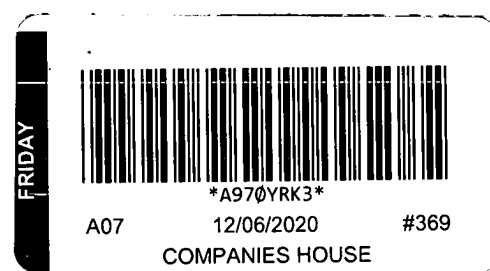


Keele Residential Funding plc

REPORT AND FINANCIAL STATEMENTS

31 July 2019

Company Registration No. 03840096 (England & Wales)



Keele Residential Funding plc

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Keele Residential Funding plc

DIRECTORS AND ADVISORS

DIRECTORS

Wilmington Trust SP Services (London) Limited

Daniel Wynne

Eileen Hughes (Resigned on 30 September 2019)

Christopher Duffy (Appointed on 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

Keele Residential Funding plc

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

During the year the Company elected to change the method of balance sheet accounting by the early adoption of the new leasing accounting standard, IFRS16 (see note 4). As a result, the Company now accounts its primary asset as a Financial Asset under IFRS - Financial Instruments, as opposed to the previous practice of accounting for a property asset and a lease liability. All comparatives have been restated on the new basis of accounting. It should be noted that all the Company's underlying operating and finance related transactions remain unchanged and the obligations of the parties under the legal agreements relating to the 2007 bond issue similarly remain unchanged. For the year 2019, the Group achieved total income £7,384,529 (2018: £7,053,268) and the result for the year after tax, was a profit of £2,617,796 (2018: £2,883,436 loss).

No dividend was proposed or paid (2018: £nil).

The directors believe that the company's accommodation units will continue to attract student tenants at realistic rents throughout 2020. Average occupancy of total accommodation units during the year 2019 was 98.1%.

The key business risks affecting the company come from:

- Under-occupation of the available accommodation units; and
- 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.

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.

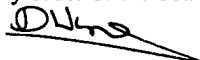
Cash flow risk

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.

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



D Wynne
Director

10th June 2020

Keele Residential Funding plc

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

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 remains contractually liable for transferring the contracted accommodation rent to KRF to enable KRF to fulfill its normal financial obligations for the year ending 31 July 2020. The University has confirmed to the directors its intention to remit the contracted rent. The Higher Education sector and students currently await UK Government guidance regarding the conditions under which attendance at University can proceed from the September 2020 semester.

ACCOUNTING POLICIES

As noted under the Directors' Responsibilities, the Directors are required to monitor evolving accounting standards and to select suitable accounting policies. The Directors have reviewed the new accounting standard for Leases, IFRS16, for implementation for year-ends beginning on or after 1 January 2019 and have concluded that the accounting presentation of the company's interest in the student accommodation at Keele University should be changed to be in accordance with IFRS9, Financial Instruments. Accordingly, these audited accounts show the company's interest in the student accommodation as a Financial Asset, instead of a leased property asset and an associated lease liability. A full analysis of the impact of the accounting change on reserves is available in note 4 of the accounts.

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.

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.

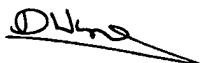
Keele Residential Funding plc

DIRECTORS' REPORT

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

10th June 2020

Keele Residential Funding plc

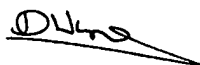
STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 Financial Reporting Standards (IFRS) as adopted by the European Union and applicable law. The financial statements must, in accordance with IFRS as adopted by the European Union, present fairly the financial position and performance of the company; such references in the UK Companies Act 2006 to such financial statements giving a true and fair view are references to their achieving a fair presentation. Under company law directors must not approve the financial statements unless they are satisfied that they give a true and fair view. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with IFRS as adopted by the European Union; 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

10th June 2020

Keele Residential Funding plc

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF KEELE RESIDENTIAL FUNDING PLC

Opinion

We have audited the financial statements of Keele Residential Funding plc (the 'Parent Company') and its subsidiary (the 'Group') for the year ended 31 July 2019 which comprise consolidated statement of comprehensive income, consolidated and company statement of financial position, consolidated and company statement of changes in equity, consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRS) as adopted by 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 2019 and of the Group's profit for the year then ended;
- The Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union
- the Parent Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union 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.

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 when students can return to university for the September 2020 semester as a result of the Covid 19 outbreak. These conditions indicate the existence of a material uncertainty which may cast significant doubt over the ability of the Group to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Keele Residential Funding plc

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF KEELE RESIDENTIAL FUNDING PLC

