

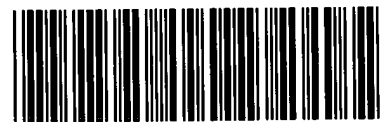
**Company Registration No. 03462571**

**THE HIGHER EDUCATION SECURITISED INVESTMENTS  
SERIES NO. 1 PLC**

**Annual Report and Financial Statements**

**For the year ended 31 March 2022**

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**THE HIGHER EDUCATION SECURITISED INVESTMENTS SERIES NO. 1 PLC**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS 2022**

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**THE HIGHER EDUCATION SECURITISED INVESTMENTS SERIES NO. 1 PLC**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS 2022**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

Apex Corporate Services (UK) Limited  
Apex Trust Corporate Limited  
Sean Peter Martin

**SECRETARY**

Apex Trust Corporate Limited  
6th Floor  
125 London Wall  
London  
United Kingdom  
EC2Y 5AS

**COUNTRY OF INCORPORATION**

United Kingdom

**REGISTERED OFFICE**

6th Floor  
125 London Wall  
London  
United Kingdom  
EC2Y 5AS

**BANKERS**

NatWest Markets Plc.  
250 Bishopsgate  
London  
United Kingdom  
EC2M 4AA

**AUDITOR**

Ernst & Young LLP  
25 Churchill Place  
Canary Wharf  
London, E14 5EY  
United Kingdom

# **THE HIGHER EDUCATION SECURITISED INVESTMENTS SERIES NO. 1 PLC**

## **STRATEGIC REPORT**

### **ACTIVITIES**

The principal activity of the Company is to issue asset backed floating rate notes and invest in Series 1998-1 Loan Notes issued by Finance for Higher Education Limited ("FFHE"). FFHE provides financing and administration of a portfolio of loans made to students in full time education in the UK. The loans were purchased by FFHE from Student Loan Company Ltd in 1998.

### **REVIEW OF DEVELOPMENTS**

There has been no change in the activities of the Company. There were no repayments of loan assets issued by FFHE and floating rate notes issued by the Company during the year and the preceding year. As at 31 March 2022, there were £29,910,000 (2021: £28,672,000) floating rate notes remaining in issue.

The Company does not expect any changes to the current level of activities for the foreseeable future.

### **BUSINESS REVIEW**

The main key performance indicator for the Company are loan note assets held at year end for £27,126,000 (2021: £27,102,000) and notes issued at year end for £29,910,000 (2021: £28,672,000).

Interest income and interest expense for the year, another two key performance indicators of the Company, both increased by 5.77% (2021: decreased by 38%) mainly due to increase in LIBOR during the year.

Following an updated assessment of the estimated future cash flows for the portfolios of loans as at the end of the year, the provision against the loan notes increased from £1,924,000 to £1,899,000 (2021: decreased from £2,333,000 to £1,924,000). The level of the provision is reviewed annually by the Directors and financial statement amounts adjusted accordingly (please refer to note 8 of the financial statements for further information).

See note 15 for restatement of accounts

### **RISK MANAGEMENT POLICIES**

The Directors acknowledge that the global macro-economic indicators and general business environment have remained challenging. Market liquidity constraints, limited availability of credit and difficult trading conditions continue to pose significant challenges to all underlying borrowers to whom the Company has exposure.

The Company has net liabilities as on 31 March 2022 of £1,724,000 (2021: £507,000). The Company is funded via asset backed floating rate notes. According to the terms of these notes, where there are insufficient funds to repay the notes at maturity (10 April 2028), the Company shall only be obliged to make payments in respect of principal and interest to the extent that it has received funds from the Company's investment in loan notes issued by FFHE. Therefore, the accumulated losses will be ultimately borne by the loan note holders. In addition, the Company has sufficient cash funds to finance its operating expenses.

For the reasons listed on page 4, the Directors continue to adopt the going concern basis in preparing the annual report and accounts.

The principal risks facing the Company are liquidity risk, interest rate risk and credit risk. These risks have been monitored on an ongoing basis during the period and the Company has policies in place to mitigate these risks.

The Company's financial risk management objectives and policies are set out below.

#### **Interest rate risk**

The Company financed the acquisition of secured loan notes from FFHE through the issue of floating rate notes. The floating rate notes pay interest based on one-month LIBOR plus a margin. On secured loan notes, interest is receivable on exactly the same basis and hence interest receipts and payments in respect of financial assets and liabilities are matched. As such, no sensitivity analysis is presented.

At year end, 100% of the Company's financial assets and liabilities were loan notes with floating rates.

# THE HIGHER EDUCATION SECURITISED INVESTMENTS SERIES NO. 1 PLC

## STRATEGIC REPORT (CONTINUED)

### RISK MANAGEMENT POLICIES (CONTINUED)

#### Liquidity risk

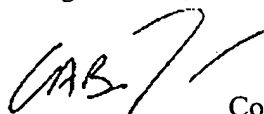
Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with financial liabilities as they fall due.

Funding has been obtained through the issue of floating rate notes. Liquidity risk is mitigated by virtue of the interest receipts and payments on the floating rate notes and secured loan notes being matched. According to the terms of these notes, where there are insufficient funds to repay the notes at maturity, the Company shall only be obliged to make payments in respect of principal and interest to the extent that it has received funds from the Company's investment in loan notes issued by FFHE. The remaining accumulated losses are borne by the note holders.

#### Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from the loan notes.

Approved by the Board of Directors  
and signed on behalf of the Board



Colin Benford

Apex Corporate Services (UK) Limited.  
Director

Date: 11 May 2023

## **THE HIGHER EDUCATION SECURITISED INVESTMENTS SERIES NO. 1 PLC**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH 2022**

The Directors present their annual report on the affairs of The Higher Education Securitised Investments Series No.1 plc ("the Company") together with the audited financial statements for the year ended 31 March 2022.

