivables	-	18,667	18,667
Financial investment	-	4,975,003	4,975,003
	165,425,327	9,199,671	174,624,998

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	Fair Value through Profit & Loss £	2019 At Amortised Cost £	Total £
Financial Asset	162,693,983	-	162,693,983
Cash at bank and in hand	-	4,156,126	4,156,126
Trade and other receivables	-	212,584	212,584
Financial investment	-	4,732,750	4,732,750
	162,693,983	9,101,460	171,795,443

FINANCIAL LIABILITIES GROUP

	Fair Value through Profit & Loss £	2020 Other Financial Liabilities £	Total £
Trade and other payables	-	(540,410)	(540,410)
Guaranteed index linked secured bond	-	(151,370,897)	(151,370,897)
Financial Guarantee fee payable to AGL	-	(1,559,589)	(1,559,589)
	-	(153,470,896)	(153,470,896)

	Fair Value through Profit & Loss £	2019 (restated) Other Financial Liabilities £	Total £
Trade and other payables	-	(569,729)	(569,729)
Guaranteed index linked secured bond	-	(151,305,153)	(151,305,153)
Financial Guarantee fee payable to AGL	-	(1,620,341)	(1,620,341)
	-	(153,495,223)	(153,495,223)

17.3. FINANCIAL RISK MANAGEMENT

The Group's debt exposes it to liquidity, interest rate and market risk. The Group's investments expose it to credit risk. The policies and strategies for managing these risks are summarised as follows:

17.3.1. *Market risk*

Market risk arises from the Group's use of interest bearing financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates, foreign exchange rates or other price risk.

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Other price risk

The Group's debt and financing arrangements provide for contractual payments that vary in line with the Retail Prices Index (RPI). Increases in the RPI will lead to increased payments by the Group. This risk is mitigated by the fact that revenue from the Group's financial asset is also linked to RPI such that increases in contractual payments will be met by an increase in the Group's revenue.

The Group's liability under the guaranteed index linked secured bond is exposed to variations in the retail price index (RPI):

If the RPI were increased by 1 index point then the Group's liability, at the balance sheet date, under the guaranteed index linked secured bond would increase by £547,299 (2019 - £560,421). However, the future cash inflows received under the contract with Keele University, accounted for as a financial asset, are adjusted likewise to reflect changes to RPI and therefore this risk is managed.

Interest rate risk

The Group is not exposed to fluctuations in interest rates.

Foreign exchange risk

The Group is not exposed to foreign currency risk.

17.3.2. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Group's significant financial asset is the Financial Asset, valued in the accounts at £165,425,327. The credit risk on these funds relates to the University's obligation to collect and transfer rent to KRF. The maximum exposure to credit risk on the Financial Asset is £165,425,327 (2019 restated - £162,693,983). Other credit risk applies to the Group's bank balance and long term cash investment. The maximum exposure to credit risk is the bank and long term investment balances of £4,206,001 (2019 - £4,156,126) and £4,975,003 (2019 - £4,732,750) respectively. No collateral is held. There is no expected credit loss expectation regarding these balances.

17.3.3. Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's policy is to ensure it will always have sufficient cash to allow it to meet its liabilities when they become due.

The Group's debt and other liabilities commit it to future cash outflows. The funds to meet these commitments will be provided by cash inflows from the Group's financial asset. The security of the cash inflows from the financial asset is addressed in the credit risk note 17.3.2.

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The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

Group Financial Liabilities At 31 July 2020	Up to 1 Year £	1-2 Years £	3 – 5 Years £	Over 5 Years £	Total Liability £	Total Carrying Value £
Trade and other payables	540,410	-	-	-	540,410	540,410
Guaranteed index linked secured bond	7,365,503	7,611,916	24,404,669	259,158,731	298,540,819	151,370,897
Financial Guarantee fee payable to AGL	98,634	98,483	292,802	1,356,816	1,846,735	1,559,589
	8,004,547	7,710,399	24,697,471	260,515,547	300,927,964	153,470,896
At 31 July 2019	Up to 1 Year £	1-2 Years £	3 – 5 Years £	Over 5 Years £	Total Liability £	Total Carrying Value £
Trade and other payables	569,729	-	-	-	569,729	569,729
Guaranteed index linked secured bond	7,210,687	7,426,946	23,809,183	269,795,085	308,241,901	151,305,153
Financial Guarantee fee payable to AGL	99,763	99,456	296,767	1,465,917	1,961,903	1,620,341
	7,880,179	7,526,402	24,105,950	271,261,002	310,773,533	153,495,223