Key audit matter	How the matter was addressed in our audit
<p>Financial asset classification</p> <p>During the year the directors reviewed the arrangements between the Company and the University of Keele in advance of the introduction of the new lease accounting standard, IFRS 16.</p> <p>On review of this standard and the applicability to the Company's lease arrangements, the directors have concluded that the arrangements for its primary asset do not meet the definition of a lease within IFRS 16 or the predecessor standard IFRIC 4. The substance of the transaction is in line with the provisions of IFRS 9 whereby the company recognises a financial asset to the extent that it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the University of Keele.</p> <p>As a result, the Company now accounts for its primary asset as a Financial Asset under IFRS 9 - Financial Instruments, as opposed to the previous practice of accounting for the asset as an investment property under IAS 40.</p>	<p>We reviewed the various agreements between the Company and the University of Keele and considered factors including the background of the transaction and the terms of the licence agreement to assess the appropriateness of management's judgement that the transaction represented an arrangement that should be accounted for under IFRS 9.</p> <p>We reviewed the accounting for the prior period adjustment asset and the impact on the balance sheet and consolidated income statement in the current year and prior year to ensure that they have been accurately stated.</p> <p>We checked the disclosures in note 4 and 11 against the requirements of the relevant underlying framework and the related policies, judgements and estimates were adequately disclosed.</p> <p>Based on the work performed we concur with management's accounting treatment of its primary asset. We consider the disclosures at note 4 and 11 to be acceptable.</p>
<p>Valuation of financial asset (notes 2.10 and 3.1)</p> <p>The financial asset is the principal asset of the group. As explained in note 2.10, this financial asset is measured at fair value through profit and loss, and the determination of fair value involves significant judgement and estimation as explained in note 3.1.</p> <p>There is a risk that the carrying value is misstated if the inputs and assumptions underlying the valuation calculation, such as the discount rate applied is inappropriate.</p> <p>Because of the judgements involved in determining the fair value of the financial asset, we determined this area to be a key audit matter.</p>	<p>We obtained management's fair value calculations and considered the appropriateness of the methodology applied given the nature of the loan and various service agreements. Valuation inputs have been agreed to supporting documentation including the underlying agreements with Keele University and we have reviewed the client's fair value calculations to help assess their reasonableness.</p> <p>We have agreed the bond proceeds received of £137,450,000 to the Bond Trust Deed dated 13 July 2007. These bond proceeds was subsequently advanced to the University of Keele at a guaranteed rate of return. We have reviewed the Internal Rate of Return (IRR) needed to achieve a nil asset at the end of the loan term in 2047 and a guaranteed interest income on the financial asset over the life of the asset.</p>

Keele Residential Funding plc

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF KEELE RESIDENTIAL FUNDING PLC

	<p>We have reviewed the appropriateness of the discount rate of 4.108% which has been applied to the financial asset valuation. The discount rate comprises 2.108% which is the coupon rate of the issued bonds and an estimated 2% long term inflation rate which is considered reasonable.</p> <p>Based on the work that we have performed we are satisfied that the judgements made by management in relation to the valuation of the financial asset are appropriate.</p>
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Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in the evaluation of the effect of misstatements on the audit and in forming our audit opinion. Materiality is assessed on both quantitative and qualitative grounds.

Materiality	£1,748,000
Performance materiality	£1,311,000
Reporting threshold	£35,000

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements.

We determined materiality for the Group financial statements as a whole to be £1,748,000. This provides a basis for determining the nature and extent of our risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature and extent of further audit procedures.

The principal activity of the Group and Parent Company 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 of Keele for the maintenance of student accommodation. We set materiality for the Parent Company on the same basis as for the Group's materiality.

Given the principal activities of the Group we have set materiality in line with the asset base of the Group which is what we consider to be the most relevant to the users of the financial statements. This materiality is consistent with the level used for the prior year re-stated numbers.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessment, together with our assessment of the Group's overall control environment, our judgement was that overall performance materiality for the Group should be 75% of materiality, namely £1,311,000.

Performance materiality for the Parent Company was also set at 75% of materiality.

Keele Residential Funding plc

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF KEELE RESIDENTIAL FUNDING PLC

Reporting threshold

We agreed with the Board that we would report to them all individual audit differences in excess of £35,000 as well as differences below this threshold that, in our view, warranted reporting on qualitative grounds.

We agreed that the reporting threshold for the Parent Company would be £35,000.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in the light of other relevant qualitative considerations.

An overview of the scope of our audit

Our audit of the Group was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, applicable legal and regulatory framework and the industry in which it operates, and assessing the risks of material misstatement at the Group and Parent Company level. This included consideration of the risk that the Group was acting contrary to applicable laws and regulations, including fraud.

The Group operates solely in the United Kingdom and operates through one segment, the management of a financial asset. Our audit approach was completed on the Group as a single component. The Group audit team performed all the work necessary to issue the Group and Parent Company audit opinions, including undertaking all of the audit work on the key audit matters.

How the audit was considered capable of detecting irregularities, including fraud

We gained an understanding of the legal and regulatory framework applicable to the Group and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with Companies Act 2006.

We designed audit procedures to respond to the 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.

We focused on laws and regulations that could give rise to a material misstatement in the Group financial statements. Our tests included, but were not limited to:

- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of management;
- review of minutes of board meetings throughout the year; and
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations

There are inherent limitations in the audit procedures described above 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 would become aware of it. We also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

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 thereon. Our opinion on the financial statements does not cover the other information and, except to

Keele Residential Funding plc

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF KEELE RESIDENTIAL FUNDING PLC

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 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 set out on page 5, 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.

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.

Keele Residential Funding plc

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF KEELE RESIDENTIAL FUNDING PLC

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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

On 1 February 2019 Moore Stephens LLP merged its business with BDO LLP. As a result, Moore Stephens LLP has resigned as auditor and BDO LLP were appointed by the Board of Directors on 19 February 2019 in their place to audit the financial statements for the year ended 31 July 2019 and subsequent financial periods.

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.



