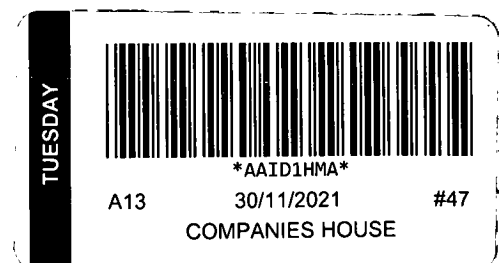


Keele Residential Funding plc

REPORT AND FINANCIAL STATEMENTS

31 July 2021

Company Registration No. 03840096 (England & Wales)



Keele Residential Funding plc

CONTENTS

	Page No.
DIRECTORS AND ADVISORS	1
STRATEGIC REPORT	2-3
DIRECTORS' REPORT	4-5
STATEMENT OF DIRECTORS' RESPONSIBILITIES	6-7
INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF KEELE RESIDENTIAL FUNDING PLC	8-14
CONSOLIDATED INCOME STATEMENT	15
CONSOLIDATED BALANCE SHEET	16
COMPANY BALANCE SHEET	17-18
CONSOLIDATED CASH FLOW STATEMENT	19
COMPANY CASH FLOW STATEMENT	20
CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY	21
NOTES TO THE FINANCIAL STATEMENTS	22-41

Keele Residential Funding plc

DIRECTORS AND ADVISORS

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

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

For the year 2021, the Group achieved total income £7,983,897 (2020: £7,519,230) and the result for the year after tax, was a profit of £1,835,442 (2020: £2,765,748). Both rental income and associated expenditure were in line with expectations. This has driven the increase in net assets to £20,798,360 (2020: £18,962,919).

No dividend was proposed or paid (2020: £nil).

The directors believe that the company's accommodation units related to the 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 2021 was on average low covering the occupancy period to June 2021 due to the covid situation. This did not affect KRF rental income for the year to 31 July 2021 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. The University reports good levels of recruitment and accommodation occupation for the start of 2021/2 student year.

The key business risks affecting the company come from:

- Under-occupation of the available accommodation units; 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.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Cash flow risk

The Group's main cash flow risk is the timely receipt of the contracted rental income stream from the University. This is mitigated by ensuring proper maintenance of the accommodation by the University and recruitment of students into that accommodation. Covid is a potential risk to rental income but as noted in the going concern statement, the University advises that it does not expect any interruption to rent flows to KRF during 21/22. 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.

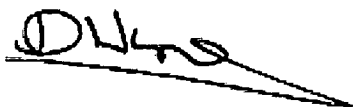
Keele Residential Funding plc

STRATEGIC REPORT

Liquidity risk

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

By order of the board

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

D Wynne
Director

24 November 2021

Keele Residential Funding plc

DIRECTORS' REPORT

The directors submit their report and the audited financial statements for the year ended 31 July 2021.

DIRECTORS

The following directors have held office during the year:

Wilmington Trust SP Services (London) Limited

Daniel Wynne

Christopher John Duffy

GOING CONCERN

The Covid 19 outbreak and the UK Government's lockdown instructions through early 2021 caused students in university accommodation at Keele University to again be periodically unable to attend accommodation during their letting period. The University again elected to refund students for this early departure but fulfilled its rental obligation to KRF for the year ended 31 July 2021 as it did in the prior year.

As a result of significant improvements in levels of infection and mortality rates over the spring and summer of 2021 and in particular significant levels of vaccination in the population, the UK Government is removing all restrictions, whilst continuing to encourage continued caution on the part of individuals. Higher education students are advised they can resume their studies at university. Universities will be ensuring frequent cleaning of spaces and students are required to regularly covid test – substantial face-to-face teaching has resumed from the start of the September 2021 term.

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 2021 entry are good and expected to be in line with budget. Demand levels for the University accommodation are very good and rental flows to KRF through 2021/22 are expected to be uninterrupted. Occupancy rates as of September 2021 are approximately 95% 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. Rent payments from the University are expected to continue as anticipated in line with their contractual obligations. The Group and Company therefore are expected to have sufficient cash to settle its financial obligations.

The Directors consider that whilst they will continue to monitor the University's situation, there is no longer a significant doubt over the ability of the Group and the Company to continue as a going concern. Student recruitment has been strong for the 2021/2 intake leading to increased assurance on income streams. Vaccination rates against Covid-19 are now high in the UK which should reduce the risk of any further lockdowns and reduced rental income.