#### **CHANGE OF REGISTERED OFFICE**

On 20<sup>th</sup> March 2023, the registered office address of the company changed from 6th Floor, 140 London Wall, London, United Kingdom, EC2Y 5DN to 6th Floor, 125 London Wall, London, United Kingdom, EC2Y 5AS.

#### **RESULTS AND DIVIDENDS**

The loss for the year after taxation of £1,217,000 (2021: profit of £3,042,000) is shown on page 13 of the financial statements. This was transferred to reserves.

No dividends were declared or paid by the Company during the year and the Directors do not propose a final dividend (2021: £nil).

#### **DIRECTORS**

The Directors who served during the year are as follows:

Apex Corporate Services (UK) Limited  
Apex Trust Corporate Limited  
Sean Peter Martin

No Directors had any interest in the share capital of the Company at any time during the year.  
Directors have not received any remuneration during the year (2021: £nil).

#### **EMPLOYEES**

The Company has no employees. Apex Corporate Services (UK) Limited performs the Company secretarial function. NatWest Markets Plc. is a dealer of the Company's floating rate notes and also performs administrative services for the Company.

#### **GOING CONCERN**

The Company's business activities, performance and position, as well as principal risks and uncertainties are set out on page 2. In addition, note 12 to the financial statements includes the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

FFHE/THESIS was a securitisation transaction which involved an SPV, Finance for Higher Education Limited (FFHE) acquiring the Loan Portfolio from the Student Loan Company (SLC) on 24th March 1998. In order to pay for the Loan Portfolio, FFHE issued 1998-1 series notes in an aggregate amount of £1,030,200,000 to another SPV called The Higher Education Securitised Investment Series No.1 plc (THESIS). On the purchase date, THESIS subscribed for the loans notes using the proceeds of an issue to investors of an equivalent amount of Asset backed Floating Rate notes.

On the purchase date, FFHE also entered into an Accrual Loan Note Facility with Student Loan Asset Funding Inc (SLAFI). This facility will when needed allow FFHE to fund interest accruing on the Loan Portfolio where the borrowers have deferred their payments.

Management believes there are reasonable grounds that THESIS should be considered as a going concern on the following basis:

## **THE HIGHER EDUCATION SECURITISED INVESTMENTS SERIES NO. 1 PLC**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2022 (CONTINUED)**

#### **1. Quality of Securitised Assets**

The underlying transaction collateral was originated from the student loan programme, which was introduced in 1990 to offer low interest rate loans to students attending post-secondary institutions. All students were permitted to receive a loan for each year they are continuously enrolled at an eligible higher education institution. These loans accrue interest at RPI from the origination date, regardless of whether the borrower is repaying, and unpaid monthly interest is capitalised and accrues interest.

The transaction was structured to include an arrangement with the 'Department for Education UK' (DFE) whereby payments in respect of the loan portfolio would be paid to FFHE for the following reasons:

- A subsidy payable on eligible loans (which are broadly not overdue by 24+ months) at a rate of LIBOR plus margin minus RPI.
- A first loss amount, where first loss is the amount outstanding at the point when a loan goes 24+ months in arrears, up to a total of £48,500,000, now fully utilised.
- Cancelled loans, where a borrower dies or has reached a specific age and is not behind in their payments.
- Repurchased loans, where a borrower has been certified as long term disabled.

#### **2. Financing Structure**

FFHE is funded via secured floating rate notes issued to THESIS and a borrowing facility with SLAFI. According to the terms of these notes, where there are insufficient funds to repay the notes at maturity, the Company shall only be obliged to make payments in respect of principal and interest to the extent that it has received funds representing amounts due from and referable to the portfolio of student loans including interest capitalised on loans in deferral. THESIS, funded via the asset backed floating rate notes, is also only obliged to make payments to the extent it has received funds from its investment in loan notes issued by FFHE. Therefore, the accumulated losses will be ultimately borne by the loan note holders.

#### **Conclusion**

Based on above factors, management believes there are reasonable grounds that the Company has adequate resources to continue in operational existence for the period to 31<sup>st</sup> May 2024, which is in excess of 12 months from when the financial statements are authorised for issue and have prepared the financial statements on a going concern basis.

#### **CORPORATE GOVERNANCE**

The Board of Directors has overall responsibility for the Company's internal controls systems and risk controls which are managed in accordance with the terms of the notes issued, as described in the Offering Circular for the notes.

None of the Directors had any interest either during or at year end in any material contract or arrangement with the Company other than trustee fees as detailed in note 13 received by Apex Corporate Services (UK) Limited as trustees.

**THE HIGHER EDUCATION SECURITISED INVESTMENTS SERIES NO. 1 PLC**  
**DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2022 (CONTINUED)**

**AUDITOR**

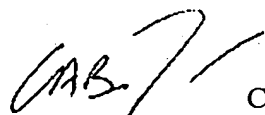
Ernst & Young LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Each of the persons who is a Director at the date of approval of this report confirms that:

- (1) so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware;  
and
- (2) each Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Approved by the Board of Directors  
and signed on behalf of the Board



Colin Benford

Apex Corporate Services (UK) Limited  
Director

Date: 11 May 2023



## **THE HIGHER EDUCATION SECURITISED INVESTMENTS SERIES NO. 1 PLC**

### **DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2022**

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

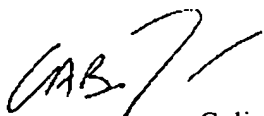
Company law requires the Directors to prepare a Strategic Report, Directors' Report and financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102 thereafter); and must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs at the end of the year and the profit or loss of the Company for that year. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies in accordance with section 10 of FRS 102 and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with specific requirements in FRS 102 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company financial position and financial performance;

in respect of the company financial statements, state whether FRS 102 has been followed, subject to any material departures disclosed and explained in the financial statements; and prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.



