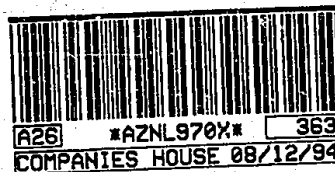


Student Loans Company Limited

Directors' report and financial statements

31 March 1994

Registered number 2401034



Student Loans Company Limited

Directors' report and financial statements

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Student Loans Company Limited

Chairman's statement

The attached directors' report and company financial statements cover the period from 1 April 1993 to 31 March 1994.

During the year the company continued both to pay loans to students on behalf of the Government's loan scheme, and to collect loan repayments from the increasing number of borrowers who became due to repay, and the results of these activities are reflected in the financial statements.

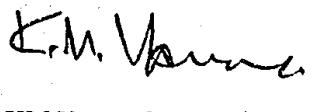
At the end of the financial year the balance of loans outstanding was £676 million compared with £387 million a year earlier, and the cost of administration was some £14 million compared with £11 million in 1992-93.

Funding for both loans and operations is provided by Government, and accordingly the company makes neither a profit nor a loss; however, within the limits of the financial memorandum between the company and the Government, the company is required to operate as an independent company, and, as far as possible, commercially.

As stated in last year's report, the company intends to comply with the Cadbury Committee Code of Best Practice. The board considers that the company now complies fully with the Code's recommendations on which guidance has been published, with exception only of that concerning the fixed terms of appointment of non-executive directors which matter is presently under consideration by the board.

During the year one of our non-executive directors, Petra Laidlaw, resigned from the board when she moved to a new position within the Department for Education; I should like to thank her warmly for her contribution to the affairs of the company during her tenure. Jeremy Moore, an Assistant Secretary in DFE, was appointed to the board in her place in January 1994. I should like to thank all of my fellow directors for their efforts and support during the year, and especially Ron Harrison, our Chief Executive, who, for his services to higher education, was honoured with the CBE award in the Birthday 1994 Honours List.

As before, a full report on the activities of the company during the 1993/94 academic year will be published before the end of this calendar year and, again, the attached financial statements and directors' report will form part of it.



KM Young CBE
Chairman

22 June 1994

Student Loans Company Limited

Directors' report

The directors have pleasure in submitting their annual report and the financial statements of the company for the year ended 31 March 1994.

Review of business and future developments

During the year under review the company made loans under the terms of the student loans scheme, and collected substantially increasing volumes of loan repayments as from 1 April 1993.

While there are a number of important developments continually in process with a view to increasing efficiency in handling high volumes, one in particular which has been launched commencing with the 1994/95 academic year is a revised process for loan applications designed to eliminate a considerable amount of the preliminary certification requirements for both the student and the college for those borrowers who are taking out loans for a second or subsequent time.

All net costs for the year were met by the Department for Education, the Scottish Office Education Department and the Department of Education for Northern Ireland. Consequently the company made neither a profit nor a loss.

Dividends

The directors do not recommend the payment of a dividend (1993: £Nil).

Directors and their interests

The directors of the company serving during the year were as follows:

KM Young CBE	Chairman	Non-Executive	
WAP Weatherston CB		Non-Executive	†
RJ Harrison CBE		Chief Executive	§
RT Kanter		Non-Executive	† §
RG Burnett		Non-Executive	†
PI Laidlaw		Non-Executive	† § (resigned 17 January 1994)
JP Moore		Non-Executive	† § (appointed 19 January 1994)

†
§

Member of the audit committee.
Member of the remuneration committee.

None of the directors had any interest in the shares of the company at 31 March 1994 and 31 March 1993 (or subsequent date of appointment). The company is wholly owned by the Secretary of State for Education and the Secretary of State for Scotland.

The Secretary of State for Education and the Secretary of State for Scotland were shadow directors of the company under Section 741 of the Companies Act 1985 throughout the year and continue to be so.

Student Loans Company Limited

Directors' report (*continued*)

Tangible fixed assets

Information relating to changes in tangible fixed assets is given in note 7 to the financial statements.

Charitable donations

During the year the company made charitable donations of £1,332 (1993: £460).

Insurance of directors and officers

During the year the company maintained insurance to indemnify the directors and officers of the company against liability at law for damages, claimants' costs and expenses in respect of claims made against them jointly or severally from any wrongful act committed by them in their respective capacities.