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.

No dividend was proposed or paid (2020: £nil).

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

Keele Residential Funding plc

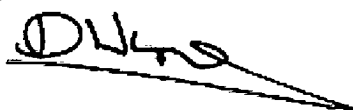
DIRECTORS' REPORT

- 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

24 November 2021

Keele Residential Funding plc

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 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 international accounting standards in conformity with the requirements of the Companies Act 2006. 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 and company for that period. The directors are also required to prepare financial statements in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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 international accounting standards in conformity with the requirements of the Companies Act 2006, subject to any material departures disclosed and explained in the financial statements
- state whether they have been prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, 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 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 and, as regards the group financial statements, Article 4 of the IAS Regulation.

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

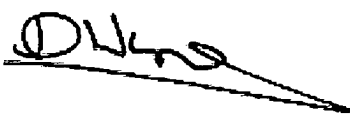
Keele Residential Funding plc

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 and Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit and loss of the group and company.
- 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

24 November 2021

Keele Residential Funding plc

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

Independent auditor's report to members of Keele Residential Funding plc

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 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union;
- the Parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of Keele Residential Funding PLC (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 July 2021 which comprise the consolidated income statement, consolidated and company balance sheet, consolidated and company cash flow statement, consolidated and company statement of changes in equity and notes to the financial statement, including a summary of significant accounting policies.

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

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. Our audit opinion is consistent with the additional report to the audit committee.

Independence

BDO LLP were appointed by the Board of Directors on 19 February 2019 to audit the financial statements for the year ending 31 July 2019 and subsequent periods. The period of total uninterrupted engagement of BDO LLP is three years, covering the years ending 31 July 2019 to 31 July 2021.

We remain 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 public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Company.

Keele Residential Funding plc

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

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. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

We have assessed management's forecasts for the 12 month period from the date of signing the audit report. Observing in particular the cash flow requirements over the period and how the Group expects to meet its liabilities.

The cashflows primarily relate to those being received from Keele University as well as the obligations under the bond. We have reviewed the inputs into the cashflow forecasts based on the financial models and compared the cashflows with those identified in the prior year as well as to the expected cashflow based on the bond documents and agreements with the University.

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 and the 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.

Overview

Coverage¹	<i>100% (2020: 100%) of Group profit before tax</i> <i>100% (2020: 100%) of Group revenue</i> <i>100% (2020: 100%) of Group total assets</i>		
Key audit matters	Valuation of financial asset	2021 □	2020 □
Materiality	<i>Group financial statements as a whole</i> £1,736,000 (2020: £1,750,000) based on 1% (2020: 1%) of total assets at the balance sheet date.		

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. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

¹ These are areas which have been subject to a full scope audit by the group engagement team

Keele Residential Funding plc

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

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.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that 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.

Key audit matter	How the scope of our audit addressed the key audit matter
<p>Valuation of financial asset (Notes 2.10, 3.1 and 10)</p> <p>The 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 are 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. This primarily included agreeing the valuation inputs (the cashflows arising on this financial asset) to supporting documentation including the underlying agreements with Keele University as well as the cashflows from the most recent financial period.</p> <p>We have checked management's fair value calculations to confirm their mathematical accuracy.</p> <p>We have agreed the bond proceeds received of £137,450,000 to the Bond Trust Deed dated 13 July 2007.</p> <p>To check the mathematical accuracy, we have re-calculated 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> <p>We have reviewed the appropriateness of the discount rate which has been applied to the financial asset valuation. This included creating an independent expectation of the expected yield for such as asset with reference to the underlying bond as well as by reference to yields on university-let property assets.</p> <p>Key observations:</p>

Keele Residential Funding plc

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

		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.
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Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	2021 £m	2020 £m	2021 £m	2020 £m
Materiality	£1,736,000	£1,750,000	£1,735,000	£1,750,000
Basis for determining materiality	1% of total assets at the balance sheet date.			
Rationale for the benchmark applied	Total assets are the most important benchmark for the reader as profitability is driven by the revaluation of the financial asset.			
Performance materiality	£1,302,000	£1,312,500	£1,301,000	£1,312,500
Basis for determining performance materiality	75% of materiality The level of performance materiality applied was set after having considered a number of factors including our initial assessment of the overall control environment and the expected level of misstatements.			