Colin Benford

Apex Corporate Services (UK) Limited

Director

Date: 11 May 2023

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE HIGHER EDUCATION SECURITISED INVESTMENTS SERIES NO. 1 PLC

## Opinion

We have audited the financial statements of The Higher Education Securitised Investments Series No. 1 Plc (the 'Company') for the year ended 31 March 2022 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the related notes 1 to 16 including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 March 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## 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 company's ability to continue to adopt the going concern basis of accounting included confirmation of our understanding of the pass-through nature of the Company, which is funded by non-recourse floating rate notes backed by loan notes issued by Finance for Higher Education Limited ("FFHE"). We confirmed through review of the terms of the Company's notes that the Company is only obliged to make payments to noteholders to the extent that it has received funds from its investment in FFHE loan notes. Therefore, any losses are ultimately borne by the Company's noteholders. In the event of defaults from students, FFHE has credit enhancement arrangements with the Department of Education and a borrowing facility with Student Loan Asset Funding, Inc ("SLAFI"). This facility allows FFHE to fund interest accruing on the loan portfolio where borrowers have deferred their payments. In addition, we reviewed the directors' going concern disclosures, including analysis of the impact of COVID-19. Based on the procedures performed, we concur with the directors' assessment that the use of the going concern basis is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period to 31 May 2024, which is in excess of 12 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. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

## Overview of our audit approach

Key audit matters	<ul style="list-style-type: none"><li>• Estimation uncertainty with respect to impairment losses on loans</li></ul>
Materiality	<ul style="list-style-type: none"><li>• Overall materiality of £283k which represents 1% of total assets</li></ul>

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE HIGHER EDUCATION SECURITISED INVESTMENTS SERIES NO. 1 PLC

## An overview of the scope of our audit

### Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

### Changes from the prior year

There were no changes to the scope of our audit compared to the prior year.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included 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 our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>Estimation uncertainty with respect to impairment losses on loans</b></p> <p>Refer to Accounting policies (Note 1), Critical accounting judgements and key sources of estimation uncertainty (Note 2) and Non-current assets (Note 8) of the Financial Statements. At 31 March 2022, the Company reported total secured loan notes of £29m (Restated 2021: £29m), and provision for write down of asset values at year end of £1.9m (Restated 2021: £1.9m), giving net investment value of £27.1m (Restated 2021: £27.1m).</p> <p>We consider the risk of management misstating the impairment provision in respect of the loan portfolio as a significant risk.</p> <p>The annual impairment provisioning test was significant to our audit as the assessment process is judgemental by nature. The impairment provision is modelled using assumptions primarily formulated with expected loss rates</p>	<p>We performed a walkthrough to confirm our understanding of the Company's process and controls in respect of identifying indicators of impairment and recording impairment provisions on loans. However, we applied a fully substantive audit due to the limited number of transactions in the Company in the year end 31 March 2022, and limited control environment.</p> <p>We have obtained external confirmation from the Trustee to confirm the existence of loan notes and inspected offering circular to identify the existence of significant covenants and assessed whether or not those covenants were in breach.</p> <p>Our procedures included, among others, using valuation specialists to evaluate the assumptions used in the impairment provisioning model, in particular the expected loss rates and expected recovery rates of the underlying collateral which are key to the outcome of the impairment provisioning test.</p>	<p>Based on the procedures we have performed, we conclude that the impairment provision and loan balance are fairly stated in the financial statements as at 31 March 2022, and in accordance with FRS 102.</p>

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE HIGHER EDUCATION SECURITISED INVESTMENTS SERIES NO. 1 PLC

<p>and expected recovery rates of the underlying collateral, estimated based on historical experience and management judgement.</p> <p>Our assessment of the significant risk has not changed compared to the previous year as there have been no significant changes in the characteristics of the loan portfolio.</p>	<p>We also involved valuation specialists to perform a review of the cash flow calculation in relation to the payment waterfall and impairment calculation of each deemed loan and note asset.</p> <p>We have performed a review of financial statements disclosures relating to impairment provision to ensure these disclosures are appropriate and in accordance with FRS 102.</p>	
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### Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

### Materiality

*The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.*

We determined materiality for the company to be £283k (2021: £283k), which is 1% (2021: 1%) of total assets. We believe that total assets provides us with an appropriate basis for the audit materiality as (i) the primary users of the financial statements, i.e., the investors who hold the notes issued by the Company, are focused on the carrying value of the assets that form the main source of funds to repay the debt issued and (ii) revenue/profit measures are less relevant given the nature of Company's activities.

### Performance materiality

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

On the basis of our risk assessments, together with our assessment of the company's overall control environment, our judgement was that performance materiality was 50% (2021: 50%) of our planning materiality, namely £142k (2021: £141k). We have set performance materiality at this percentage due to the risk factors identified and adoption of a fully substantive audit approach.

### Reporting threshold

*An amount below which identified misstatements are considered as being clearly trivial.*

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £14k (2021: £14k), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

### Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained with the annual report.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE HIGHER EDUCATION SECURITISED INVESTMENTS SERIES NO. 1 PLC**

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

### **Matters on which we are required to report by exception**

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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 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.