Corporate governance

The board considers that from 22 June 1994 the company complies fully with the recommendations of the Code of Best Practice established by the Committee on the Financial Aspects of Corporate Governance (the Cadbury Committee) on which guidance has been published, with exception only of that concerning the fixed terms of appointment of non-executive directors which matter is presently under consideration by the board.

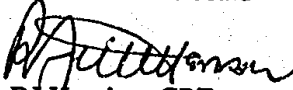
The board includes five non-executive directors who collectively represent a wide range of business and government experience. The board maintains an audit committee, currently chaired by Mr RG Burnett, which operates along the lines recommended in the Code. The company also has a remuneration committee, comprising two non-executive directors and the chief executive, which is chaired by Mr RT Kanter.

The auditors, KPMG Peat Marwick, have confirmed to the directors that they are satisfied that this statement appropriately reflects the company's compliance with the Code of Best Practice, insofar as it relates to the paragraphs of the Code which the London Stock Exchange has specified for their review.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution concerning the appointment of auditors of the company is to be proposed at the forthcoming Annual General Meeting.

On behalf of the board


R.J. Harrison CBE
Director

21 St Thomas Street
Bristol
BS1 6JS

22 June 1994

Student Loans Company Limited

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to (a) select suitable accounting policies and then apply them consistently, (b) make judgements and estimates that are reasonable and prudent, (c) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and (d) 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG Peat Marwick

Report of the auditors to the members of Student Loans Company Limited

We have audited the financial statements on pages 5 to 16.

Respective responsibilities of directors and auditors

As described above the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 1994 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Peat Marwick

KPMG Peat Marwick
Chartered Accountants
Registered Auditors

24 Blythswood Square
Glasgow
G2 4QS

22 June 1994

Student Loans Company Limited

Profit and loss account for the year ended 31 March 1994

	Note	1994 £000	1993 £000
Turnover	2	13,711	10,845
Administrative expenses		(13,721)	(10,861)
		<u>(10)</u>	<u>(16)</u>
Net interest receivable	3	13	22
Result on ordinary activities before taxation	4	<u>3</u>	<u>6</u>
Tax on result on ordinary activities	6	(3)	(6)
Result on ordinary activities after taxation and for the financial year		<u><u>-</u></u>	<u><u>-</u></u>

In both the current and preceding year, the company made no acquisitions and had no discontinued operations.

Statement of total recognised gains and losses

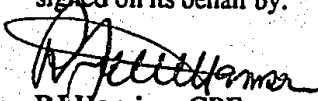
The company has no recognised gains or losses other than the result for the year (1993: £Nil).

Student Loans Company Limited

Balance sheet
at 31 March 1994

	Note	1994 £000	1993 £000
Fixed assets			
Tangible assets	7	2,151	2,130
Current assets			
Debtors:			
Due after one year		632,934	370,072
Due within one year		43,369	17,161
Cash at bank and in hand	8 9	676,303 25,119	387,233 539
Creditors:		701,422	387,772
Due within one year	10	(43,585)	(17,695)
Net current assets:			
Due after one year		632,934	370,072
Due within one year		24,903	5
		657,837	370,077
Total assets less current liabilities		659,988	372,207
Creditors:			
Due after one year	11	(657,837)	(370,077)
Accruals and deferred income			
Deferred capital receipts	12	(2,151)	(2,130)
		.	.
Capital and reserves			
Called up share capital	13	.	.
Profit and loss account		.	.
		.	.

These financial statements were approved by the board of directors on 22 June 1994 and were signed on its behalf by:


RJ Harrison CBE
Director

Student Loans Company Limited

Cash flow statement for the year ended 31 March 1994

	Note	1994 £000	1993 £000
Net cash inflow/(outflow) from operating activities	15(a)	24,694	(8,878)
Returns on investments and servicing of finance			
Bank interest received		13	22
Taxation			
Corporation tax paid		(6)	(10)
Investing activities			
Payments to acquire tangible fixed assets		(529)	(455)
Receipts from sales of tangible fixed assets		18	4
Net cash outflow from investing activities		(511)	(451)
Net cash inflow/(outflow) before financing		24,190	(9,317)
Financing			
Capital funding received from the Education Departments		511	451
Increase/(decrease) in cash and cash equivalents	15(b)	24,701	(8,866)

Student Loans Company Limited

Notes
(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Basis of preparation

The terms of the Financial Memorandum between the Secretary of State for Education, the Secretary of State for Scotland, the Department of Education for Northern Ireland and the company require that the company shall conduct its affairs so as to remain solvent within the total resources made available to it by the Secretaries of State and the Department of Education for Northern Ireland. These financial statements have been prepared on this basis.

