

# KRF Holdings Limited

## REPORT AND FINANCIAL STATEMENTS

31 July 2022

Company Registration No. 03840094 (England & Wales)

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# KRF Holdings Limited

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# KRF Holdings Limited

## DIRECTORS AND ADVISORS

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### DIRECTORS

Wilmington Trust SP Services (London) Limited  
Daniel Wynne  
Christopher John Duffy

### 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

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### PRINCIPAL ACTIVITIES

The principal activity of the Group and its subsidiaries is the management of a Financial Asset and its component elements 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 2022, the Group achieved total income of £7,873,064 (2021: £7,983,897) and the result for the year after tax, was a profit of £9,788,545 (2021: £1,835,442). Both rental income and associated expenditure were in line with expectations. This has driven the increase in net assets to £30,586,905 (2021: £20,798,360). The gain on the revaluation of the financial asset is £16,876,604 compared with a loss of £1,297,333 in the previous year. Finance costs are also significantly increased from £5,143,990 to £14,900,657. The increase in both the finance costs and gain on the revaluation of financial assets are due to the increase in the inflation rate during the year.

No dividend was proposed or paid (2021: £nil).

The directors believe that the accommodation units related to the company's financial asset will continue to attract student tenants at realistic rents throughout 2022 – see going concern statement. Average occupancy of total accommodation units on which the company receives its income during the year 2022 was marginally lower than expected covering the occupancy period to June 2022 due to the covid situation. This did not affect KRF rental income for the year to 31 July 2022 as the University continued to pay the contractual obligations under the financial arrangements with KRF. Low occupancy rates may affect the University's ability to make payments to KRF though this risk is deemed to be low as the University has continued to pay all amounts since inception of the agreements and the income from the University is supported by the occupancy levels that are not expected to be materially affected in the coming year as the University reports good levels of recruitment and accommodation occupation for the start of 2022/23 student year.

The key business risks affecting the company come from:

- Under-occupation of the available accommodation units;
- Increases in the underlying costs and income related to the movements in underlying inflation rate; and
- Failure to achieve anticipated income from the Financial Asset.

The directors judge the performance of the business by reference to the overall income achieved from its Financial Asset. 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 Company is such that the key policies have been predetermined at the time of issuance. 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 Company's purpose and business objectives, safeguard the assets and promote the success of the Company with a long term view and in accordance with relevant securitisation legislation the Company is only permitted to retain minimal profit.
- The matters set out in subsections (b)–(f) of s172 have limited relevance in the year given the nature of the company as a vehicle for holding listed debt. The directors of the company have not been required to make any decision in the year other than routine or administrative decisions.
- Key stakeholders include Wilmington Trust (provision of directorship and governance services), Keele University (primary source of income) and Assured Guaranty (insurance guarantor). The Company engages with the key stakeholder on an as required basis to comply with operational and financial requirements.

# KRF Holdings Limited

## STRATEGIC REPORT

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### FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to two key principal risks, cash flow risk and liquidity risk. More details are provided in Note 17 in respect of the fair value, market value and interest rate risk.

#### *Cash flow risk*

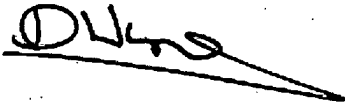
The Group's main cash flow risk is the timely receipt of the contracted rental income stream from the University. This is mitigated by ensuring proper maintenance of the accommodation by the University and recruitment of students into that accommodation. The University advises that it does not expect any interruption to rent flows to KRF during 22/23. The University will fund any shortfall in rental income due to low occupancy rates, though this is deemed low risk. If there is a shortfall in rental income then it would add greater financial strain on the University resources that may lead to the University not making the required payments.

#### *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. This has resulted in July 2022 in the deferral of approximately £1.3 million of operating payments owed to the University. See going concern statement.

Exposure to market risk should also be noted by virtue of the financial asset, as well as interest rate risk due to the index linked bonds issued by the Group.

By order of the board



**D Wynne**  
Director

9 February 2023

# KRF Holdings Limited

## DIRECTORS' REPORT

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The directors submit their report and the audited financial statements for the year ended 31 July 2022.

### DIRECTORS

The following directors have held office during the year:

Wilmington Trust SP Services (London) Limited  
Daniel Wynne  
Christopher John Duffy

At the time this report is approved, and during the financial year, the Group has put in place indemnity insurance for all of the Directors.

### GOING CONCERN

The University has advised the Directors that there will be no restrictions on the quantity of rooms available in its Halls of Residence. Levels of confirmed student places for September 2022 entry are good and the University has confirmed that they are in line with budgets. Demand levels for the University accommodation are very good and rental flows to KRF through 2022/23 are expected to be uninterrupted. Occupancy rates as of September 2022 are approximately 96% and are expected to increase slightly.