### **Explanation as to what extent the audit was considered 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 irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE HIGHER EDUCATION SECURITISED INVESTMENTS SERIES NO. 1 PLC

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are:
  - UK Companies Act 2006
  - Tax Legislation (governed by HM Revenue and Customs)
  - UK GAAP including FRS 102
- We understood how The Higher Education Securitised Investments Series No. 1 Plc is complying with those frameworks by inquiring with management and directors as to any known instance of non-compliance or suspected non-compliance with laws and regulations as well as reviewing minutes of Board Committee meetings.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by testing all material adjustments which affect the financial statements to assess their appropriateness. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud and error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved inquiring of key management and directors as well as reviewing board minutes and correspondence exchanged with the relevant authorities.

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

### Other matters we are required to address

- We were appointed by the company on 30 January 2018 to audit the financial statements for the year ending 31 March 2017 and subsequent financial periods. We were appointed as auditors by the Directors of the Company and signed an engagement letter on 19 January 2018.

The period of total uninterrupted engagement including previous renewals and reappointments is 6 years, covering the years ending 31 March 2017 to 31 March 2022.

- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting the audit.
- The audit opinion is consistent with the additional report to those charged with governance.

### Use of our report

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

*Ernst & Young LLP.*

Jean-Philippe Faillat (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London  
11 May 2023

# THE HIGHER EDUCATION SECURITISED INVESTMENTS SERIES NO. 1 PLC

## STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2022

	Notes	2022 £'000	Restated 2021 £'000
<b>REVENUE</b>			
Interest income*	3	403	381
Interest expense*	4	(403)	(381)
<b>GROSS PROFIT</b>		<u>-</u>	<u>-</u>
Other income*	5	(1,112)	2,748
Other operating expenses	6	(129)	(116)
Reversal of provision for impairment	8	24	410
<b>(LOSS)/PROFIT BEFORE TAXATION</b>		<u>(1,217)</u>	<u>3,042</u>
Taxation charge	7	-	-
<b>(LOSS)/PROFIT FOR THE YEAR</b>		<u>(1,217)</u>	<u>3,042</u>
Other comprehensive income for the year		-	-
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR</b>		<u>(1,217)</u>	<u>3,042</u>

\*For details of restatement refer to Note-15.

The accompanying notes on pages 17 to 27 are an integral part of this statement of comprehensive income.

The results above arose wholly from continuing operations.

# THE HIGHER EDUCATION SECURITISED INVESTMENTS SERIES NO. 1 PLC

## STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	Notes	2022 £'000	Restated 2021 £'000
<b>NON-CURRENT ASSETS</b>			
Loans notes maturing after one year*	8	27,126	27,102
		<u>27,126</u>	<u>27,102</u>
<b>CURRENT ASSETS</b>			
Accrued interest receivable	9	37	22
Other receivables	9	7	7
Cash and cash equivalents	9	1,114	1,121
		<u>1,158</u>	<u>1,150</u>
<b>TOTAL ASSETS</b>		<u>28,284</u>	<u>28,252</u>
<b>CURRENT LIABILITIES</b>			
Accrued interest payable		(37)	(22)
Other creditors		(61)	(65)
		<u>(98)</u>	<u>(87)</u>
<b>NET CURRENT ASSETS</b>		<u>1,060</u>	<u>1,063</u>
<b>NON-CURRENT LIABILITIES</b>			
Loans notes issued/borrowing facility maturing after more than one year*	10	(29,910)	(28,672)
<b>TOTAL LIABILITIES</b>		<u>(30,008)</u>	<u>(28,759)</u>
<b>NET LIABILITIES</b>		<u>(1,724)</u>	<u>(507)</u>
<b>EQUITY</b>			
Share capital	11	13	13
Retained losses*		(1,737)	(520)
<b>TOTAL SHAREHOLDERS' DEFICIT</b>		<u>(1,724)</u>	<u>(507)</u>

\*For details of restatement refer to Note-15.

The accompanying notes on pages 17 to 27 are an integral part of these financial statements.

These financial statements of The Higher Education Securitised Investments Series No.1 plc, registration number 03462571, were approved and authorised for issue by the Board of Directors on 11 May 2023.



Colin Benford

Apex Corporate Services (UK) Limited  
Director



# THE HIGHER EDUCATION SECURITISED INVESTMENTS SERIES NO. 1 PLC

## STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2022

	Share capital	Retained losses	Total
	£'000	£'000	£'000
Balance as at 31 March 2020	13	(75,737)	(75,724)
Prior year adjustment	-	72,175	72,175
Restated balance as at 31 March 2020*	13	(3,562)	(3,549)
Profit for the year*	-	3,042	3,042
Restated balance as at 31 March 2021*	13	(520)	(507)
Loss for the year	-	(1,217)	(1,217)
Balance as at 31 March 2022	13	(1,737)	(1,724)

\*For details of restatement refer to Note-15.

# THE HIGHER EDUCATION SECURITISED INVESTMENTS SERIES NO. 1 PLC

## STATEMENT OF CASH FLOWS

For the year ended 31 March 2022

	Notes	2022 £'000	Restated 2021 £'000
<b>Operating activities</b>			
Operating (loss)/profit before tax*		(1,217)	3,042
(Increase)/decrease in operating assets		(15)	11
Other income*		1,238	(2,622)
Increase in operating liabilities		11	15
Reversal of provision for impairment*		(24)	(410)
<b>Cash flow from operating activities before tax</b>		<u>(7)</u>	<u>36</u>
Income taxes paid		-	-
<b>Cash flow from operating activities after tax</b>		<u>(7)</u>	<u>36</u>
<b>Net decrease in cash and cash equivalents</b>		<u>(7)</u>	<u>36</u>
Cash and cash equivalents at beginning of year		<u>1,121</u>	<u>1,085</u>
<b>Cash and cash equivalents at the end of the year</b>		<u>1,114</u>	<u>1,121</u>
<b>Supplemental information</b>			
Net Interest paid during the year		(388)	(392)
Net Interest received during the year		388	392

\*For details of restatement refer to Note-15.