Alexander Tapp (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK

10 June 2020

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

Keele Residential Funding plc

CONSOLIDATED INCOME STATEMENT

For the year ended 31 July 2019

	Note	2019	Restated 2018
		Group £	Group £
CONTINUING OPERATIONS			
REVENUE	5	7,384,529	7,053,268
Administrative expenses		(338,414)	(383,233)
Gain/(Loss) on financial asset	11	4,421,298	(115,516)
PROFIT FROM OPERATIONS	6	11,467,413	6,554,519
Finance costs	8	(8,751,263)	(9,699,947)
Finance income	9	285,027	261,992
PROFIT/(LOSS) BEFORE TAX		3,001,177	(2,883,436)
Income tax credit/(expense)	10	(383,381)	-
PROFIT/(LOSS) FOR THE YEAR		2,617,796	(2,883,436)
TOTAL COMPREHENSIVE INCOME/(LOSS)		2,617,796	(2,883,436)
ATTRIBUTABLE TO:			
EQUITY HOLDERS OF THE PARENT		2,617,796	(2,883,436)

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

Keele Residential Funding plc

REGISTERED NUMBER: 03840096

CONSOLIDATED BALANCE SHEET

At 31 July 2019

	Note	2019 Group £	Restated 2018 Group £	Restated 2017 Group £
ASSETS				
NON CURRENT ASSETS				
Financial Asset	11	158,494,154	154,283,849	154,396,477
Other financial assets	12	4,732,750	4,502,900	4,284,213
TOTAL NON CURRENT ASSETS		163,226,904	158,786,749	158,680,690
CURRENT ASSETS				
Financial Asset	11	7,212,911	7,001,918	7,004,806
Trade and other receivables	14	212,584	264,563	242,272
Cash and cash equivalents	15	4,156,126	3,675,676	3,664,330
TOTAL CURRENT ASSETS		11,581,621	10,942,157	10,911,408
TOTAL ASSETS		174,808,525	169,728,906	169,592,098
LIABILITIES				
CURRENT LIABILITIES				
Trade and other payables	16	(569,729)	(178,260)	(68,473)
Financial liabilities	17	(977,036)	(470,694)	(61,347)
Taxation	10	(383,381)	-	-
TOTAL CURRENT LIABILITIES		(1,930,146)	(648,954)	(129,820)
NON CURRENT LIABILITIES				
Financial liabilities	17	(151,948,458)	(150,767,827)	(148,266,717)
TOTAL NON CURRENT LIABILITIES		(151,948,458)	(150,767,827)	(148,266,717)
TOTAL LIABILITIES		(153,878,604)	(151,416,781)	(148,396,537)
NET ASSETS		20,929,921	18,312,125	21,195,561
EQUITY				
Share capital	20	50,000	50,000	50,000
Retained earnings	21	20,879,921	18,262,125	21,145,561
ISSUED CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS		20,929,921	18,312,125	21,195,561
TOTAL EQUITY		20,929,921	18,312,125	21,195,561

Keele Residential Funding plc

REGISTERED NUMBER: 03840096

COMPANY BALANCE SHEET

At 31 July 2019

	Note	2019 Company £	Restated 2018 Company £	Restated 2017 Company £
ASSETS				
NON-CURRENT ASSETS				
Financial Asset	11	158,494,154	154,283,849	154,396,477
Investment in Subsidiary	12	2	2	2
Other financial assets	13	4,732,750	4,502,900	4,284,213
TOTAL NON-CURRENT ASSETS		163,226,906	158,786,751	158,680,692
CURRENT ASSETS				
Financial Asset	11	7,212,911	7,001,918	7,004,806
Trade and other receivables	14	240,865	264,563	242,272
Cash and cash equivalents	15	4,099,727	3,627,548	3,639,469
TOTAL CURRENT ASSETS		11,553,503	10,894,029	10,886,547
TOTAL ASSETS		174,780,409	169,680,780	169,567,239
LIABILITIES				
CURRENT LIABILITIES				
Trade and other payables	16	(587,850)	(163,716)	(64,402)
Other financial liabilities	17	(977,036)	(470,694)	(61,347)
Taxation	10	(383,381)	-	-
TOTAL CURRENT LIABILITIES		(1,948,267)	(634,410)	(125,749)
NON CURRENT LIABILITIES				
Financial liabilities	17	(151,948,458)	(150,767,827)	(148,266,717)
TOTAL LIABILITIES		(153,896,725)	(151,402,237)	(148,392,466)
NET ASSETS		20,883,684	18,278,543	21,174,773
EQUITY				
Share capital	20	50,000	50,000	50,000
Retained earnings	21	20,833,684	18,228,543	21,124,773
ISSUED CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS		20,883,684	18,278,543	21,174,773
TOTAL EQUITY		20,883,684	18,278,543	21,174,773

Keele Residential Funding plc

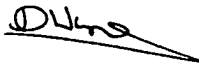
REGISTERED NUMBER: 03840096

COMPANY BALANCE SHEET

At 31 July 2019

The directors have elected, in accordance with section 408 of the Companies Act 2006, not to include the company's individual income statement in the annual accounts. The company's profit for the year was £2,605,141 (2018: loss of £2,896,230).