The Directors have prepared cashflow forecasts that cover at least twelve months from the authorisation of these financial statements. The Directors have not identified a material uncertainty that may give rise to significant over the ability of the Group and the Company to continue as a going concern. Student recruitment has been strong for the 2022/23 intake leading to increased assurance on income streams. Keele University has committed to ensuring that rental payments to the Group will be maintained as per the terms of the Letting Services Agreement.

Rent payments from the University are expected to continue as anticipated in line with their contractual obligations.

Due to the current inflationary environment, the Group did not pay the entire contractual operating payment in July 2022 with approximately £1.3 million still due to Keele University. In addition, the forecasts indicated that the Group would not have sufficient cash to settle its debt obligations without a further deferral of the July 2023 operating payment. As a result, after the year end, Keele Residential Funding Plc and Keele University have contractually agreed to defer the settlement of £1.3 million relating to the July 2022 payment, as well as £1.2 million in respect of July 2023 operating payment.

The University has confirmed that both of these amounts will not be called before the bond holder payments expected in January 2024 although these deferrals remain contractually owed. The Directors expect the impact of inflation on the Group's cashflow to subside and the Group to be able to settle both the deferred operating payments and subsequent ones.

As a result of these agreements and the forecasts, the Group and Company therefore are expected to have sufficient cash to settle its financial obligations over the going concern period of at least 12 months from the date of these financial statements.

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 Company 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.

# KRF Holdings Limited

## DIRECTORS' REPORT

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### AUDIT INFORMATION

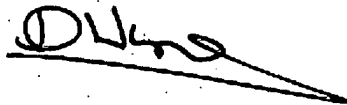
Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- 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 Annual General Meeting.

By order of the board



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

9 February 2023

# KRF Holdings Limited

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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### **Directors' responsibilities**

The directors are responsible for preparing the annual report and the financial statements in accordance with UK adopted international accounting standards and applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the group financial statements and have elected to prepare the company financial statements in accordance with UK adopted international accounting standards. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss for the group for that period.

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 they have been prepared in accordance with UK adopted international accounting standards, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business;
- prepare a directors' report, a strategic report and directors' remuneration report which comply with the requirements of the Companies Act 2006.

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.

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. The Directors are responsible for ensuring that the annual report and accounts, taken as a whole, are fair, balanced, and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy.

### **Website publication**

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

### **Directors' responsibilities pursuant to DTR4**

The directors confirm to the best of their knowledge:

- The financial statements have been prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit and loss of the group and company.

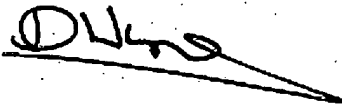


# KRF Holdings Limited

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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- The annual report includes a fair review of the development and performance of the business and the financial position of the group and company, together with a description of the principal risks and uncertainties that they face.



**D Wynne**  
Director

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9 February 2023

# KRF Holdings Limited

## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF KRF HOLDINGS LIMITED

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### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KRF HOLDINGS LIMITED

#### *Opinion on the financial statements*

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 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards, 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 the Companies Act 2006.

We have audited the financial statements of KRF Holdings Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 July 2022 which comprise the consolidated income statement, the consolidated and company balance sheet, the consolidated cash flow statement, the consolidated and company statement of changes in equity and 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 UK adopted international accounting standards, and as regards the Parent Company financial statements, as applied in accordance with the provisions of the 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence*

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, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

#### *Conclusions relating to going concern*

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group or Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

# KRF Holdings Limited

## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF KRF HOLDINGS LIMITED

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### ***Other information***

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

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

### ***Other Companies Act 2006 reporting***

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.

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 in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or 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, 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 and the Parent Company'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 the Parent Company or to cease operations, or have no realistic alternative but to do so.

# KRF Holdings Limited

## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF KRF HOLDINGS LIMITED

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### *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 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.

### *Extent to which the audit was capable of detecting irregularities, including fraud*

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and the relevant tax compliance regulations in the jurisdictions in which the Group operates, of which the significant laws and regulations were determined to be those relating to the reporting framework (UK adopted international accounting standards), the Companies Act 2006 and taxation legislation. We obtained our understanding through enquiries of management and corroborated our enquiries through our review of board minutes.
- We agreed the financial statement disclosures to underlying supporting documentation, where relevant.
- We involved our internal tax specialists in the review of the Group's tax compliance with relevant legislation.
- We enquired of management and obtained and reviewed supporting documentation, concerning the Group's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they had knowledge of any actual, suspected, or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of management override of controls) and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates. Based on our understanding of the environment and assessment of the incentive and opportunity for fraud we carried out the following procedures:
  - Journal entry testing, with a focus on journals indicating large or unusual transactions based on our understanding of the business and manual consolidation entries by agreeing to supporting documentation; and
  - Challenging the assumptions and judgements made by management in respect of significant accounting estimates, in particular the estimation of the valuation of the financial asset as set out in the key audit matters section above.