Component materiality

The group's only subsidiary was immaterial to the results of the Group and is therefore not a significant component. The materiality of the subsidiary was below the reporting threshold of the Group. As a result, no reporting materiality threshold was set for this entity for the purpose of the Group audit.

Reporting threshold

We agreed with the Board of Directors that we would report to them all individual audit differences in excess of £35,000 (2020: £35,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Keele Residential Funding plc

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

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 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

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none">• 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. <p>In the light of the knowledge and understanding of the Group and 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.</p>
Matters on which we are required to report by exception	<p>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:</p> <ul style="list-style-type: none">• 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 and the part of the Directors' remuneration report to be audited 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

Keele Residential Funding plc

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

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. 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 key ones relate to the reporting framework (IFRS and the Companies Act 2006), and taxation. We obtained an understanding legal and regulatory frameworks that are applicable to the Group by making enquiries of management and corroborated our enquiries through our review of board minutes.
- 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 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:

- The engagement partner has assessed and confirmed that the engagement team collectively had the appropriate competence and capabilities to identify or recognize non-compliance with laws and regulations
- Journal entry testing, with a focus on journals indicating large or unusual transactions based on our understanding of the business and manual consolidation entries;

Keele Residential Funding plc

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

- 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;
- 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.

A further description of our responsibilities is available on the Financial Reporting Council's website at: 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:

Charles Ellis

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

25 November 2021

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 2021

	Note	2021	2020
		Group	Group
		£	£
CONTINUING OPERATIONS			
REVENUE	4	7,983,897	7,519,230
Administrative expenses		(349,559)	(376,239)
(Loss) / Gain on financial asset	10	<u>(1,297,333)</u>	<u>2,731,344</u>
PROFIT FROM OPERATIONS	5	6,337,005	9,874,335
Finance costs	7	(5,143,990)	(7,403,535)
Finance income	8	259,046	294,948
		<u> </u>	<u> </u>
PROFIT/(LOSS) BEFORE TAX		1,452,061	2,765,748
Income tax credit/(expense)	9	<u>383,381</u>	<u>-</u>
PROFIT/(LOSS) FOR THE YEAR		<u>1,835,442</u>	<u>2,765,748</u>
TOTAL COMPREHENSIVE INCOME/(LOSS)		<u>1,835,442</u>	<u>2,765,748</u>
ATTRIBUTABLE TO:			
EQUITY HOLDERS OF THE PARENT		<u>1,835,442</u>	<u>2,765,748</u>

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 2021

	Note	2021 Group £	2020 Group £
ASSETS			
NON-CURRENT ASSETS			
Financial Asset	10	156,317,483	157,867,364
Other financial assets	12	5,228,952	4,975,003
TOTAL NON-CURRENT ASSETS		161,546,435	162,842,367
CURRENT ASSETS			
Financial Asset	10	7,810,511	7,557,963
Trade and other receivables	13	22,500	18,667
Cash and cash equivalents	14	4,276,374	4,206,001
TOTAL CURRENT ASSETS		12,109,385	11,782,631
TOTAL ASSETS		173,655,820	174,624,998
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	15	(411,124)	(540,410)
Financial liabilities	16	(63,484)	(3,081,039)
Taxation	9	-	(383,381)
TOTAL CURRENT LIABILITIES		(474,608)	(4,004,830)
NON-CURRENT LIABILITIES			
Financial liabilities	16	(150,480,279)	(149,849,447)
Provision	26	(1,902,573)	(1,807,802)
TOTAL NON-CURRENT LIABILITIES		(152,382,852)	(151,657,249)
TOTAL LIABILITIES		(152,857,460)	(155,662,079)
NET ASSETS		20,798,360	18,962,919
EQUITY			
Share capital	19	50,000	50,000
Retained earnings	20	20,748,360	18,912,919
ISSUED CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS		20,798,360	18,962,919
TOTAL EQUITY		20,798,360	18,962,919