All net costs during the year were met by the Department for Education, the Scottish Office Education Department and the Department of Education for Northern Ireland (collectively referred to as the Education Departments) and are accounted for as management fees receivable. Consequently, the company made neither a profit nor a loss.

Depreciation

Depreciation is provided on all tangible fixed assets calculated so as to write off the cost of each asset, less estimated residual value, evenly over its expected useful life, as follows:

Computer equipment	-	over 5 years
Furniture, fixtures and fittings	-	over 8 years
Motor vehicles	-	over 4 years
Leasehold improvements	-	over the unexpired period of the lease

Deferred capital receipts

Funding received from the Education Departments for the purpose of capital expenditure is credited to the deferred capital receipts account and is released to the profit and loss account by amounts equal to the associated depreciation charge.

Irrecoverable debts

The company may ultimately not recover all student loans. However, no provision for underrecovery need be charged to the company's profit and loss account, because there is an agreement between the company and the Education Departments that the company is liable to transmit to the Departments only those loan repayments which are actually made to the company. As a consequence, the extent to which the company does not ultimately recover student loans reduces the liability to the Education Departments by the same amount.

Student Loans Company Limited

Notes (continued)

1 Accounting policies (continued)

Interest receivable and payable

Interest receivable on student loans is credited to the profit and loss account in terms of each loan agreement as it arises and is incorporated in the loan balance receivable from students and repayable to the Education Departments. Under the company's arrangement with the Education Departments, interest payable is matched with interest receivable.

Operating leases

Rentals payable under operating leases are charged to the profit and loss account in the period to which they relate.

Pensions

The company operates a defined benefit pension scheme, the assets of which are held separately from those of the company, being invested in managed funds. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions on a systematic basis over employees' working lives with the company.

2 Turnover

Turnover represents management fees receivable from the Education Departments for the purpose of administering loan funds.

3 Net interest receivable

	1994 £000	1993 £000
<i>Interest receivable:</i>		
Bank interest	13	22
Interest earned on student loans	10,600	11,202
	<u>10,613</u>	<u>11,224</u>
<i>Interest payable:</i>		
Loan interest earned repayable to the Education Departments	10,600	11,202
	<u>13</u>	<u>22</u>

4 Result on ordinary activities before taxation

	1994 £000	1993 £000
(a) <i>This is stated after charging or (crediting):</i>		
Depreciation	474	398
Additional depreciation on disposal of fixed assets	16	1
Deferred capital receipts	(490)	(399)
Directors' remuneration (see below)	111	106
Auditors' remuneration, including expenses:		
Audit services	36	42
Other services	15	16
Operating lease rentals:		
Land and buildings	920	920
Hire of plant and machinery	64	66
	<u> </u>	<u> </u>

Student Loans Company Limited

Notes (continued)

4 Result on ordinary activities before taxation (continued)

	1994 £000	1993 £000
(b) Directors' remuneration		
Fees	28	26
Executive remuneration (including benefits in kind)	71	68
Pension contributions	12	11
	<u>111</u>	<u>105</u>

Emoluments of the:

	1994		1993	
	Including pension contributions £000	Excluding pension contributions £000	Including pension contributions £000	Excluding pension contributions £000
Chairman	12	12	10	10
Highest paid director	83	71	79	68
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The emoluments (excluding pension contributions) of all directors fell within the following ranges:

		Number of directors	
		1994	1993
£Nil	- £5,000	3	4
£5,001	- £10,000	2	3
£10,001	- £15,000	1	-
£65,001	- £70,000	-	1
£70,001	- £75,000	1	-
		<u> </u>	<u> </u>

5 Staff numbers and costs

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

	1994	1993
Number of employees	237	190

The aggregate payroll costs of these persons were as follows:

	1994 £000	1993 £000
Wages and salaries	2,917	2,431
Social security costs	222	190
Other pension costs	196	173
	<u>3,335</u>	<u>2,794</u>

All staff were employed by the company for the purposes of administration and operation of the student loans scheme.