# KRF Holdings Limited

## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF KRF HOLDINGS LIMITED

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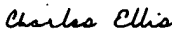
- We communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

### 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.

DocuSigned by:  
  
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Charles Ellis (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
London, UK

10 February 2023

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 2022

	Note	<b>2022</b>	<b>2021</b>
		<b>Group</b>	<b>Group</b>
		<b>£</b>	<b>£</b>
<b>CONTINUING OPERATIONS</b>			
REVENUE	4	<b>7,873,064</b>	7,983,897
Administrative expenses		<b>(330,383)</b>	(349,559)
Gain / (Loss) on financial asset	10	<b>16,876,604</b>	(1,297,333)
<b>PROFIT FROM OPERATIONS</b>	5	<b>24,419,285</b>	6,337,005
Finance costs	7	<b>(14,900,657)</b>	(5,143,990)
Finance income	8	<b>269,917</b>	259,046
<b>PROFIT BEFORE TAX</b>		<b>9,788,545</b>	1,452,061
Income tax credit	9	<b>-</b>	383,381
<b>PROFIT FOR THE YEAR</b>		<b>9,788,545</b>	1,835,442
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>9,788,545</b>	1,835,442
<b>ATTRIBUTABLE TO:</b>			
<b>EQUITY HOLDERS OF THE PARENT</b>		<b>9,788,545</b>	1,835,442

No separate Statement of Other Comprehensive Income has been presented as the Group has no items of Other Comprehensive Income.

**KRF Holdings Limited**  
REGISTERED NUMBER: 03840094  
**CONSOLIDATED BALANCE SHEET**  
At 31 July 2022

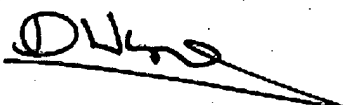
	Note	2022 Group £	2021 (Restated) Group £
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Financial Asset	10	173,173,739	156,317,483
Other financial assets	12	5,495,863	5,228,952
<b>TOTAL NON-CURRENT ASSETS</b>		<b>178,669,602</b>	<b>161,546,435</b>
<b>CURRENT ASSETS</b>			
Financial Asset	10	7,830,859	7,810,511
Trade and other receivables	13	23,080	22,500
Cash and cash equivalents	14	4,901,757	4,276,374
<b>TOTAL CURRENT ASSETS</b>		<b>12,755,696</b>	<b>12,109,385</b>
<b>TOTAL ASSETS</b>		<b>191,425,298</b>	<b>173,655,820</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	(1,368,320)	(411,124)
Financial liabilities	16	(5,011,992)	(4,399,219)
Taxation	9	-	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>(6,380,312)</b>	<b>(4,810,343)</b>
<b>NON-CURRENT LIABILITIES</b>			
Financial liabilities	16	(152,458,392)	(146,144,544)
Provision	25	(1,999,689)	(1,902,573)
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>(154,458,081)</b>	<b>(148,047,117)</b>
<b>TOTAL LIABILITIES</b>		<b>(160,838,393)</b>	<b>(152,857,460)</b>
<b>NET ASSETS</b>		<b>30,586,905</b>	<b>20,798,360</b>
<b>EQUITY</b>			
Share capital	19	50,000	50,000
Retained earnings	20	30,536,905	20,748,360
<b>ISSUED CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS</b>		<b>30,586,905</b>	<b>20,798,360</b>
<b>TOTAL EQUITY</b>		<b>30,586,905</b>	<b>20,798,360</b>

**KRF Holdings Limited**  
**COMPANY BALANCE SHEET**  
At 31 July 2022

	Note	<u>2022</u>	<u>2021</u>
		Company £	Company £
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Investments	11	50,000	50,000
<b>TOTAL NON CURRENT ASSETS</b>		<b>50,000</b>	<b>50,000</b>
<b>NET ASSETS</b>		<b>50,000</b>	<b>50,000</b>
<b>EQUITY</b>			
Share capital	19	50,000	50,000
Retained earnings		-	-
<b>ISSUED CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS</b>		<b>50,000</b>	<b>50,000</b>
<b>TOTAL EQUITY</b>		<b>50,000</b>	<b>50,000</b>

The company was dormant during the year ended 31 July 2022 and therefore no separate individual income statement is included in the annual accounts.

The financial information on pages 12 to 38 was approved by the board of directors and authorised for issue on 9 February 2023 and was signed on its behalf by:



**D Wynne**  
Director



**KRF Holdings Limited**  
**CONSOLIDATED CASH FLOW STATEMENT**  
For the year ended 31 July 2022

	Note	2022	2021 (Restated)
		Group £	Group £
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit for the year		9,788,545	1,835,442
<i>Adjustments for:</i>			
Finance costs		14,900,657	5,143,990
Finance income		(269,914)	(259,046)
(Gain)/Loss on Financial Asset		(16,876,604)	1,297,333
Income tax credit		-	(383,381)
		<u>7,542,684</u>	<u>7,634,338</u>
(Increase) in trade and other receivables		(583)	(3,834)
Increase/ (decrease) in trade and other payables		<u>957,196</u>	<u>(129,286)</u>
<b>CASH GENERATED BY OPERATIONS</b>		<u>8,499,297</u>	<u>7,501,218</u>
Income tax paid			
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>		<u>8,499,297</u>	<u>7,501,218</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Finance income		3,006	5,097
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>		<u>3,006</u>	<u>5,097</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payment made on bonds - principal	26	(4,335,735)	(3,982,292)
Payment made on bonds - interest		(3,541,185)	(3,453,650)
<b>NET CASH OUTFLOW FROM FINANCING ACTIVITIES</b>		<u>(7,876,920)</u>	<u>(7,435,942)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<u>625,383</u>	<u>70,373</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		<u>4,276,374</u>	<u>4,206,001</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	14	<u>4,901,757</u>	<u>4,276,374</u>

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 2022

GROUP	Note	Share Capital	Retained Earnings	Total
		£	£	£
Balance as at 31 July 2020		50,000	18,912,918	18,962,918
Total comprehensive income for the year		-	1,835,442	1,835,442
Balance as at 31 July 2021		50,000	20,748,360	20,798,360
Total comprehensive income for the year		-	9,788,545	9,788,545
<b>Balance as at 31 July 2022</b>		<b>50,000</b>	<b>30,536,905</b>	<b>30,586,905</b>

COMPANY	Note	Share Capital	Retained Earnings	Total
		£	£	£
Balance as at 31 July 2020		50,000	-	50,000
Total comprehensive income for the year		-	-	-
Balance as at 31 July 2021		50,000	-	50,000
Total comprehensive income for the year		-	-	-
<b>Balance as at 31 July 2022</b>		<b>50,000</b>	<b>-</b>	<b>50,000</b>

# KRF Holdings Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2022

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### 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.

#### 2.2 BASIS OF PREPARATION

The Group financial statements have been prepared in accordance with UK adopted international accounting standards.

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 University has advised the Directors that there will be no restrictions on the quantity of rooms available in its Halls of Residence. Levels of confirmed student places for September 2022 entry are good and the University has confirmed that they are in line with budgets. Demand levels for the University accommodation are very good and rental flows to KRF through 2022/23 are expected to be uninterrupted. Occupancy rates as of September 2022 are approximately 96% and are expected to increase slightly.

The Directors have prepared cashflow forecasts that cover at least twelve months from the authorisation of these financial statements. The Directors have not identified a material uncertainty that may give rise to significant over the ability of the Group and the Company to continue as a going concern. Student recruitment has been strong for the 2022/23 intake leading to increased assurance on income streams. Keele University has committed to ensuring that rental payments to the Group will be maintained as per the terms of the Letting Services Agreement.

Rent payments from the University are expected to continue as anticipated in line with their contractual obligations.

Due to the current inflationary environment, the Group did not pay the entire contractual operating payment in July 2022 with approximately £1.3 million still due to Keele University. In addition, the forecasts indicated that the Group would not have sufficient cash to settle its debt obligations without a further deferral of the July 2023 operating payment. As a result, after the year end, Keele Residential Funding Plc and Keele University have contractually agreed to defer the settlement of £1.3 million relating to the July 2022 payment, as well as £1.2 million in respect of July 2023 operating payment.

# KRF Holdings Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2022

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The University has confirmed that both of these amounts will not be called before the bond holder payments expected in January 2024 although these deferrals remain contractually owed. The Directors expect the impact of inflation on the Group's cashflow to subside and the Group to be able to settle both the deferred operating payments and subsequent ones.

As a result of these agreements and the forecasts, the Group and Company therefore are expected to have sufficient cash to settle its financial obligations over the going concern period of at least 12 months from the date of these financial statements.

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 Company 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.

### 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 income 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.

# KRF Holdings Limited

## NOTES TO THE FINANCIAL STATEMENTS

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For the year ended 31 July 2022

### 2.7 ADMINISTRATION COSTS

The Group recognises administration costs on an accruals basis.

### 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

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. This financial asset is measured at fair value as the cashflows arising do not represent the payments of solely principal and interest as cashflows are dependent upon movements in RPI. 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.

# KRF Holdings Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2022

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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 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.

### 2.11 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.

### 2.12 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.

### 2.13 PROVISIONS POLICY

A provision will be recognised if a present obligation has arisen as a result of a past event (the obligating event), payment is probable ('more likely than not'), and the amount can be estimated reliably.

### 2.14 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

# KRF Holdings Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2022

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.

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 Asset 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 2022 is 2% and is based on the prevailing Bank of England RPI forecast available at the balance sheet date. 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.

The fair value of the financial asset would be £19,410,561 (2021 - (£18,122,906)) lower if the discount rate was 1 basis point higher.

The fair value of the financial asset would be £19,249,278 higher if the long-term inflation was 1% higher on an annual basis, than the 2% long term inflation used.