The financial information on pages 10 to 41 was approved by the board of directors and authorised for issue on 10th June 2020 and was signed on its behalf by:



D Wynne
Director

Keele Residential Funding plc

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 July 2019

	Note	2019	Restated 2018
		Group £	Group £
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) for the year		2,617,796	(2,883,436)
<i>Adjustments for:</i>			
Finance costs		8,751,263	9,699,947
Finance income		(285,027)	(261,992)
(Gain)/Loss on Financial Asset		(4,421,298)	115,516
Income tax expense/(credit)		383,381	-
		7,046,115	6,670,035
Decrease/(increase) in trade and other receivables		43,979	(22,291)
Increase in trade and other payables		391,469	109,787
CASH GENERATED BY OPERATIONS		7,481,563	6,757,531
Income tax paid		-	-
NET CASH FLOW FROM OPERATING ACTIVITIES		7,481,563	6,757,531
CASH FLOWS FROM INVESTING ACTIVITIES			
Finance income		63,177	45,160
NET CASH FLOW FROM INVESTING ACTIVITIES		63,177	45,160
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment made on bonds		(7,064,290)	(6,791,345)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES		(7,064,290)	(6,791,345)
NET INCREASE IN CASH AND CASH EQUIVALENTS		480,450	11,346
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		3,675,676	3,664,330
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	15	4,156,126	3,675,676

Keele Residential Funding plc

COMPANY CASH FLOW STATEMENT

For the year ended 31 July 2019

	Note	2019	Restated 2018
		Company £	Company £
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) for the year		2,605,141	(2,896,230)
<i>Adjustments for:</i>			
Finance costs		8,751,263	9,699,947
Finance income		(285,027)	(261,992)
(Gain)/loss on Financial Asset		(4,421,298)	115,516
Income tax expense/(credit)		383,381	-
		7,033,460	6,657,241
Decrease/(increase) in trade and other receivables		15,698	(22,291)
Increase in trade and other payables		424,134	99,314
CASH GENERATED BY OPERATIONS		7,473,292	6,734,264
Income tax paid		-	-
NET CASH FLOW FROM OPERATING ACTIVITIES		7,473,292	6,734,264
CASH FLOWS FROM INVESTING ACTIVITIES			
Finance income		63,177	45,160
NET CASH FLOW FROM INVESTING ACTIVITIES		63,177	45,160
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment made on bonds		(7,064,290)	(6,791,345)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES		(7,064,290)	(6,791,345)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		472,179	(11,921)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		3,627,548	3,639,469
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	15	4,099,727	3,627,548

Keele Residential Funding plc

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 July 2019

GROUP	Note	Share Capital	Retained Earnings	Total
		<u>£</u>	<u>£</u>	<u>£</u>
Balance as at 31 July 2017 - restated		50,000	21,145,561	21,195,561
Total comprehensive loss for the year-restated		-	(2,883,436)	(2,883,436)
Balance as at 31 July 2018 - restated		<u>50,000</u>	<u>18,262,125</u>	<u>18,312,125</u>
Total comprehensive income for the year		-	<u>2,617,796</u>	<u>2,617,796</u>
Balance as at 31 July 2019	20	<u>50,000</u>	<u>20,879,921</u>	<u>20,929,921</u>

COMPANY	Note	Share Capital	Retained Earnings	Total
		<u>£</u>	<u>£</u>	<u>£</u>
Balance as at 31 July 2017 - restated		50,000	21,124,773	21,174,773
Total comprehensive loss for the year-restated		-	(2,896,230)	(2,896,230)
Balance as at 31 July 2018 - restated		<u>50,000</u>	<u>18,228,543</u>	<u>18,278,543</u>
Total comprehensive income for the year		-	<u>2,605,141</u>	<u>2,605,141</u>
Balance as at 31 July 2019	20	<u>50,000</u>	<u>20,833,684</u>	<u>20,883,684</u>

Keele Residential Funding plc

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2019

1. GENERAL INFORMATION

Keele Residential Funding plc and its subsidiary 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 Financial Reporting Standards (IFRSs) as adopted by the EU 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 2018 affected any of the amounts recognised in the current period or any prior period.

New IFRSs endorsed by the EU that have been adopted in the year

IFRS 16 – Leases which is effective for accounting periods beginning on or after 1 January 2019 was endorsed by the EU on 31 October 2017 sets out principles for the recognition, measurement, presentation and disclosure of leases. The standard eliminates the classification of leases as either operating leases or finance leases as required by IAS 17 and, instead, introduces a single lessee accounting model. As noted in the Directors' Report, the directors have elected to early-adopt the principles of the IFRS16 and as a consequence have adopted IFRS9 – Financial Instruments, as the accounting standard for the presentation of the Company's interest in the student accommodation.

New IFRSs not yet endorsed by the EU

The directors have also considered International Financial Reporting Standards (IFRSs) which have not been endorsed by the EU and which are in issue but not in force at the balance sheet date IFRS 17 – Insurance Contracts, and IFRIC 23 – Uncertainty Over Income Tax Treatments become effective for accounting periods to July 2022 and July 2020 respectively. The directors believe that the adoption of the aforementioned standards and interpretations 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 remains contractually liable for transferring the contracted accommodation rent to KRF to enable KRF to fulfil its normal financial obligations for the year ending 31 July 2020. The University has confirmed to the directors its intention to remit the contracted rent. The Higher Education sector and students currently await guidance regarding the conditions under which attendance at University can proceed from the September 2020 semester. This may impact on the

Keele Residential Funding plc

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2019

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. 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 KRF to continue as a going concern.