17.4 UNDRAWN COMMITTED BORROWING FACILITIES

At the year-end the Group had no undrawn committed borrowing facilities (2019: Nil)

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17.5 FAIR VALUE OF FINANCIAL INSTRUMENTS

GROUP

The comparison of book and fair values of all the Group's financial assets and liabilities at the year-end is set out below:

	2020		Restated 2019	
	Carrying Amount	Fair value	Carrying amount	Fair value
	£	£	£	£
Financial Asset	165,425,327	165,425,327	162,693,983	162,693,983
Cash at bank and in hand	4,206,001	4,206,001	4,156,126	4,156,126
Long Term Cash Deposits	4,975,003	4,975,003	4,732,750	4,732,750
Trade and other receivables	18,667	18,667	212,584	212,584
Trade and other payables	(540,410)	(540,410)	(569,729)	(569,729)
Guaranteed index linked secure bond	(151,370,897)	(248,679,488)	(151,305,153)	(241,993,311)
Assured Guaranty Liability	(1,559,589)	(1,559,589)	(1,620,341)	(1,620,341)
	21,154,102	(76,154,489)	18,300,220	72,387,938

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. For bank and other loans, carrying fixed rates of interest, included within long term borrowings, the repayments which the company is committed to make have been discounted at the relevant interest rates applicable at 31 July 2020.

Guaranteed index linked secured bonds, included at fair value have been valued using published bond price indices at 31 July 2020.

Group and Company	Level 1		Level 2		Level 3	
	2020 £	2019 £	2020 £	2019 £	2020 £	2019 £
Financial Assets held at fair value						
Financial Asset	-	-	-	-	165,425,327	162,693,983

The valuation technique and significant unobservable inputs used in determining the fair value measurement of level 2 & 3 financial instruments, as well as inter-relationship between key unobservable inputs and fair value, are set out in the table below:

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Financial Instrument	Valuation techniques used	Significant unobservable inputs (level 3 only)	Inter-relationship between key unobservable inputs and fair value
Derivative financial asset	The net of revenues generated by the asset less associated costs are used to derive a fair value using a discount factor comprising the latest Bank of England RPI forecast plus the 2.108% coupon on the issued bonds.	-Rental income from the University -Licence income from the University -Facilities management payment to the University -Bond insurance payment made to Assured Guaranty	The present value of these inputs is used to drive the fair value calculation.
Cash and deposits	The carrying amount of cash & deposits approximates its fair value.	Not applicable	
Trade and other receivables & payables	The carrying amount of short term trade receivable and payables approximates its fair values.	Not applicable	
Index linked bond	Guaranteed index linked secured bonds, included at fair value have been valued using published bond price indices at 31 July 2020.		

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18. NOTE SUPPORTING THE CASH FLOW STATEMENT

Non-cash transactions from bond financing activities are shown in the reconciliation of liabilities from financing transactions set out below

Financial liabilities-	2020 £	2019 £
Note 17		
Opening balance	152,925,494	151,238,521
Cash flows	(7,310,409)	(7,064,290)
Non cash flows:		
Finance cost	7,315,401	8,751,263
Closing balance	<u>152,930,486</u>	<u>152,925,494</u>

19. SHARE CAPITAL

COMPANY	A Ordinary shares of £1 each £	B1 Ordinary shares of £1 each £	Authorised B2 Ordinary shares of £1 each £	C Ordinary shares of £1 each £	Total £
At beginning and end of year	49,850	25	25	100	50,000

	A Ordinary shares of £1 each £	Allotted, called up and fully paid- B1 Ordinary shares of £1 each £	B2 Ordinary shares of £1 each £	C Ordinary shares of £1 each £	Total £
At beginning and end of year	49,850	25	25	100	50,000

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With the exception of the rights listed below, the four classes of authorised share capital rank *pari passu* to each other in all respects.

Income

Any income that is distributed by the company will be allocated between the classes of shares on the basis of a non-cumulative dividend in the following percentages: 9.5%, 40%, 50.5% to A, B and C Ordinary shareholders respectively with B1 Ordinary and B2 Ordinary shares taken as one class for this purpose.

On winding up

The assets and retained profits of the company available for distribution among the members following the payment of any arrears of dividends and amounts credited as paid up on the relevant shares will be allocated on the basis of the percentages detailed above.

Votes

A Ordinary shares, B1 Ordinary shares and B2 Ordinary shares are classed as non-voting shares and the holders of these classes of shares do not have any entitlement to vote on any matters.

Appointment of directors

Holders of A Ordinary shares, B1 Ordinary shares and B2 Ordinary shares do not have the right to appoint directors of the company at any time.