Keele Residential Funding plc

REGISTERED NUMBER: 03840096

COMPANY BALANCE SHEET

At 31 July 2021

	Note	2021 Company £	2020 Company £
ASSETS			
NON-CURRENT ASSETS			
Financial Asset	10	156,317,483	157,867,364
Investment in Subsidiary	11	2	2
Other financial assets	12	5,228,952	4,975,003
TOTAL NON-CURRENT ASSETS		161,546,437	162,842,369
CURRENT ASSETS			
Financial Asset	10	7,810,511	7,557,963
Trade and other receivables	13	22,500	18,667
Cash and cash equivalents	14	4,233,070	4,180,327
TOTAL CURRENT ASSETS		12,066,081	11,756,957
TOTAL ASSETS		173,612,518	174,599,326
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	15	(405,805)	(539,270)
Other financial liabilities	16	(63,484)	(3,081,039)
Taxation	9	-	(383,381)
TOTAL CURRENT LIABILITIES		(469,289)	(4,003,690)
NON CURRENT LIABILITIES			
Financial liabilities	16	(150,480,279)	(149,849,447)
Liability Provision	26	(1,902,573)	(1,807,802)
TOTAL NON CURRENT LIABILITIES		(152,382,852)	(151,657,249)
TOTAL LIABILITIES		(152,852,141)	(155,660,939)
NET ASSETS		20,760,377	18,938,387
EQUITY			
Share capital	19	50,000	50,000
Retained earnings	20	20,710,377	18,888,387
ISSUED CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS		20,760,377	18,938,387
TOTAL EQUITY		20,760,377	18,938,387

Keele Residential Funding plc

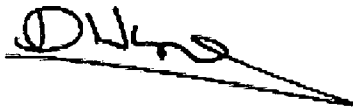
REGISTERED NUMBER: 03840096

COMPANY BALANCE SHEET

At 31 July 2021

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 £1,821,991 (2020: £2,787,453).

The financial information on pages 13 to 38 was approved by the board of directors and authorised for issue on 23 November 2021 and was signed on its behalf by:

A handwritten signature in black ink, appearing to read 'D Wynne', with a long horizontal line extending from the end of the signature.

D Wynne
Director

Signed : 24 November 2021

Keele Residential Funding plc
CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 July 2021

	Note	<u>2021</u>	<u>2020</u>
		Group	Group
		£	£
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) for the year		1,835,442	2,765,748
<i>Adjustments for:</i>			
Finance costs		5,143,990	7,403,535
Finance income		(259,046)	(294,948)
(Gain)/Loss on Financial Asset		1,297,333	(2,731,344)
Income tax (credit)/expense		<u>(383,381)</u>	-
		7,634,337	7,142,991
(Increase)/decrease in trade and other receivables		(3,833)	193,917
(Decrease)/increase in trade and other payables		<u>(129,286)</u>	<u>(29,319)</u>
CASH GENERATED BY OPERATIONS		7,501,218	7,307,589
Income tax paid			
NET CASH FLOW FROM OPERATING ACTIVITIES		<u>7,501,218</u>	<u>7,307,589</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Finance income		5,097	52,695
NET CASH FLOW FROM INVESTING ACTIVITIES		<u>5,097</u>	<u>52,695</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment made on bonds		(7,435,942)	(7,310,409)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES		<u>(7,435,942)</u>	<u>(7,310,409)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		70,373	49,875
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		<u>4,206,001</u>	<u>4,156,126</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	14	<u><u>4,276,374</u></u>	<u><u>4,206,001</u></u>

Keele Residential Funding plc

COMPANY CASH FLOW STATEMENT

For the year ended 31 July 2021

	Note	2021	2020
		Company	Company
		£	£
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) for the year		1,821,991	2,787,453
<i>Adjustments for:</i>			
Finance costs		5,143,990	7,403,535
Finance income		(259,046)	(294,948)
(Gain)/loss on Financial Asset		1,297,333	(2,731,344)
Income tax (credit)/expense		(383,381)	-
		7,620,886	7,164,696
(Increase)/decrease in trade and other receivables		(3,833)	222,198
(Decrease)/increase in trade and other payables		(133,465)	(48,580)
CASH GENERATED BY OPERATIONS		7,483,588	7,338,314
Income tax paid			-
NET CASH FLOW FROM OPERATING ACTIVITIES		7,483,588	7,338,314
CASH FLOWS FROM INVESTING ACTIVITIES			
Finance income		5,097	52,695
NET CASH FLOW FROM INVESTING ACTIVITIES		5,097	52,695
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment made on bonds		(7,435,942)	(7,310,409)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES		(7,435,942)	(7,310,409)
NET INCREASE IN CASH AND CASH EQUIVALENTS		52,743	80,600
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		4,180,327	4,099,727
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	14	4,233,070	4,180,327