2.4 BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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.

2.8 FINANCE COSTS

Net financing costs comprise interest payable and other borrowing costs.

Borrowing costs are recognised in the income statement in the period in which they are incurred. 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.

Keele Residential Funding plc

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2019

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 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.

Keele Residential Funding plc

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2019

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 23.

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)

Keele Residential Funding plc

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2019

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 2019 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.

4. CHANGE IN ACCOUNTING FOR PROPERTY ARRANGEMENTS

During the year the Company changed the method of accounting as a result of reviewing the requirements of the new leasing accounting standard, IFRS16.

The directors have concluded that the Company's property arrangements do not meet the definition of a lease within IFRS 16 or the predecessor standard IFRIC 4. The substance of the arrangements are in line with the provisions of IFRS 9 whereby the company recognises a financial asset to the extent that it has an unconditional contractual right to receive cash or another financial asset from, or at the direction of, the University of Keele.

As a result, the Company now accounts for its primary asset as a Financial Asset under IFRS - Financial Instruments, as opposed to the previous practice of accounting for a property asset and a lease liability. All comparatives have been restated on the new basis of accounting. It should be noted that all the Company's underlying operating and finance related transactions remain unchanged and the obligations of the parties under the legal agreements relating to the 2007 bond issue similarly remain unchanged. The adoption of IFRS 9, Financial Instruments was treated as a prior year adjustment. Therefore, the opening balance sheet as at 1 August 2018 was revised to reflect the new accounting policy. As summary of the impact on reserves is as follows:

Summary	Company £	Group £
Reserves per Statutory accounts as at 31 July 2018	119,911,607	119,945,189
Remove Property Asset	(401,455,040)	(401,455,040)
Remove lease liability < 1 year	694,003	694,003
Remove lease liability > 1 year	109,772,985	109,772,985
Remove Deferred Tax Liability	28,019,221	28,019,221
Add Financial Asset	161,285,767	161,285,767
Revised opening Reserves at 31 July 2018	18,228,543	18,262,125

Keele Residential Funding plc

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2019

Summary	Company £	Group £
Reserves per Statutory accounts as at 31 July 2017	128,914,183	128,934,971
Remove Property Asset	(409,720,311)	(409,720,311)
Remove lease liability < 1 year	566,882	566,882
Remove lease liability > 1 year	110,466,988	110,466,988
Remove Deferred Tax Liability	29,495,748	29,495,748
Add Financial Asset	161,401,283	161,401,283
Revised opening Reserves at 31 July 2017	21,124,773	21,145,561

In the consolidated income statement for the year ended 31 July 2018 the rental income of £11,569,021, fall in value of the investment property of £8,265,271, deferred tax credit on the fair value movement of £1,476,527 and finance costs in relation to the property lease liability of £3,948,871 have been removed. These have been replaced with interest on the financial asset of £7,053,268 and fair value loss thereon of £115,516.

All of the above changes are non-cash transactions and therefore do not impact the cash flows. The underlying operating and finance related transactions of the Group are unchanged by the change in accounting policy.

5. REVENUE

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

	2019 Group £	2018 Group £
<i>Continuing operations:</i>		
Interest on the Financial Asset	7,384,529	7,053,268

The Group earns all of its revenue from a single entity.

6. PROFIT FROM OPERATIONS

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

	2019 £	2018 £
Gain/(loss) on financial asset revaluation (note 11)	4,421,298	(115,516)
<i>Auditors' remuneration</i>		
Audit services	25,000	25,000
Prior periods taxation services	-	1,765

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

Keele Residential Funding plc

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2019

7. STAFF COST

	2019	2018
Group & Company		
The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:		
Head office and administration	<u>2</u>	<u>2</u>

Staff remuneration in the year ended 31 July 2019 amounted to £nil (2018 - £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. KRF Residential Funding Plc pays Wilmington Trust SP Services (London) Limited for corporate services as disclosed in note 23 of the Financial Statements.

8. FINANCE COSTS

Group	2019 £	2018 £
Interest on secured bond	8,706,974	9,654,040
Interest on AGL liability	<u>44,289</u>	<u>45,907</u>
	<u>8,751,263</u>	<u>9,699,947</u>

9. FINANCE INCOME

Group	2019 £	2018 £
Interest on cash balances	<u>285,027</u>	<u>261,992</u>

10. INCOME TAX EXPENSE

Group	2019 £	2018 £
<i>Recognised in the income statement:</i>		
Current tax	(383,381)	-
Deferred tax:		
Origination and reversal of temporary differences	<div style="border: 1px solid black; width: 100px; height: 40px; text-align: center; margin: 0 auto;">-</div>	<div style="border: 1px solid black; width: 100px; height: 40px; text-align: center; margin: 0 auto;">-</div>
Effect of tax rate change on opening balance	<div style="border: 1px solid black; width: 100px; height: 40px; text-align: center; margin: 0 auto;">-</div>	<div style="border: 1px solid black; width: 100px; height: 40px; text-align: center; margin: 0 auto;">-</div>
Total deferred tax	-	-
Total tax credit /(expense) in income statement	<u>(383,381)</u>	<u>-</u>

Keele Residential Funding plc

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2019

Reconciliation of effective tax rate

	2019 £	2018 £
Group profit/(loss) before tax	<u>3,001,177</u>	<u>(2,883,436)</u>
Tax using the UK corporation tax rate of 19% (2018:19%)	(570,224)	547,853
EFFECT OF:		
Opening balance adjustments	(1,312,489)	-
Unprovided bought forward losses	1,330,978	(547,853)
Annual allowance on lease premiums paid	<u>168,354</u>	<u>-</u>
Total current tax charge and effective rate of tax	<u>(383,381)</u>	<u>-</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 £46,263,622 (2018: £53,268,766). 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.