The accompanying notes on pages 17 to 27 are an integral part of these financial statements.

# THE HIGHER EDUCATION SECURITISED INVESTMENTS SERIES NO. 1 PLC

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

### 1. ACCOUNTING POLICIES

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and in the prior year, are set out below:

#### General information

The Higher Education Securitised Investments Series No.1 plc ("the Company") is a public limited Company incorporated in the United Kingdom and subject to the Companies Act 2006. The entity is registered in England. The nature of the Company's operations and its principal activities are set out in the Strategic Report.

#### Basis of accounting

The financial statements are prepared:

- On the going concern basis.
- Under Financial Reporting Standard (FRS) 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council.

Under FRS 102, in accounting for its financial instruments a reporting entity is required to apply either;

- a) the full provisions of Section 11 "Basic Financial Instruments" and Section 12 "Other Financial Instruments" of FRS 102;
- b) the recognition and measurement provisions of International Accounting Standards 39 "Financial Instruments: Recognition and Measurement" ("IAS 39") and only the disclosure requirements of Sections 11 and 12 of FRS 102; or
- c) the recognition and measurement provisions of International Financial Reporting Standards ("IFRS") 9 "Financial Instruments" ("IFRS 9") and the disclosure requirements of Sections 11 and 12 of FRS 102.

The Company has elected to apply the recognition and measurement provisions of IAS 39 and the disclosure requirements of Sections 11 and 12 of FRS 102.

#### Going concern basis

The Company's business activities, performance and position, as well as principal risks and uncertainties are set out in the Strategic Report. It includes the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to interest rate risk, credit risk and liquidity risk.

The Company has net liabilities as at 31 March 2022 of £1,724,000 (2021: £507,000). The Company is funded via asset backed floating rate notes. According to the terms of these notes, where there are insufficient funds to repay the notes at maturity (2028), the Company shall only be obliged to make payments in respect of principal and interest to the extent that it has received funds from the Company's investment in loan notes issued by FFHE. Therefore, the accumulated losses will be ultimately borne by the loan note holders. Based on the statement of financial position amounts of the secured loan notes held, full losses and partial losses are expected to occur on the B notes and A notes respectively.

The directors have prepared the financial statements on a going concern basis after assessing the principal risks, forecasts, projections and other relevant evidence over the twelve months from the date the financial statements are approved.

#### Interest income

Interest income is accounted for using the effective interest rate method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's carrying amount.

#### Interest expense

Interest expense accounted for using the effective interest rate method which is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to that liability's carrying amount. Interest expense includes the amortisation of the issue costs associated with the issue of the floating rate notes.

# **THE HIGHER EDUCATION SECURITISED INVESTMENTS SERIES NO. 1 PLC**

## **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 March 2022**

### **1. ACCOUNTING POLICIES (CONTINUED)**

#### **Financial instruments**

Financial assets and financial liabilities are recognised on the Company's Statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

For financial assets carried at amortised cost, the Company first assesses whether objective evidence of impairment exists for financial assets that are individually significant or are already under specific work out by management.

It is the Company's policy to regularly monitor its loan notes portfolio. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in credit loss expense in the income statement.

The Company assesses at each reporting date, whether there is any objective evidence that the financial asset is impaired. Evidence of impairment may include: indications that the borrower or a group of borrowers is experiencing significant financial difficulty; the probability that they will enter bankruptcy or other financial reorganisation; default or delinquency in interest or principal payments; and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans are written off when there is no realistic prospect of future recovery and all collateral has been realised. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced (but only up to the extent of the carrying amount had the impairment not been recognised by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the 'impairment of loan note asset'.

The present value of the estimated future cash flows is discounted by the financial asset's original effective interest rate (EIR). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure, less cost for obtaining and selling the collateral, whether or not foreclosure is probable.

#### **Cash and cash equivalents**

Cash and cash equivalents comprise of cash at bank.

#### **Investments**

Investments in Series 1998-1 Loan Notes issued by FFHE are secured over a portfolio of student loans. The investments are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired.

#### **Floating rate notes**

The floating rate loan notes issued are classified as other financial liabilities and are initially recognised at fair value at the date of issuance of the liabilities and are subsequently measured at amortised cost using the effective interest rate method. The carrying amount of notes may be subject to estimation to reflect actual and revised estimated cash flows contractual cash flows. Issue costs on loan notes issued are accreted over the life of the notes at the effective interest rate and included within interest expense.

#### **Fees payable and receivable**

Fees payable and receivable are recognised on an accruals basis.

# **THE HIGHER EDUCATION SECURITISED INVESTMENTS SERIES NO. 1 PLC**

## **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 March 2022**

### **1. ACCOUNTING POLICIES (CONTINUED)**

#### **Taxation**

Income tax expense or income, comprising current tax and deferred tax, is recorded in the profit and loss account except income tax on items recognised outside profit or loss which is credited or charged to other comprehensive income or to equity as appropriate.

Current tax is income tax payable or recoverable in respect of the taxable profit or loss for the year arising in income, other comprehensive income or in equity. Provision is made for current tax at rates enacted or substantively enacted at the reporting date.

Deferred tax is the tax expected to be payable or recoverable in respect of temporary differences between the carrying amount of an asset or liability for accounting purposes and its carrying amount for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered. Deferred tax is not recognised on temporary differences that arise from initial recognition of an asset or liability in a transaction (other than a business combination) that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred tax is calculated using tax rates expected to apply in the periods when the assets will be realised or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, at the reporting date.