Keele Residential Funding plc

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 July 2021

GROUP	Note	Share Capital	Retained Earnings	Total
		£	£	£
Balance as at 31 July 2019		50,000	16,147,171	16,197,171
Total comprehensive income for the year		-	2,765,748	2,765,748
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	20	50,000	20,748,360	20,798,360

COMPANY	Note	Share Capital	Retained Earnings	Total
		£	£	£
Balance as at 31 July 2019		50,000	16,100,934	16,150,934
Total comprehensive income for the year		-	2,787,453	2,787,453
Balance as at 31 July 2020		50,000	18,888,386	18,938,386
Total comprehensive income for the year		-	1,821,991	1,821,991
Balance as at 31 July 2021	20	50,000	20,710,377	20,760,377

Keele Residential Funding plc

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2021

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 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 international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and article 4 of the IAS regulation.

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 early 2021 caused students in university accommodation at Keele University to again be periodically unable to attend accommodation during their letting period. The University again elected to refund students for this early departure but fulfilled its rental obligation to KRF for the year ending 31 July 2021.

As a result of significant improvements in levels of infection and mortality rates over the spring and summer of 2021 and in particular significant levels of vaccination in the population, the UK Government is removing all restrictions, whilst continuing to encourage continued caution on the part of individuals. Higher education students are advised they can resume their studies at university. Universities will be ensuring frequent cleaning of spaces and students are required to regularly covid test – substantial face-to-face teaching has resumed from the start of the September 2021 term.

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 2021 entry are good and expected to be in line with budget. Demand levels for the University accommodation are very good and rental flows to KRF through 2021/22 are expected to be uninterrupted. The Directors have prepared cashflow forecasts that cover at least twelve months from the authorisation of these financial statements. Rent payments from the University are expected to continue as anticipated in line with their contractual obligations. The Group and Company therefore are expected to have sufficient cash to settle its financial obligations.

Keele Residential Funding plc

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2021

The Directors consider that whilst they will continue to monitor the University's situation, there is no longer a significant doubt over the ability of the Group and the Company to continue as a going concern.

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.

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.

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.

Keele Residential Funding plc

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2021

2.9 TAXATION

Current taxation

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

Deferred taxation

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

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

Tax charge for the period

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

2.10 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

Fair value through profit or loss

The Group's Financial Asset representing student rent receivable from Keele University is carried in the balance sheet at fair value with changes in fair value recognised and presented separately as "Gain/(loss) on financial asset" in the consolidated statement of comprehensive income. This financial asset is measured at fair value as the cashflows arising do not represent the payments of solely principal and interest. 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

Keele Residential Funding plc

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2021

provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Financial liabilities

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

Fair value through profit or loss

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

Other financial liabilities

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

2.11 SHARE CAPITAL

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

2.12 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.

2.13 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.

Keele Residential Funding plc

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2021

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 2021 is 2% and is based on the latest Bank of England RPI forecast available at the time of compiling these accounts. These cash flows are used to derive a fair value of the financial asset using a discount factor comprising the 2% estimate of long term inflation and the 2.108% coupon on the issued bonds. The assessment of the discount rate is consistent with the prior year. A movement in both the inflation rates and discount rate would impact on the valuation though are generally offsetting due to the linked assessment of the cashflows and discount rate.

4. REVENUE

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

	2021 Group £	2020 Group £
<i>Continuing operations:</i>		
Interest on the Financial Asset	7,723,167	7,732,683
Movement in Financial Asset	260,730	(213,453)
	<u>7,983,897</u>	<u>7,519,230</u>

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

5. PROFIT FROM OPERATIONS

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

	2021 £	2020 £
Gain/(loss) on financial asset revaluation (note 10)	(1,297,333)	2,731,344
<i>Auditors' remuneration</i>		
Audit services	64,779	40,000
Prior periods taxation services	-	-

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

6. STAFF COST

Keele Residential Funding plc

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2021

	2021	2020
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	2	2
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Staff remuneration in the year ended 31 July 2021 amounted to £nil (2020 - £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 22 of the Financial Statements.