20. RESERVES

Retained earnings records all current and prior period retained profits and losses.

21. CAPITAL COMMITMENTS

There were no capital commitments at the beginning or end of the financial year.

22. RELATED PARTY TRANSACTIONS

During the year £83,997 (2019: £82,243), inclusive of VAT, was charged by Wilmington Trust SP Services (London) Limited for corporate services provided to Keele Residential Funding Plc and £9,893 (2019: £9,668) was charged by Wilmington Trust SP Services (London) Limited for corporate services provided to KRF Management Limited. Keele University charged Keele Residential Funding Plc £49,977 (2019: £48,877) and KRF Management Ltd £6,664 (2019: £6,517) for accounting and administration services.

At the year-end a balance of £Nil (2019: £41,531) was due to Wilmington Trust SP Services (London) Limited, £Nil (2019: £28,800) was due by Keele Residential Funding Plc to KRF Management Ltd, £Nil (2019: £28,281) was due by KRF Management Ltd to Keele Residential Funding Plc and £410,823 (2019: £469,865) was due by KRF Residential Funding Plc to Keele University.

Wilmington Trust SP Services (London) Limited is a director of Keele Residential Funding plc and Mr Wynne is a director of Wilmington Trust SP Services (London) Limited.

23. POST BALANCE SHEET EVENTS

Covid-19 and the UK Government's efforts to contain the virus continue. The University is reporting good levels of recruitment. Further comments on this and the views of the directors are contained in the going concern statement in the Directors' report on page 4

KRF Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2020

24. CONTINGENT LIABILITIES

There are no contingent liabilities to report.

25. ULTIMATE CONTROLLING PARTY

The ultimate controlling shareholder is the Millslade Charitable Trust. The 'B' & 'C' 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.

26. PRIOR YEAR ADJUSTMENTS

Previous accounts have noted that the Company has a guaranteed investment contract in place dating from 2007 which matures in December 2029 and will then enable the Company to discharge liabilities in the form of a deferred premium payable to the University and SDLT liability due on the lease. The deferred obligation to the University and the deferred associated transaction costs of the lease were not accounted for in previous years in error.

In line with current accounting practise, a provision should be recognised on the balance sheet relating to the SDLT as a deferred transaction cost and the value of the Financial Asset should be reduced by the value of the liability to the University.

The impact of these adjustments to the reported prior year net assets can be summarised as below:

GROUP	31/07/2019 £'000	01/08/2018 £'000
Closing net (liabilities)/assets as originally reported	20,930	18,312
Net asset restatement in respect of:		
(i) Deferred Premium adjustment to the Financial Asset	(3,013)	(2,867)
(ii) SDLT Liability	(1,720)	(1,636)
Total net asset restatement	(4,733)	(4,503)
Restated closing net assets	16,197	13,809

KRF Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2020

	31/07/2018 reported £'000	31/07/2018 Adj. £'000	31/07/2018 restated £'000	31/07/2019 reported £'000	31/07/2019 Adj. £'000	31/07/2019 restated £'000
Assets						
Non-current assets						
Financial Assets	154,284	(2,867)	151,417	158,494	(3,013)	155,481
Other Financial Assets	4,503	-	4,503	4,733	-	4,733
Current assets						
Trade and other receivables	265	-	265	213	-	213
Financial Assets	7,002	-	7,002	7,213	-	7,213
Cash and cash equivalents	3,675	-	3,675	4,156	-	4,156
Total assets	<u>169,729</u>	<u>(2,867)</u>	<u>166,862</u>	<u>174,809</u>	<u>(3,013)</u>	<u>171,796</u>
Liabilities						
Current liabilities						
Trade and other payables	(178)	-	(178)	(570)	-	(570)
Financial Liabilities	(471)	-	(471)	(977)	-	(977)
Corporation Tax	-	-	-	(383)	-	(383)
Non-current liabilities						
Provisions	-	(1,636)	(1,636)	-	(1,720)	(1,720)
Financial Liabilities	(150,768)	-	(150,768)	(151,949)	-	(151,949)
Total liabilities	<u>(151,417)</u>	<u>(1,636)</u>	<u>(153,053)</u>	<u>(153,879)</u>	<u>(1,720)</u>	<u>(155,599)</u>
Net assets	<u>18,312</u>	<u>(4,503)</u>	<u>13,809</u>	<u>20,930</u>	<u>(4,733)</u>	<u>16,197</u>
Reserves	<u>18,312</u>	<u>(4,503)</u>	<u>13,809</u>	<u>20,930</u>	<u>(4,733)</u>	<u>16,197</u>