#### **Segmental reporting**

The principal asset of the Company is the beneficial interest in the student portfolio originated in the United Kingdom which is funded by floating rate notes issued in the United Kingdom. As such, there is one reportable operating segment and one reportable geographical area. The Directors do not consider it necessary to provide a further analysis of the results of the Company from those already disclosed in these financial statements.

### **2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of financial statements in conformity with FRS 102 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expense, in particular the estimation of future cash flows on the portfolio of student loans in order to determine the amortised cost balance of these investments.

#### **Key sources of estimation uncertainty**

The estimates and associated assumptions including loss and recovery rates are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements on carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates used in the financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both the current and future periods.

**THE HIGHER EDUCATION SECURITISED INVESTMENTS SERIES NO. 1 PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 March 2022**

**2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)**

The Company reviews its loans and advances at each reporting date to assess whether an impairment loss should be recorded in the income statement. The Company's impairment methodology for assets carried at a mortised cost includes an element of management's judgement, in particular for the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses. These estimates are driven by a number of factors, the changing of which can result in different levels of allowances. The methodology and assumptions are reviewed regularly in the context of actual loss experience.

**3. INTEREST INCOME**

	2022	Restated 2021
	£'000	£'000
Class A3 secured loan notes at LIBOR +0.78%	272	255
Class A4 secured loan notes at LIBOR +1.50%	131	126
	<u>403</u>	<u>381</u>

\*For details of restatement refer to Note-15.

Interest income is from secured loan notes issued by FFHE, a UK registered Company.

**4. INTEREST EXPENSE**

	2022	Restated 2021
	£'000	£'000
Class A3 secured loan notes at LIBOR +0.78%	272	255
Class A4 secured loan notes at LIBOR +1.50%	131	126
	<u>403</u>	<u>381</u>

\*For details of restatement refer to Note-15.

**5. OTHER OPERATING INCOME**

	2022	Restated 2021
	£'000	£'000
Issuer facility fees	(126)	(125)
Bank interest income	-	(1)
Re-estimation of note liability*	1,238	(2,622)
	<u>1,112</u>	<u>(2,748)</u>

\*For details of restatement refer to Note-15.

**THE HIGHER EDUCATION SECURITISED INVESTMENTS SERIES NO. 1 PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 March 2022**

**6. OTHER OPERATING EXPENSES**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Audit fees	60	81
Administration fees	69	35
	<u>129</u>	<u>116</u>

The audit fees for the current year is £60,000 (inclusive of VAT).

**7. TAXATION ON LOSS ON ORDINARY ACTIVITIES**

The tax (credit)/charge for the year comprises:

	<b>2022</b>	<b>Restated</b>
	<b>£'000</b>	<b>2021</b>
		<b>£'000</b>
<b>Current taxation:</b>		
(Credit)/charge for the year	-	-
<b>Current tax (credit)/charge for the year</b>	<u>-</u>	<u>-</u>
<b>Tax (credit)/charge for the year</b>	<u>-</u>	<u>-</u>

The actual tax (credit)/charge differs from the expected tax (credit)/charge computed by applying the standard rate of UK corporation tax of 19% (2021: 19%) as follows:

<b>(Loss)/profit for the year</b>	(1,217)	3,042
<b>Expected tax (credit)/charge</b>	(231)	578
Non-deductible items	235	-
Income not taxable for tax purposes	(4)	(576)
Relief claimed for brought forward losses	-	(2)
<b>Actual tax (credit)/charge</b>	<u>-</u>	<u>-</u>

The UK Corporation tax rate applicable to the company from 1 April 2021 is 19%.

It was announced in the UK Government's Budget on 3 March 2021 that the main UK corporation tax rate will increase to 25% from 1 April 2023. This change was substantively enacted on 24 May 2021.

Deferred tax assets of £17,000 (2021: £12,000) provided at a corporation tax rate of 25% (2021: 19%) have not been recognised in respect of tax losses carried forward of £67,000 (2021: £65,000) as it is not considered probable that taxable profits will arise against which the Company can utilise the losses. The tax losses have no expiry date.

**THE HIGHER EDUCATION SECURITISED INVESTMENTS SERIES NO. 1 PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 March 2022**

**8. NON CURRENT ASSETS**

	<b>2022</b>	<b>Restated 2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>Secured loan notes:</b>		
Class A3 secured loan notes	22,863	22,863
Class A4 secured loan notes	6,161	6,161
	<u>29,024</u>	<u>29,024</u>
<b>Provision at start of year:</b>		
Class A3 secured loan notes	(1,697)	(2,020)
Class A4 secured loan notes	(225)	(312)
	<u>(1,922)</u>	<u>(2,332)</u>
<b>Movement in provision during the year:</b>		
Class A3 secured loan notes	19	323
Class A4 secured loan notes	5	87
	<u>24</u>	<u>410</u>
<b>Provision at year end:</b>	<u>(1,898)</u>	<u>(1,922)</u>
<b>Net Investment Value</b>	<u>27,126</u>	<u>27,102</u>

The provision of the asset value has been based upon an updated assessment of the losses on the student loans held by FFHE on which the recoverability of the secured loan notes is driven.

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>Secured loan notes due after more than one year</b>	<u>27,126</u>	<u>27,102</u>

**9. CURRENT ASSETS**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Accrued interest receivable	37	22
Other receivables	7	7
Cash and cash equivalents	1,114	1,121
	<u>1,158</u>	<u>1,150</u>



**THE HIGHER EDUCATION SECURITISED INVESTMENTS SERIES NO. 1 PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 March 2022**

**10. NON - CURRENT LIABILITIES**

	<b>2022</b>	<b>Restated 2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>Floating rate notes due after more than one year</b>	<u>(29,910)</u>	<u>(28,672)</u>
Class A3 asset backed floating rate notes	(23,561)	(22,585)
Class A4 asset backed floating rate notes	<u>(6,349)</u>	<u>(6,087)</u>
	<u>(29,910)</u>	<u>(28,672)</u>

\*For details of restatement refer to Note-15.