11. FINANCIAL ASSET

Group & Company	2019 £	2018 £
<i>Fair value</i>		
At beginning of year	161,285,767	161,401,283
Increase/(reduction) in fair value in the year	4,421,298	(115,516)
At end of year	<u>165,707,065</u>	<u>161,285,767</u>
Value of the Financial Asset in 1 year	7,212,911	7,001,918
Value of the Financial Asset in greater than 1 year	158,494,154	154,283,849
Total Financial Asset Value	<u>165,707,065</u>	<u>161,285,767</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 2019 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.

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

Keele Residential Funding plc

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2019

12. INVESTMENT IN SUBSIDIARY

Company

Detail of the parent company's subsidiary at 31 July 2019 is as follows:

Name of the company	Principal activity	Place of incorporation	Proportion of shares acquired	Proportion of voting rights	Cost of acquisition
					£
KRF Management Limited	Management Services	England & Wales	100%	100%	587,500

The registered office of KRF Management Limited is Third Floor, 1 King's Arms Yard, London, EC2 7AF.

The acquisition cost was fully impaired in the accounts to 31st July 2007. The nominal value of the acquired shared capital of £2 is included as a non-current asset in the Company balance sheet. This is eliminated on consolidation.

13. OTHER FINANCIAL ASSETS

Group & Company	2019 £	2018 £
Long term cash investment	<u>4,732,750</u>	<u>4,502,900</u>

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.

14. TRADE AND OTHER RECEIVABLES

Group	2019 £	2018 £
<i>Amounts falling due within one year:</i>		
Trade receivables	180,635	174,994
Prepayments and accrued income	31,949	89,569
Social Security and other taxes	-	-
	<u>212,584</u>	<u>264,563</u>

Keele Residential Funding plc

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2019

The ageing of trade receivables is as follows:

	2019	2018
	£	£
Less than 1 year	80,279	97,988
1 – 2 years	61,483	36,042
Over 2 years	38,873	40,964
Total	180,635	174,994

The ageing of trade receivables is as follows

	2019	2018
	£	£
Less than 1 year	80,279	97,988
1 – 2 years	61,483	36,042
Over 2 years	67,154	40,964
Total	208,916	174,994

There is no impairment against these balances
There is no impairment against these balances

Company

	2019	2018
	£	£
<i>Amounts falling due within one year:</i>		
Trade receivables	208,916	174,994
Prepayments and accrued income	31,949	89,569
Social Security and other taxes	-	-
	<u>240,865</u>	<u>264,563</u>

15. CASH AND CASH EQUIVALENTS

Group

	2019	2018
	£	£
Cash at bank and in hand	<u>4,156,126</u>	<u>3,675,676</u>

Company

	2019	2018
	£	£
Cash at bank and in hand	<u>4,099,727</u>	<u>3,627,548</u>

Keele Residential Funding plc

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2019

16. TRADE AND OTHER PAYABLES

	2019	2018
Group	£	£
Trade payables	522,782	98,391
Accruals and deferred income	44,527	77,409
Social Security and other taxes	2,420	2,460
	569,729	178,260
	2019	2018
	£	£
Company		
Trade payables	541,198	87,359
Accruals and deferred income	44,091	74,373
Social Security and other taxes	2,561	1,984
	587,850	163,716

17. 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 18.

	<i>Current</i>		<i>Non-Current</i>	
	2019	2018	2019	2018
	£	£	£	£
Guaranteed secured bond (see note 17.1)	919,393	443,463	150,385,760	149,119,509
Financial Guarantee fee payable to AGL (see note 17.2)	57,643	27,231	1,562,698	1,648,318
	977,036	470,694	151,948,458	150,767,827

17.1. 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. 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 2019 the principal outstanding on the new bonds, on a cash-paid basis, was £112,700,753 (2018: £115,243,578).

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.

Keele Residential Funding plc

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2019

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.

17.2. 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 17 has been derived at 31 July 2019 using the effective interest rate method.

18. FINANCIAL INSTRUMENTS

18.1. 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 2018.

18.2. CATEGORIES OF FINANCIAL INSTRUMENTS

FINANCIAL ASSETS

GROUP	Fair Value through Profit & Loss £	2019 At Amortised Cost £	Total £
Financial Asset	165,707,065	-	165,707,065
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
	165,707,065	9,101,460	174,808,525

Keele Residential Funding plc

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For the year ended 31 July 2019

	2018	
	Fair Value through Profit & Loss £	At Amortised Cost £
		<i>Total</i> £
Financial Asset	161,285,767	-
Cash at bank and in hand	-	3,675,676
Trade and other receivables	-	264,563
Financial investment	-	4,502,900
	161,285,767	8,443,139
		169,728,906

COMPANY

	2019	
	Fair Value through Profit & Loss £	At Amortised Cost £
		<i>Total</i> £
Financial Asset	165,707,065	-
Cash at bank and in hand	-	4,099,727
Trade and other receivables	-	240,865
Financial investment	-	4,732,750
	165,707,065	9,073,342
		174,780,407