7. FINANCE COSTS

Group	2021 £	2020 £
Interest on secured bond	3,355,409	3,404,887
Accretion on secured bond	1,358,508	3,573,656
Amortisation of bond arrangement fee	297,846	297,847
Interest on AGL liability	37,456	39,011
Interest on GIC liability provision	94,771	88,134
	<u>5,143,990</u>	<u>7,403,535</u>

8. FINANCE INCOME

Group	2021 £	2020 £
Interest on short and long term cash balances	<u>259,046</u>	<u>294,948</u>

9. INCOME TAX EXPENSE

Group	2021 £	2020 £
<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	-	-

Keele Residential Funding plc

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2021

Total tax credit /(expense) in income statement	383,381	-
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Reconciliation of effective tax rate

	2021 £	2020 £
Group profit/(loss) before tax	1,452,061	3,008,001
Tax using the UK corporation tax rate of 19% (2020:19%)	(275,892)	(571,520)
EFFECT OF:		
Adjustment to previous year tax	383,381	
Unprovided bought forward losses	120,101	59,285
Annual allowance on lease premiums paid	168,594	168,354
Other temporary differences	(12,803)	343,881
Total current tax charge and effective rate of tax	383,381	-

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 £47,324,630 (2020: £53,276,339). The Group is not recognising the deferred tax asset in the balance sheet as there is insufficient evidence as to the future use of the losses at this time. This will be kept under review.

10. FINANCIAL ASSET

Group & Company	2021 £	2020 £
<i>Fair value</i>		
At beginning of year	165,425,327	162,693,983
Increase/(reduction) in fair value in the year	(1,297,333)	2,731,344
At end of year	164,127,994	165,425,327
Value of the Financial Asset in 1 year	7,810,511	7,557,963
Value of the Financial Asset in greater than 1 year	156,317,483	157,867,364
Total Financial Asset Value	164,127,994	165,425,327

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 2021 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

Keele Residential Funding plc

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2021

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

11. INVESTMENT IN SUBSIDIARY

Company

Detail of the parent company's subsidiary at 31 July 2020 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.

12. OTHER FINANCIAL ASSETS

Group & Company	2021 £	2020 £
Long term cash investment	5,228,952	4,975,003

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.

13. TRADE AND OTHER RECEIVABLES

Group

	2021 £	2020 £
<i>Amounts falling due within one year:</i>		
Prepayments and accrued income	22,500	18,667
	<u>22,500</u>	<u>18,667</u>

Company

	2021 £	2020 £
<i>Amounts falling due within one year:</i>		

Keele Residential Funding plc

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2021

Prepayments and accrued income	22,500	18,667
	<u>22,500</u>	<u>18,667</u>

14. CASH AND CASH EQUIVALENTS

Group	2021 £	2020 £
Cash at bank and in hand	<u>4,276,374</u>	<u>4,206,001</u>

Company	2021 £	2020 £
Cash at bank and in hand	<u>4,233,070</u>	<u>4,180,327</u>

15. TRADE AND OTHER PAYABLES

Group	2021 £	2020 £
Trade payables	350,406	488,260
Accruals and deferred income	56,225	49,650
Social Security and other taxes	4,493	2,500
	<u>411,124</u>	<u>540,410</u>

Company	2021 £	2020 £
Trade payables	350,406	488,260
Accruals and deferred income	52,050	49,000
Social Security and other taxes	3,349	2,010
	<u>405,805</u>	<u>539,270</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.

	<i>Current</i>		<i>Non-Current</i>	
	2021 £	2020 £	2021 £	2020 £
Guaranteed secured bond (see note 16.1)	-	3,019,744	149,044,959	148,351,153
Financial Guarantee fee payable to AGL (see note 16.2)	63,484	61,295	1,435,320	1,498,294

Keele Residential Funding plc

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2021

63,484	3,081,039	150,480,279	149,849,447
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The guaranteed secure bond is shown net of unamortised loan arrangement fees of £7,595,098 (2020: £7,892,944)

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. 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 2021 the principal outstanding on the new bonds, on a cash-paid basis, was £107,326,458 (2020: £111,243,783).

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 2021 using the effective interest rate method.

17. FINANCIAL INSTRUMENTS

17.1. CAPITAL RISK MANAGEMENT

Neither Group nor Company are subject to externally imposed capital requirements.

Capital is considered to comprise share capital and retained earnings; balances and movements in which are reported in the Statement of Changes in Equity.

The Group's assets and liabilities are constructed such that cash inflows and outflows are equalised over the life of the contracts. Any balance on retained earnings is timing differences resulting from differing accounting treatments applied to the assets and liabilities. No active management of capital is required. This capital strategy remains unchanged from 2020.