Student Loans Company Limited

Notes (continued)

6 Tax on result on ordinary activities

	1994 £000	1993 £000
Based on the result for the year:		
Corporation tax @ 25%	3	6
	=	=

The extent of the company's liability to UK corporation tax is limited to tax chargeable on bank interest received during the year. No corporation tax liability arises from interest earned on student loans.

7 Tangible fixed assets

	Leasehold improvements £000	Computer equipment £000	Furniture, fixtures & fittings £000	Motor vehicles £000	Total £000
Cost					
At beginning of year	487	1,659	658	118	2,922
Additions	93	269	101	66	529
Disposals	-	(30)	-	(37)	(67)
At end of year	580	1,898	759	147	3,384
Depreciation					
At beginning of year	43	560	155	34	792
Charge for year	22	339	85	28	474
On disposals	-	(19)	-	(14)	(33)
At end of year	65	880	240	48	1,233
Net book value					
At 31 March 1994	515	1,018	519	99	2,151
At 31 March 1993	444	1,099	503	84	2,130

Student Loans Company Limited

Notes (continued)

8 Debtors

	1994 £000	1993 £000
Student loans receivable by instalments (note 11)	675,111	386,387
Management fees receivable	716	427
Other debtors	15	12
Prepayments and accrued income	461	407
	<u>676,303</u>	<u>387,233</u>

Due after one year and included in the debtors above are:

Student loans receivable by instalments	632,934	370,072
	<u>632,934</u>	<u>370,072</u>

Included within student loans receivable is earned interest of £28,667,000 (1993: £18,067,000). This interest is applied to the student loans receivable at 31 March 1994 in accordance with the terms and conditions stated in the loan agreements. The loans made to students bear interest at such rates prescribed by the Secretary of State as being necessary to maintain the value of the loans in real terms. The rate of interest charged on loans from 1 September 1992 to 31 August 1993 was such as to give an annual percentage rate of 3.9 per cent. From 1 September 1993 the rate of interest charged has been such as to give an annual percentage rate of 1.2 per cent. Subject to the provision for deferment in the Education (Student Loans) Regulations, borrowers repay loans in monthly instalments over a fixed period. At present, that fixed period is either five or seven years, depending on the number of academic years over which loans are advanced. Borrowers may repay their loans early if they wish. The company calculates the amount of repayments annually.

There is an agreement between the company and the Education Departments that the company is liable to transmit to the Departments only those repayments which are actually made to the company. As a consequence, the company is not liable for the cost of repayments which ultimately may not be recovered.

9 Cash at bank and in hand

	1994 £000	1993 £000
Cash held in:		
Commercial bank accounts	172	150
HM Paymaster General office accounts	24,946	388
Cash in hand	1	1
	<u>25,119</u>	<u>539</u>

Student Loans Company Limited

Notes (continued)

10 Creditors: amounts due within one year

	1994 £000	1993 £000
Loan repayments receivable and interest earned repayable to the Education Departments (note 11)	42,344	16,374
Bank overdraft	-	121
Trade creditors	243	68
Corporation tax	3	6
Other creditors	6	20
Taxation and social security	643	557
Accruals and deferred income	346	549
	<u>43,585</u>	<u>17,695</u>

11 Creditors: amounts due after more than one year

	1994 £000	1993 £000
Loan repayments receivable and interest earned repayable to the Education Departments	657,837	370,077
Loan repayments receivable by instalments and interest earned repayable:		
Within one year	42,177	16,315
Between one and two years	80,639	39,895
Between two and five years	370,173	209,917
In more than five years	182,122	120,260
	<u>675,111</u>	<u>386,387</u>
Loan funding received from the Education Departments not yet issued as student loans	24,903	5
Loan funding receivable from the Education Departments	-	(764)
Loan repayments received from students repayable to the Education Departments	167	823
	<u>700,181</u>	<u>386,451</u>
Less: Repayable within one year	(42,344)	(16,374)
	<u>657,837</u>	<u>370,077</u>

Of the loan repayments receivable and interest earned as at 31 March 1994, £185,717,000 (1993: £75,633,000) of individual student loans will be wholly repayable to the Education Departments within five years, with the balance of £489,394,000 (1993: £310,754,000) not being wholly repayable within five years.