### 4. REVENUE

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

	2022 Group £	2021 Group £
<i>Continuing operations:</i>		
Interest on the Financial Asset	7,704,545	7,723,167
Movement in Financial Asset	168,519	260,730
	<u>7,873,064</u>	<u>7,983,897</u>

The Group earns all of its revenue from a single entity which operates in the UK.

# KRF Holdings Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2022

### 5. PROFIT FROM OPERATIONS

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

	2022 £	2021 £
Gain/(loss) on financial asset revaluation (note 10)	16,876,604	(1,297,333)
<i>Auditors' remuneration</i>		
Audit services	50,000	64,779
Prior periods taxation services	-	-

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

### 6. STAFF COST

#### Group & Company

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

	2022	2021
Head office and administration	2	2

Staff remuneration in the year ended 31 July 2022 amounted to £nil (2021 - £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. Keele Residential Funding Plc pays Wilmington Trust SP Services (London) Limited for corporate services as disclosed in note 22 of the Financial Statements.

### 7. FINANCE COSTS

Group	2022 £	2021 £
Interest on secured bond	3,442,592	3,355,409
Accretion on secured bond	11,004,956	1,358,508
Amortisation of bond arrangement fee	297,846	297,846
Interest on AGL liability	58,147	37,456
Interest on GIC liability provision	97,116	94,771
	<u>14,900,657</u>	<u>5,143,990</u>

### 8. FINANCE INCOME

Group	2022 £	2021 £
Interest on short and long term cash balances	<u>269,917</u>	<u>259,046</u>



# KRF Holdings Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2022

### 9. INCOME TAX EXPENSE

Group	2022 £	2021 £
<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 (expense)/credit in income statement	<u>-</u>	<u>383,381</u>

#### *Reconciliation of effective tax rate*

	2022 £	2021 £
Group profit before tax	<u>9,788,545</u>	<u>1,452,061</u>
Tax using the UK corporation tax rate of 19% (2021:19%)	(1,859,824)	(275,892)
<b>EFFECT OF:</b>		
Adjustment to previous year tax	-	383,381
Unprovided bought forward losses	548,474	120,101
Annual allowance on lease premiums paid	168,352	168,594
Other permanent differences	<u>1,142,998</u>	<u>(12,803)</u>
<b>Total current tax charge/credit and effective rate of tax</b>	<u>-</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 £44,424,481 (2021: £47,324,630). 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.

# KRF Holdings Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2022

### 10. FINANCIAL ASSET

Group & Company	2022	2021
	£	£
<i>Fair value</i>		
At beginning of year	164,127,994	165,425,327
Increase/(reduction) in fair value in the year	16,876,604	(1,297,333)
At end of year	181,004,598	164,127,994
Value of the Financial Asset in 1 year	7,830,859	7,810,511
Value of the Financial Asset in greater than 1 year	173,173,739	156,317,483
<b>Total Financial Asset Value</b>	<b>181,004,598</b>	<b>164,127,994</b>

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 2022 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 cashflows underlying the financial asset valuation also considers the impact of inflation on these expected cashflows. The discount rate used in the valuation is considered in more detail in note 3.1 as a key input in the estimate of the fair value of the financial asset.

The longer-term cashflows are forecasted to increase annually by 2.5% after an initial expectation of the increases in inflation that are largely forecast by the current inflationary market. We note that material changes in inflation may impact the valuation of the asset though a sharp near term spike is more likely to affect the valuation as longer term movements in inflation are likely to be offset by the discount rate (refer to 3.1).

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

### 11. INVESTMENT IN SUBSIDIARY

Company	2022 Shares in subsidiaries £	2021 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 2022 are as follows:

# KRF Holdings Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2022

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 & Company	2022 £	2021 £
Long term cash investment	<u>5,495,863</u>	<u>5,228,952</u>

Under the terms of the financial arrangements with the University of Keele, a portion of the premium due under the arrangement 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. The effective interest rate is 5.04% (2021: 5.04%).

### 13. TRADE AND OTHER RECEIVABLES

Group	2022 £	2021 £
<i>Amounts falling due within one year:</i>		
Prepayments and accrued income	23,080	22,500
	<u>23,080</u>	<u>22,500</u>
 Company	 2022 £	 2021 £
<i>Amounts falling due within one year:</i>		
Prepayments and accrued income	23,083	22,500
	<u>23,083</u>	<u>22,500</u>

### 14. CASH AND CASH EQUIVALENTS

# KRF Holdings Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2022

<b>Group</b>	<b>2022</b> <b>£</b>	<b>2021</b> <b>£</b>
Cash at bank and in hand	<u>4,901,757</u>	<u>4,276,374</u>

<b>Company</b>	<b>2022</b> <b>£</b>	<b>2021</b> <b>£</b>
Cash at bank and in hand	<u>4,842,416</u>	<u>4,233,070</u>