	2018	
	Fair Value through Profit & Loss £	At Amortised Cost £
		<i>Total</i> £
Financial Asset	161,285,767	-
Cash at bank and in hand	-	3,627,548
Trade and other receivables	-	264,563
Financial investment	-	4,502,900
	161,285,767	8,395,011
		169,680,778

FINANCIAL LIABILITIES GROUP

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

Keele Residential Funding plc

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2019

	Fair Value through Profit & Loss £	2018 Other Financial Liabilities £	Total £
Trade and other payables	-	(178,260)	(178,260)
Guaranteed index linked secured bond	-	(149,562,972)	(149,562,972)
Financial Guarantee fee payable to AGL	-	(1,675,549)	(1,675,549)
	-	(151,416,781)	(151,416,781)

FINANCIAL LIABILITIES COMPANY

	Fair Value through Profit & Loss £	2019 Other Financial Liabilities £	Total £
Trade and other payables	-	(587,850)	(587,850)
Guaranteed index linked secured bond	-	(151,305,153)	(151,305,153)
Financial Guarantee fee payable to AGL	-	(1,620,341)	(1,620,341)
	-	(153,513,344)	(153,513,344)

	Fair Value through Profit & Loss £	2018 Other Financial Liabilities £	Total £
Trade and other payables	-	(163,716)	(178,260)
Guaranteed index linked secured bond	-	(149,562,972)	(149,562,972)
Financial Guarantee fee payable to AGL	-	(1,675,549)	(1,675,549)
	-	(151,402,237)	(151,402,237)

18.3. 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:

18.3.1. 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

Keele Residential Funding plc

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2019

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 £560,421 (2018 - £573,066). 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.

18.3.2. 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 £165,707,065. 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 £165,707,065 (2018 - £161,285,767). 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 £4,156,126 (2018 - £3,675,676) and £4,732,750 (2018 - £4,502,900) respectively. No collateral is held.

18.3.3. 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.

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For the year ended 31 July 2019

Company Financial Liabilities

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	587,850	-	-	-	587,850	587,850
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
	<u>7,898,300</u>	<u>7,526,402</u>	<u>24,105,950</u>	<u>271,261,002</u>	<u>310,791,654</u>	<u>153,513,344</u>

At 31 July 2018	Up to 1 Year £	1-2 Years £	3 – 5 Years £	Over 5 Years £	Total Liability £	Total Carrying Value £
Trade and other payables	163,716	-	-	-	163,716	163,716
Guaranteed index linked secured bond	6,960,291	7,195,962	23,063,366	278,338,578	315,558,197	149,562,972
Financial Guarantee fee payable to AGL	99,429	99,576	298,110	1,566,323	2,063,438	1,675,549
	<u>7,223,436</u>	<u>7,295,538</u>	<u>23,361,476</u>	<u>279,904,901</u>	<u>317,785,351</u>	<u>151,402,237</u>

Keele Residential Funding plc

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2019

Group Financial Liabilities

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	567,729	-	-	-	567,729	567,729
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
	7,878,179	7,526,402	24,105,950	271,261,002	310,771,533	153,493,223

At 31 July 2018	Up to 1 Year £	1-2 Years £	3 – 5 Years £	Over 5 Years £	Total Liability £	Total Carrying Value £
Trade and other payables	178,260	-	-	-	178,260	178,260
Guaranteed index linked secured bond	6,960,291	7,195,962	23,063,366	278,338,578	315,558,197	149,562,972
Financial Guarantee fee payable to AGL	99,429	99,576	298,110	1,566,323	2,063,438	1,675,549
	7,237,980	7,295,538	23,361,476	279,904,901	317,799,895	151,416,781

18.4. UNDRAWN COMMITTED BORROWING FACILITIES

At the year-end the Group had no undrawn committed borrowing facilities (2018: Nil).

Keele Residential Funding plc

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2019

18.5. 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:

	2019		2018	
	Carrying Amount	Fair value	Carrying amount	Fair value
	£	£	£	£
Financial Asset	165,707,065	165,707,065	161,285,767	161,285,767
Cash at bank and in hand	4,156,126	4,156,126	3,675,676	3,675,676
Long Term Cash Deposits	4,732,750	4,732,750	4,502,900	4,502,900
Trade and other receivables	212,584	212,584	264,563	264,563
Trade and other payables	(569,729)	(569,729)	(178,260)	(178,260)
Guaranteed index linked secure bond	(151,305,153)	(295,135,389)	(149,562,972)	(252,475,033)
Assured Guaranty Liability	(1,620,341)	(1,620,341)	(1,675,549)	(1,675,549)
	<u>21,313,302</u>	<u>(122,516,934)</u>	<u>18,312,125</u>	<u>(84,599,936)</u>

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:

	2019		2018	
	Carrying amount	Fair value	Carrying amount	Fair value
	£	£	£	£
Financial Asset	165,707,065	165,707,065	161,285,767	161,285,767
Cash at bank and in hand	4,099,727	4,099,727	3,627,548	3,627,548
Long Term Cash Deposits	4,732,750	4,732,750	4,502,900	4,502,900
Trade and other receivables	240,865	240,865	264,563	264,563
Trade and other payables	(587,850)	(587,850)	(178,260)	(178,260)
Guaranteed index linked secure bond	(151,305,153)	(295,135,389)	(149,562,972)	(252,475,033)
Assured Guaranty Liability	(1,620,341)	(1,620,341)	(1,675,549)	(1,675,549)
	<u>21,267,063</u>	<u>(122,563,173)</u>	<u>18,263,997</u>	<u>(84,648,064)</u>

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

Short-term borrowings, cash and deposits approximate to book value due to their short maturities. 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 2019.