The notes are listed on London Stock Exchange.

The Company shall only be obliged to make payments in respect of principal and interest on the loan notes and payments will only become due on any interest payment date and on any date following acceleration of the loan notes, to the extent that it has received funds representing amounts due from the Company's investment in loan notes issued by FFHE.

Where there are insufficient funds to repay the notes at maturity, the priority payment schedule detailed in the offering circular dated 23 March 1998 is followed.

Due to non-recourse nature of the secured notes, the Company has revised its estimated cash flows payable to noteholders. This has resulted in a reduction of the amount payable of £ 72.6 million which has been recognised through opening retained earnings at 1 April 2020 and may subject to revised estimation to reflect actual expected cashflows in future years.

Notes B1 and B2 are written down to nil and no further payment is expected to these note holders. A3 and A4 notes are partially written down .

**11. SHARE CAPITAL**

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
<b>Authorised</b>		
50,000 ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>
<b>Allotted, called up and fully paid</b>		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>
<b>Allotted, called up and partly paid</b>		
49,998 ordinary shares partly paid at 25p each	<u>12,499</u>	<u>12,499</u>
	<u>12,501</u>	<u>12,501</u>

The fully paid shares were issued on 7 November 1997. The partly paid shares were issued on 4 March 1998.

# THE HIGHER EDUCATION SECURITISED INVESTMENTS SERIES NO. 1 PLC

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

### 12. FINANCIAL INSTRUMENTS

The Company's financial instruments comprise various tranches of secured loan notes receivable (issued by FFHE) and floating rate notes payable.

It is and has been throughout the year, the Company's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Company's financial instruments are interest rate risk, liquidity risk and credit risk. The Board reviews and agrees policies for managing each of these risks and these are summarised below. These policies have remained unchanged since the Company commenced operations on 23 March 1998. All transactions and financial instruments are denominated in the Company's functional currency (Sterling) and consequently no currency exposure arises.

#### Capital risk management

The Company manages its capital to ensure it will be able to continue as a going concern.

The capital structure of the Company primarily comprises issued floating rate notes (see note 10). Other sources of funding consist of equity attributable to equity holders of the parent, comprising issued share capital and retained losses. In addition, the investment in loan notes issued by FFHE is secured over a portfolio of student loans.

#### Liquidity Risk

The table below details the expected maturity of the Company's material liabilities as at the statement of financial position date. The table has been drawn up based on the undiscounted contractual cash flows of these liabilities.

	Carrying value	Gross cash flows	In less than 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	After 5 years
<b>As at 31 March 2022</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Loan notes	29,910	31,266	-	-	-	-	31,266
Interest payable	37	5,882	52	111	753	3,118	1,848
	<u>29,947</u>	<u>37,148</u>	<u>52</u>	<u>111</u>	<u>753</u>	<u>3,118</u>	<u>33,114</u>
	Carrying value	Gross cash flows	In less than 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	After 5 years
<b>Restated As at 31 March 2021</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Loan notes*	28,672	29,274	-	-	-	-	29,274
Interest payable	22	4,195	30	62	287	2,136	1,680
	<u>28,694</u>	<u>33,469</u>	<u>30</u>	<u>62</u>	<u>287</u>	<u>2,136</u>	<u>30,954</u>

\*For details of restatement refer to Note-15.

**THE HIGHER EDUCATION SECURITISED INVESTMENTS SERIES NO. 1 PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 March 2022**

**12. FINANCIAL INSTRUMENTS (CONTINUED)**

**Credit Risk**

The Company is exposed to credit risk on its loan notes held with FFHE. The performance of these loans is determined by the performance of the student loan portfolio held in FFHE. These loan notes have been written down based on an updated assessment of the impairment as outlined by class in note 8. Refer below for an estimate of the fair value. The Company monitors its credit exposure on a monthly basis. The student loans are unsecured debts.

The Company faces credit risk that the borrower might not be able to meet their obligation as they fall due. The Company is exposed to credit risk in relation to its subscription to "The FFHE Series 1998-1 Loan Notes" which is further exposed to credit risk on a student loan portfolio. The loan portfolio consisted of student loans held by the Student Loan Company. However, these loans have been lent to several counterparties; therefore, the credit risk is not concentrated to one area. The Company monitors its credit exposure on a regular basis and has booked an impairment provision for probable delinquencies and defaults on the underlying loan portfolio. The impairment provision recorded in the books as at 31 March 2022 is £1,899,000 (2021: £1,924,000).

The maximum exposure to credit risk arising on the Company's financial assets at the reporting date is disclosed in the table below.

	Carrying value 2022 £'000	Maximum exposure 2022 £'000	Carrying value 2021 £'000	Maximum exposure 2021 £'000
Loans notes	27,126	27,126	27,102	27,102
Cash and cash equivalents	1,114	1,114	1,121	1,121
<b>Total Assets</b>	<b>28,240</b>	<b>28,240</b>	<b>28,223</b>	<b>28,223</b>

**Impaired financial assets**

An analysis of the financial assets that are individually determined to be impaired as at the end of the reporting period can be found in note 8.

The assets are funded via secured floating rate notes. According to the terms of these notes, where there are insufficient funds to repay the notes at maturity, the Company shall only be obliged to make payments in respect of principal and interest to the extent that it has received funds representing amounts due from and referable to the portfolio of student loans including interest capitalised on loans in deferment.