### 15. TRADE AND OTHER PAYABLES

<b>Group</b>	<b>2022</b> <b>£</b>	<b>2021</b> <b>£</b>
Trade payables	1,312,000	350,406
Accruals and deferred income	56,320	56,225
Social Security and other taxes	—	4,493
	<u>1,368,320</u>	<u>411,124</u>

<b>Company</b>	<b>2022</b> <b>£</b>	<b>2021</b> <b>£</b>
Trade payables	1,312,000	350,406
Accruals and deferred income	50,290	52,050
Social Security and other taxes	—	3,349
	<u>1,362,290</u>	<u>405,805</u>

### 16. FINANCIAL LIABILITIES

#### Group & Company

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

	<b>Current</b>		<b>Non-Current</b>	
	<b>2022</b>	<b>2021</b> (Restated)	<b>2022</b>	<b>2021</b> (Restated)
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Guaranteed secured bond (see note 16.1 and Note 26)	4,949,267	4,335,735	151,064,822	144,709,224
Financial Guarantee fee payable to AGL (see note 16.2)	62,725	63,484	1,393,570	1,435,320

# KRF Holdings Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2022

5,011,992	4,399,219	152,458,392	146,144,544
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The guaranteed secure bond is shown net of unamortised loan arrangement fees of £7,297,251 (2021: £7,595,098).

### 16.1. GUARANTEED INDEX LINKED SECURED BOND

During July 2007 the Parent Company recalled the previous fixed rate bonds and issued new 2.108% guaranteed index linked secured bonds. Interest and principal payments are made half yearly with increases in bond payments linked to RPI. 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 2022 the principal outstanding on the new bonds, on a cash-paid basis, was £104,492,239 (2021: £107,326,458).

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 Parent 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 Parent Company, Citibank, N.A. and Assured Guaranty (UK) Ltd (AGL), the amount secured being all obligations which the Parent 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 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 2022 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 related mainly to the Financial Asset and 2.108% guaranteed index linked secured bonds. Any balance on retained earnings is timing differences resulting from

# KRF Holdings Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2022

differing accounting treatments applied to the assets and liabilities. No active management of capital is required. This capital strategy remains unchanged from 2020.

### 17.2. CATEGORIES OF FINANCIAL INSTRUMENTS

#### FINANCIAL ASSETS

##### GROUP

	2022		Total
	Fair Value through Profit & Loss £	At Amortised Cost £	£
Financial Asset	181,004,598	-	181,004,598
Cash at bank and in hand	-	4,901,757	4,901,757
Trade and other receivables	-	23,083	23,083
Financial investment	-	5,495,863	5,495,863
	<b>181,004,598</b>	<b>10,420,703</b>	<b>191,425,301</b>
	2021		
	Fair Value through Profit & Loss £	At Amortised Cost £	Total £
Financial Asset	164,127,994	-	164,127,994
Cash at bank and in hand	-	4,276,374	4,276,374
Trade and other receivables	-	22,500	22,500
Financial investment	-	5,228,952	5,228,952
	<b>164,127,994</b>	<b>9,527,826</b>	<b>173,655,820</b>

##### COMPANY

	2022		Total
	Fair Value through Profit & Loss £	At Amortised Cost £	£
Financial Asset	181,004,598	-	181,004,598
Cash at bank and in hand	-	4,842,416	4,842,416
Trade and other receivables	-	23,083	23,083
Financial investment	-	5,495,863	5,495,863
	<b>181,004,598</b>	<b>10,361,362</b>	<b>191,365,960</b>
	2021		
	Fair Value through Profit & Loss £	At Amortised Cost £	Total £
Financial Asset	164,127,994	-	164,127,994
Cash at bank and in hand	-	4,233,070	4,233,070

# KRF Holdings Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2022

Trade and other receivables	-	22,500	22,500
Financial investment	-	5,228,952	5,228,952
	164,127,994	9,484,522	173,612,516

### FINANCIAL LIABILITIES

#### GROUP

	Fair Value through Profit & Loss £	2022 Other Financial Liabilities £	Total £
Trade and other payables	-	(1,368,320)	(1,368,320)
Guaranteed index linked secured bond	-	(156,014,089)	(156,014,089)
Financial Guarantee fee payable to AGL	-	(1,456,295)	(1,456,295)
	-	(158,838,704)	(158,838,704)

	Fair Value through Profit & Loss £	2021 Other Financial Liabilities £	Total £
Trade and other payables	-	(350,406)	(350,406)
Guaranteed index linked secured bond	-	(149,044,959)	(149,044,959)
Financial Guarantee fee payable to AGL	-	(1,498,804)	(1,498,804)
	-	(150,894,169)	(150,894,169)

### FINANCIAL LIABILITIES COMPANY

	Fair Value through Profit & Loss £	2022 Other Financial Liabilities £	Total £
Trade and other payables	-	(1,362,290)	(1,362,290)
Guaranteed index linked secured bond	-	(156,014,089)	(156,014,089)
Financial Guarantee fee payable to AGL	-	(1,456,295)	(1,456,295)
	-	(158,832,674)	(158,832,674)

	Fair Value through Profit & Loss £	2021 Other Financial Liabilities £	Total £
Trade and other payables	-	(350,406)	(350,406)

# KRF Holdings Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2022

Guaranteed index linked secured bond	-	(149,044,959)	(149,044,959)
Financial Guarantee fee payable to AGL	-	(1,498,804)	(1,498,804)
	-	(150,894,169)	(150,894,169)

### 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.

#### **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 £519,604 (2021 - £533,697). 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. The exact timing of the indexation as regards the bond and cashflows pertaining to the Financial Asset differ which would result in short term differences.