Guaranteed index linked secured bonds, included at fair value have been valued using published bond price indices at 31 July 2010

Keele Residential Funding plc

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2019

Group	Level 1		Level 2		Level 3	
	2019 £	2018 £	2019 £	2018 £	2019 £	2018 £
Financial Assets						
Financial Asset	-	-	-	-	165,707,065	161,285,767
Cash at bank and in hand	-	-	-	-	4,156,126	3,675,676
Long Term Cash Deposits	-	-	-	-	4,732,750	4,502,900
Trade and other receivables	-	-	-	-	212,584	264,563
Total Assets	-	-	-	-	174,808,525	169,728,906
Financial Liabilities						
Trade and other payables	-	-	-	-	(569,729)	(178,260)
Guaranteed index linked secure bond	-	-	-	-	(295,135,389)	(252,475,033)
Assured Guaranty liability	-	-	-	-	(1,620,341)	(1,675,549)
Total Liabilities	-	-	-	-	(297,325,459)	(254,328,842)

Company	Level 1		Level 2		Level 3	
	2019 £	2018 £	2019 £	2018 £	2019 £	2018 £
Financial Assets						
Financial Asset	-	-	-	-	165,707,065	161,285,767
Cash at bank and in hand	-	-	-	-	4,099,727	3,627,548
Long Term Cash Deposits	-	-	-	-	4,732,750	4,502,900

Keele Residential Funding plc

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For the year ended 31 July 2019

Trade and other receivables	-	-	-	-	240,865	264,563
Total Assets	-	-	-	-	174,780,407	169,680,778
Financial Liabilities						
Trade and other payables	-	-	-	-	(587,850)	(178,260)
Guaranteed index linked secure bond	-	-	-	-	(295,135,389)	(252,475,033)
Assured Guaranty liability	-	-	-	-	(1,620,341)	(1,675,549)
Total Liabilities	-	-	-	-	(297,343,580)	(254,328,842)

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	
Trade and other receivables & payables	The carrying amount of short term trade receivable and payables approximates its fair values.	Not applicable	

Keele Residential Funding plc

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2019

Index linked bond	Guaranteed index linked secured bonds, included at fair value have been valued using published bond price indices at 31 July 2019.	Rental income from the University -Licence income from the University -Facilities management payment to the University -Credit worthiness of the Assured Guaranty	The present value of these inputs is used to drive the fair value calculation.
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19. 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-	2019 £	2018 £
Note 17		
Opening balance	151,238,521	148,328,064
Cash flows	(7,064,290)	(6,789,490)
Non cash flows:		
Finance cost	8,751,263	9,699,947
Closing balance	<u>152,925,494</u>	<u>151,238,521</u>

Keele Residential Funding plc

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2019

20. SHARE CAPITAL

	Authorised A Ordinary shares of £1 each
	Number
At beginning and end of year	<u>50,000</u>
	Allotted, called up and fully paid A Ordinary shares of £1 each
	Number
At beginning and end of year	<u>50,000</u>

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

21. RESERVES

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

22. CAPITAL COMMITMENTS

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

23. RELATED PARTY TRANSACTIONS

During the year £82,243 (2018: £79,465), inclusive of VAT, was charged by Wilmington Trust SP Services (London) Limited for corporate services provided to Keele Residential Funding Plc and £9,668 (2018: £9,364) was charged by Wilmington Trust SP Services (London) Limited for corporate services provided to KRF Management Limited. Keele University charged Keele Residential Funding Plc £48,877 (2018: £47,366) and KRF Management Ltd £6,517 (2018: £6,316) for accounting and administration services.

At the year-end a balance of £41,531 (2018: £4,717) was due to Wilmington Trust SP Services (London) Limited, £28,800 (2018: £Nil) was due by Keele Residential Funding Plc to KRF Management Ltd, £28,281 (2018: £Nil) was due by KRF Management Ltd to Keele Residential Funding Plc and £469,865 (2018: £47,366) 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.

Keele Residential Funding plc

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2019

24. POST BALANCE SHEET EVENTS

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 remains contractually liable for transferring the contractual payment to KRF to enable KRF to fulfill its normal financial obligations as they fall due. Further comment on this and the views of the directors are contained in the going concern statement in the Directors' report on page 3.

25. CONTINGENT LIABILITIES

There are no contingent liabilities to report.

26. ULTIMATE CONTROLLING PARTY

Keele Residential Funding plc's Parent company is KRF Holdings Limited. Copies of the KRF Holdings Limited consolidated accounts can be obtained from Companies House Cardiff.

As described in these financial statements, the Company was incorporated for the purpose of facilitating property arrangements with the University of Keele. The Company entered into a number of agreements with the University of Keele, Assured Guaranty (UK) Limited and Citibank N.A. as trustee for the beneficiaries which define the operation of the Company over the life of the financial asset.

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.