Keele Residential Funding plc

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2021

17.2.CATEGORIES OF FINANCIAL INSTRUMENTS

FINANCIAL ASSETS

GROUP

	Fair Value through Profit & Loss £	2021 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
	164,127,994	9,527,826	173,655,820

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

COMPANY

	Fair Value through Profit & Loss £	2021 At Amortised Cost £	Total £
Financial Asset	164,127,994	-	164,127,994
Cash at bank and in hand	-	4,233,070	4,233,070
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

	Fair Value through Profit & Loss £	2020 At Amortised Cost £	Total £
Financial Asset	165,425,327	-	165,425,327
Cash at bank and in hand	-	4,180,327	4,180,327
Trade and other receivables	-	18,667	18,667
Financial investment	-	4,975,003	4,975,003
	165,425,327	9,173,997	174,599,324

Keele Residential Funding plc

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2021

FINANCIAL LIABILITIES

GROUP

	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)

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

FINANCIAL LIABILITIES COMPANY

	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)

	Fair Value through Profit & Loss £	2020 Other Financial Liabilities £	Total £
Trade and other payables	-	(539,270)	(539,270)
Guaranteed index linked secured bond	-	(151,370,897)	(151,370,897)
Financial Guarantee fee payable to AGL	-	(1,559,589)	(1,559,589)
	-	(153,469,756)	(153,469,756)

Keele Residential Funding plc

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2021

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 £533,697 (2020 - £547,299). However, the future cash inflows received under the contract with Keele University, accounted for as a financial asset, are adjusted likewise to reflect changes to RPI and therefore this risk is managed.

Interest rate risk

The Group is not exposed to fluctuations in interest rates.

Foreign exchange risk

The Group is not exposed to foreign currency risk.

17.3.2. *Credit risk*

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

The Group's significant financial asset is the Financial Asset, valued in the accounts at £167,179,048. 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 £167,179,048 (2020 - £168,592,528). 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 £4,276,374 (2020 - £4,206,001) and £5,228,952 (2020 - £4,975,003) respectively. No collateral is held. There is no expected credit loss expectation regarding these balances.

17.3.3. *Liquidity risk*

Keele Residential Funding plc

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2021

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.

Group Financial Liabilities

At 31 July 2021	Up to 1 Year £	1-2 Years £	3 – 5 Years £	Over 5 Years £	Total Liability £	Total Carrying Value £
Trade and other payables	411,124	--	-	-	411,124	411,124
Guaranteed index linked secured bond	7,671,615	7,928,712	25,420,258	252,438,386	293,458,972	149,044,959
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	295,631,908	150,954,887

At 31 July 2020	Up to 1 Year £	1-2 Years £	3 – 5 Years £	Over 5 Years £	Total Liability £	Total Carrying Value £
Trade and other payables	540,410	-	-	-	540,410	540,410
Guaranteed index linked secured bond	7,365,503	7,611,916	24,404,669	259,158,731	298,540,819	151,370,897
Financial Guarantee fee payable to AGL	98,634	98,483	292,802	1,356,816	1,846,735	1,559,589
	8,004,547	7,710,399	24,697,471	260,515,547	300,927,964	153,470,896

Keele Residential Funding plc

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2021

Company Financial Liabilities

At 31 July 2021	Up to 1 Year £	1-2 Years £	3 – 5 Years £	Over 5 Years £	Total Liability £	Total Carrying Value £
Trade and other payables	405,805	-	-	-	405,805	405,805
Guaranteed index linked secured bond	7,671,615	7,928,712	25,420,258	252,438,386	293,458,972	149,044,959
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	295,626,589	150,949,568
At 31 July 2020	Up to 1 Year £	1-2 Years £	3 – 5 Years £	Over 5 Years £	Total Liability £	Total Carrying Value £
Trade and other payables	539,270	-	-	-	539,270	539,270
Guaranteed index linked secured bond	7,365,503	7,611,916	24,404,669	259,158,731	298,540,819	151,370,897
Financial Guarantee fee payable to AGL	98,634	98,483	292,802	1,356,816	1,846,735	1,559,589
	8,003,407	7,710,399	24,697,471	260,515,547	300,926,824	153,469,756