#### **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 £181,004,598. 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 £181,004,598 (2021 - £167,179,048). 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 £4,901,757 (2021 - £4,276,374) and £5,495,863 (2021 -



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For the year ended 31 July 2022

£5,228,952) 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.

The following table sets out the contractual maturities (representing undiscounted contractual cashflows) of financial liabilities.

<b>Group Financial Liabilities At 31 July 2022</b>	<b>Up to 1 Year £</b>	<b>1-2 Years £</b>	<b>3 – 5 Years £</b>	<b>Over 5 Years £</b>	<b>Total Liability £</b>	<b>Total Carrying Value £</b>
Trade and other payables	1,368,320	-	-	-	1,368,320	1,368,320
Guaranteed index linked secured bond	7,774,268	8,731,158	28,331,754	281,351,280	326,188,460	156,014,089
Financial Guarantee fee payable to AGI	100,656	109,012	326,545	1,416,165	1,952,378	1,456,295
	<b>9,243,244</b>	<b>8,840,170</b>	<b>28,658,299</b>	<b>282,767,445</b>	<b>329,509,158</b>	<b>158,838,704</b>

<b>At 31 July 2021</b>	<b>Up to 1 Year £</b>	<b>1-2 Years £</b>	<b>3 – 5 Years £</b>	<b>Over 5 Years £</b>	<b>Total Liability £</b>	<b>Total Carrying Value £</b>
Trade and other payables	411,124	-	-	-	411,124	411,124
Guaranteed index linked	7,671,615	7,928,712	25,420,258	252,438,386	293,458,971	149,044,959

# KRF Holdings Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2022

secured bond Financial Guarantee fee payable to AGL	99,255	98,934	292,988	1,270,635	1,761,812	1,498,804
	8,181,994	8,027,646	25,713,246	253,709,021	295,631,907	150,954,887

<b>Company Financial Liabilities At 31 July 2022</b>	<b>Up to 1 Year £</b>	<b>1-2 Years £</b>	<b>3 – 5 Years £</b>	<b>Over 5 Years £</b>	<b>Total Liability £</b>	<b>Total Carrying Value £</b>
Trade and other payables	1,362,290	-	-	-	1,362,290	1,362,290
Guaranteed index linked secured bond Financial Guarantee fee payable to AGL	7,774,268	8,731,158	28,331,754	281,351,280	326,188,460	156,014,089
	100,656	109,012	326,545	1,416,165	1,952,378	1,456,295
	9,237,214	8,840,170	28,658,299	282,767,445	329,503,128	158,832,674

<b>At 31 July 2021</b>	<b>Up to 1 Year £</b>	<b>1-2 Years £</b>	<b>3 – 5 Years £</b>	<b>Over 5 Years £</b>	<b>Total Liability £</b>	<b>Total Carrying Value £</b>
Trade and other payables	405,805	-	-	-	405,805	405,805
	7,671,615					

# KRF Holdings Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2022

Guaranteed index linked secured bond						
Financial Guarantee fee payable to AGL	99,255	98,934	292,988	1,270,635	1,761,812	1,498,804
	8,176,675	8,027,646	25,713,246	253,709,021	295,626,588	150,949,568

### 17.4. UNDRAWN COMMITTED BORROWING FACILITIES

At the year-end the Group had no undrawn committed borrowing facilities (2021: Nil)

### 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:

	2022		2021	
	Carrying Amount £	Fair value £	Carrying amount £	Fair value £
Financial Asset	181,004,598	181,004,598	164,129,994	164,129,994
Cash at bank and in hand	4,901,757	4,901,757	4,276,374	4,276,374
Long Term Cash Deposits	5,495,863	5,495,863	5,228,952	5,228,952
Trade and other receivables	23,083	23,083	22,500	22,500
Trade and other payables	(1,368,320)	(1,368,320)	(411,124)	(411,124)
Guaranteed index linked secure bond	(156,014,089)	(216,287,963)	(149,044,959)	(248,753,215)
Assured Guaranty Liability	(1,456,295)	(1,456,295)	(1,498,804)	(1,498,804)
	32,586,597	(27,687,277)	22,702,933	(77,005,323)