Funding for the purpose of making loans to students is received by the company from the Education Departments. In accordance with the terms of the company's Financial Memorandum any interest which the company earns on funds made available for making loans to students and on money repaid to the company by borrowers under the scheme shall be returned to the Education Departments.

Student Loans Company Limited

Notes (continued)

12 Deferred capital receipts

	1994 £000	1993 £000
At 1 April	2,130	2,078
Receivable for the year	511	451
Credited to profit and loss account	(490)	(399)
	<hr/>	<hr/>
At 31 March	2,151	2,130
	<hr/>	<hr/>

13 Called up share capital

	1994 £	1993 £
<i>Authorised</i>		
Ordinary shares of £1 each	100	100
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	10	10
	<hr/>	<hr/>

14 Movement in shareholders' funds

As the opening and closing reserves are £Nil and there have been no share issues during the year there has been no movement in shareholders' funds during the year.

15 Cash flows

(a) Reconciliation of result on ordinary activities before taxation and net interest receivable to net cash inflow from operating activities:

	1994 £000	1993 £000
Result on ordinary activities before taxation and net interest receivable	(10)	(16)
Additional depreciation on disposal of fixed assets	16	1
Depreciation	474	398
Deferred capital receipts	(490)	(399)
	<hr/>	<hr/>
Increase in debtors, excluding interest receivable	(10)	(16)
Increase/(decrease) in creditors	(346)	(17)
	44	(59)
	<hr/>	<hr/>
Net cash outflow from administration activities	(312)	(92)
Net increase in loans provided to students	(278,123)	(202,960)
Net increase in loan funding received from the Education Departments	303,785	193,601
Movement on loan repayments received from borrowers not yet remitted to the Education Departments	(656)	573
	<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities	24,694	(8,878)
	<hr/>	<hr/>

Student Loans Company Limited

Notes (continued)

15 Cash flows (continued)

(b) Analysis of changes in cash and cash equivalents during the year:

	1994 £000	1993 £000
Balance at 1 April	418	9,284
Net cash inflow/(outflow) (note 15(c))	24,701	(8,866)
Balance at 31 March	25,119	418

(c) Analysis of the balances of cash and cash equivalents as shown in the balance sheet:

	1994 £000	1993 £000	Change in year £000
Cash at bank and in hand	25,119	539	24,580
Bank overdraft	-	(121)	121
	25,119	418	24,701

16 Financial commitments

At 31 March 1994 and 1993 the company had an annual commitment under a non-cancellable operating lease as set out below:

	Land and buildings £000
Operating lease which expires:	
Within one year	-
In the second to fifth years inclusive	-
In over five years	920

The operating lease is guaranteed by the Secretary of State for Education.

At 31 March 1994 the company had a contract for the supply of computing services in respect of its loan administration system. Under the terms of the contract which ceases in April 1995 the company has a commitment of £2,740,000 (1993: £2,373,000) in respect of the year to 31 March 1995.

Student Loans Company Limited

Notes (continued)

17 Pensions

The company has operated a pension scheme since 6 November 1990. The scheme will provide funded defined benefits based on final pensionable salary. The assets of the scheme are held separately from those of the company and are invested in managed funds.

Contribution rates are determined by a qualified actuary on the basis of triennial valuations.

The most recent triennial actuarial valuation was carried out as at 6 November 1993. The method used to value the liabilities was the Projected Unit Credit method with interest at 9% per annum and salary growth of 7.5% per annum. Standard mortality tables were used with no specific allowance for withdrawals.

Assets were valued by the method of discounted income, allowing for a 4% per annum growth rate in dividends. The funding rate over the year was 18% of the pensionable salary roll to 6 November 1993 and 14.7% thereafter (inclusive of employees' contributions).

The actuarial valuation at 6 November 1993 showed that the market value of the scheme's assets was £623,000 and that the actuarial value of those assets represented 112% of the benefits that had accrued to members, after allowing for assumed future increases in earnings.

During the year under review, the pensions charge in the profit and loss account of £173,000 (1993: £148,000) was equivalent to the contributions due to the scheme between 1 April 1993 and 31 March 1994. In addition the company made pension contributions of £23,000 (1993: £25,000) to the personal pension plans of certain employees of the company.