17.4. UNDRAWN COMMITTED BORROWING FACILITIES

At the year-end the Group had no undrawn committed borrowing facilities (2020: 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:

	2021		2020	
	Carrying Amount £	Fair value £	Carrying amount £	Fair value £
Financial Asset	164,129,994	164,129,994	165,425,327	165,425,327
Cash at bank and in hand	4,276,374	4,276,374	4,206,001	4,206,001
Long Term Cash Deposits	5,228,952	5,228,952	4,975,003	4,975,003

Keele Residential Funding plc

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2021

Trade and other receivables	22,500	22,500	18,667	18,667
Trade and other payables	(411,124)	(411,124)	(540,410)	(540,410)
Guaranteed index linked secure bond	(149,044,959)	(248,753,215)	(151,370,897)	(248,679,488)
Assured Guaranty Liability	(1,498,804)	(1,498,804)	(1,559,589)	(1,559,589)
	<u>22,702,933</u>	<u>(77,005,323)</u>	<u>21,154,102</u>	<u>(76,154,489)</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:

	2021		2020	
	Carrying amount £	Fair value £	Carrying amount £	Fair value £
Financial Asset	164,127,994	164,127,994	165,425,327	165,425,327
Cash at bank and in hand	4,233,070	4,233,070	4,180,327	4,180,327
Long Term Cash Deposits	5,228,952	5,228,952	4,975,003	4,975,003
Trade and other receivables	22,500	22,500	18,667	18,667
Trade and other payables	(405,805)	(405,805)	(539,270)	(539,270)
Guaranteed index linked secure bond	(149,044,959)	(248,753,215)	(151,370,897)	(248,679,488)
Assured Guaranty Liability	(1,498,804)	(1,498,804)	(1,559,589)	(1,559,589)
	<u>22,662,948</u>	<u>(77,045,308)</u>	<u>21,129,568</u>	<u>(76,179,023)</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 2021.

Guaranteed index linked secured bonds, included at fair value have been valued using published bond price indices at 31 July 2021

	Level 1		Level 2		Level 3	
Group and Company	2021 £	2020 £	2021 £	2020 £	2021 £	2020 £
Financial Assets held at fair value						
Financial Asset		-		-	164,127,994	165,425,327

Keele Residential Funding plc

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2021

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	
Index linked bond	Guaranteed index linked secured bonds, included at fair value have been valued using published bond price indices at 31 July 2021.		

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

Keele Residential Funding plc

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2021

Financial liabilities-	2021 £	2020 £
Note 17		
Opening balance	152,930,486	152,925,494
Cash flows	(7,435,942)	(7,310,409)
Non cash flows:		
Finance cost	5,049,219	7,315,401
Fair value changes		-
Closing balance	<u>150,543,763</u>	<u>152,930,486</u>

19. 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.

20. RESERVES

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

21. CAPITAL COMMITMENTS

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

Keele Residential Funding plc

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2021

22. RELATED PARTY TRANSACTIONS

During the year £84,561 (2020: £83,997), inclusive of VAT, was charged by Wilmington Trust SP Services (London) Limited for corporate services provided to Keele Residential Funding Plc and £9,954 (2020: £9,893) was charged by Wilmington Trust SP Services (London) Limited for corporate services provided to KRF Management Limited. Keele University charged Keele Residential Funding Plc £55,920 (2020: £49,977) and KRF Management Ltd £6,721 (2020: £6,664) for accounting and administration services.

At the year-end a balance of £Nil (2020: Nil) was due to Wilmington Trust SP Services (London) Limited, £Nil (2020: Nil) was due by Keele Residential Funding Plc to KRF Management Ltd, £Nil (2020: Nil) was due by KRF Management Ltd to Keele Residential Funding Plc and £350,406 (2020: £410,823) was due by KRF Residential Funding Plc to Keele University.

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

23. POST BALANCE SHEET EVENTS

Covid-19 and the UK Government's efforts to contain the virus continue. The University is reporting good levels of recruitment and accommodation occupation. Further comments on this and the views of the directors are contained in the going concern statement in the Directors' report on page 3.

24. CONTINGENT LIABILITIES

There are no contingent liabilities to report.

25. 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.

26. 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

Keele Residential Funding plc

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2021

	£
Balance 31 st July 2020	(1,807,802)
Interest on GIC Liability	(94,771)
	<hr/>
Balance as at 31 st July 2021	<u><u>(1,902,573)</u></u>