#### COMPANY

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

	2022		2021	
	Carrying amount £	Fair value £	Carrying amount £	Fair value £
Financial Asset	181,004,598	181,004,598	164,127,994	164,127,994
Cash at bank and in hand	4,842,416	4,842,416	4,233,070	4,233,070
Long Term Cash Deposits	5,495,863	5,495,863	5,228,952	5,228,952

# KRF Holdings Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2022

Trade and other receivables	23,083	23,083	22,500	22,500
Trade and other payables	(1,362,290)	(1,362,290)	(405,805)	(405,805)
Guaranteed index linked secure bond	(156,014,089)	(216,287,963)	(149,044,959)	(248,753,215)
Assured Guaranty Liability	(1,456,295)	(1,456,295)	(1,498,804)	(1,498,804)
	<b>32,533,286</b>	<b>(27,740,588)</b>	<b>22,662,948</b>	<b>(77,045,308)</b>

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 2022.

Guaranteed index linked secured bonds, included at fair value have been valued using published bond price indices at 31 July 2022.

Group and Company	Level 1		Level 2		Level 3	
	2022 £	2021 £	2022 £	2021 £	2022 £	2021 £
Financial Assets held at fair value	-	-	-	-	-	-
Financial Asset	-	-	-	-	181,004,598	164,127,994

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:

Financial Instrument	Valuation techniques used	Significant unobservable inputs (level 3 only)	Inter-relationship between key unobservable inputs and fair value
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	

# KRF Holdings Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2022

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 2022.		

### 18. NOTE SUPPORTING CASH FLOW STATEMENT

#### Group & Company

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

Financial liabilities-	2022 £	2021 £
Note 17		
Opening balance	150,543,763	152,930,486
Cash flows	(7,876,920)	(7,435,942)
Non cash flows:		
Finance cost	14,803,541	5,049,219
Fair value changes	-	-
Closing balance	<u>157,470,384</u>	<u>150,543,763</u>

# KRF Holdings Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2022

### 19. SHARE CAPITAL

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

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

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.

# KRF Holdings Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2022.

### 21. CAPITAL COMMITMENTS

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

### 22. RELATED PARTY TRANSACTIONS

During the year £89,010 (2021: £84,561), inclusive of VAT, was charged by Wilmington Trust SP Services (London) Limited for corporate services provided to Keele Residential Funding Plc and £10,473 (2021: £9,954) was charged by Wilmington Trust SP Services (London) Limited for corporate services provided to KRF Management Limited. Keele University charged Keele Residential Funding Plc £53,980 (2021: £55,920) and KRF Management Ltd £7,197 (2021: £6,721) for accounting and administration services.

At the year-end a balance of £Nil (2021: Nil) was due to Wilmington Trust SP Services (London) Limited, £Nil (2021: Nil) was due by Keele Residential Funding Plc to KRF Management Ltd, £Nil (2021: Nil) was due by KRF Management Ltd to Keele Residential Funding Plc and £1,312,000 (2021: £350,406) 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. CONTINGENT LIABILITIES

There are no contingent liabilities to report.

### 24. 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.

### 25. LIABILITY PROVISION – GUARANTEED INVESTMENT CONTRACT

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.

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

	£
Balance 31 <sup>st</sup> July 2021	(1,902,573)
Interest on GIC Liability	(97,116)
Balance as at 31 <sup>st</sup> July 2022	<u>(1,999,689)</u>

# KRF Holdings Limited

## NOTES TO THE FINANCIAL STATEMENTS

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For the year ended 31 July 2022

### 26. PRIOR YEAR ADJUSTMENTS

#### **Cash flow statement**

In the prior year, bond repayment (principal and interest) was presented in both the consolidated and company statements of cash flows as a single line item under cash flows from financing activities. These principal and interest payments have been restated and are presented separately under cash flows from financing activities in accordance with the requirements of IAS 7 – Statement of Cash Flows.

The aggregate amounts in the prior year consolidated and company statements of cashflows of £7,435,942 relating to the bond repayment have therefore been restated such that the interest paid of £3,453,650 has been presented separately from the principal payment of £3,982,292 for the year ended 31 July 2021.

#### **Financial liability**

In the prior year, the entire bond liability was presented as non-current liability in both the consolidated and company balance sheets. This was due to the expected changes in inflation having a larger impact than the capital to be repaid such that the financial liability would not reduce in the coming year. Under the Bond Trust Deed however, there are repayments of bond capital each six months and therefore there is an obligation to make payments to the bond holders within twelve months of the balance sheet date.

As a result, the bond liability balance of £149,044,959 as at 31 July 2021 has been restated to present £4,335,735 as current liability and £144,709,224 as non-current liability in the consolidated and company balance sheet.

A third column is not required in both the consolidated and company balance sheet as this adjustment does not impact the amounts as of 1 August 2020.

The prior year adjustments above do not have any impact on both the profit for the current or prior year and net assets of the Group and Company as at the current and prior year balance sheet dates.