**MATURITY OF FINANCIAL ASSETS**

	2022 £'000	2021 £'000
In one year or less, or on demand	1,158	1,150
In more than one year	27,126	27,102
	<b>28,284</b>	<b>28,252</b>

**MATURITY OF FINANCIAL LIABILITY\***

	2022 £'000	Restated 2021 £'000
In one year or less, or on demand	(98)	(87)
In more than one year	(29,910)	(28,672)
	<b>(30,008)</b>	<b>(28,759)</b>

\*For details of restatement refer to Note-15.

The maturity profile of the Company's financial assets and liabilities is an estimate, since loans may be repaid at different times based on receipts from the underlying borrowers of the student loans held by FFHE, on which the outstanding balance of the loan notes is dependent.

# THE HIGHER EDUCATION SECURITISED INVESTMENTS SERIES NO. 1 PLC

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

### 12. FINANCIAL INSTRUMENTS (CONTINUED)

#### Fair values and fair value hierarchy

The following table shows the carrying values and, where different, the fair values of financial instruments on the Company's Statement of financial position.

	2022	2022	Restated	2021
	£'000	£'000	£'000	£'000
	Carrying value	Fair value	Carrying value	Fair value
Loan notes receivable	27,126	17,565	27,102	14,197
Loan notes issued*	(29,910)	(17,565)	(28,672)	(14,197)

\*For details of restatement refer to Note-15.

The fair values of the loan notes issued are determined based on comparable note issuances adjusted for current market conditions, using a discounted cash flow model. This is due to the market prices being unobtainable in an illiquid market at the statement of financial position date. The fair value is significantly lower than carrying value due to the interest only nature, long duration, sub investment grade rating and illiquidity of asset class.

The fair value of the loan notes receivable have been determined with reference to the fair value of the loan notes issued since the characteristics of the notes issued are similar.

### CLASSIFICATION OF FINANCIAL INSTRUMENTS

As at 31 March 2022, the fair values of financial instruments are classified as follows:

Level 1 - fair values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2 - fair values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3 - fair values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs, such as interest rates, foreign exchange rates etc., have a significant effect on the instrument's valuation. The prices are based on a discounted cash flow model and traders' best estimates of the valuation. There are no alternative model valuations. The Company has identified all underlying assets at Level 3.

As at 31 March 2022	Level 1	Level 2	Level 3
Financial assets	£'000	£'000	£'000
Loan notes receivable	-	-	17,565
	<u>-</u>	<u>-</u>	<u>17,565</u>
<b>Financial Liabilities</b>			
Loan notes issued	-	-	(17,565)
	<u>-</u>	<u>-</u>	<u>(17,565)</u>

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**CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONTINUED)**

<b>As at 31 March 2021</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Financial assets</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Loan notes receivable	-	-	14,197
	<u>-</u>	<u>-</u>	<u>14,197</u>
<b>Financial Liabilities</b>			
Loan notes issued	-	-	(14,197)
	<u>-</u>	<u>-</u>	<u>(14,197)</u>

**13. RELATED PARTY TRANSACTIONS**

The Company's holds secured loan notes (note 8) issued by FFHE, a fellow subsidiary undertaking. The interest income on these notes for the current year was £403,000 (2021: £381,000). Interest accrued as at year end is £37,000 (2021: £22,000).

The Company receives an annual issuer facility fee from FFHE. During the year the Company accrued £126,000 (2021: £125,000) in respect of these fees and £7,236 (2021: £7,016) was receivable at the year end.

The Company pays quarterly fees to Apex Corporate Services (UK) Limited, a Director of the Company, in respect of its services as trustee. During the year the amount incurred by the Company was £36,644 (2021: £32,696) in respect of these fees and £659 (2021: £5,599) was payable at year end.

**14. ULTIMATE AND IMMEDIATE PARENT**

The Higher Education Securitised Investments Series (Holdings) Limited, a Company incorporated in United Kingdom and registered in England and Wales, holds the entire ordinary share capital of the Company under the terms of a declaration of Trust with the ultimate beneficiaries being charities chosen by the trustees, as a result the Company does not have a controlling party.

**15. PRIOR YEAR ADJUSTMENT**

Due to the non-recourse nature of the secured notes, the Company has revised its estimated cash flows payable to noteholders resulting in the correction of the prior year comparatives as at 31 March 2021 and earlier periods at 1 April 2020 impacting the note liability and other income in the Statement of Comprehensive, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flow and notes 3,4,5,7,10,12.

During the year the Company has also restated the presentation of the secured loans notes and associated provisions in the note 8: the secured loans notes fully impaired were written off for an amount of £74,484,000 at 1 April 2020 and £74,906,000 at 31 March 2021. This change of presentation did not have an impact on the results or net equity of the Company for these periods.

These changes have a number of consequential effects on the prior period financial statements as follows:

	<b>As previously reported</b>	<b>Adjustment</b>	<b>As restated</b>
	<b>31 March 2021</b>	<b>31 March 2021</b>	<b>31 March 2021</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Statement of Comprehensive income</b>			
Interest income	799	(418)	381
Interest expense	(799)	418	(381)
Reversal of provision for impairment	(14)	424	410
Other income	126	2,622	2,748

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**15. PRIOR YEAR ADJUSTMENT (continued)**

**Statement of financial position:**

*Non-current liabilities*

Loans Notes issued	103,892	(75,220)	28,672
Retained losses	75,740	(75,220)	520

**Statement of changes in equity**

Retained losses	75,740	(75,220)	520
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**Statement of Cash flows**

Other income	126	2,622	2,748
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<b>As previously reported</b>	<b>Adjustment</b>	<b>As restated</b>
<b>1 April 2020</b>	<b>1 April 2020</b>	<b>1 April 2020</b>
<b>£'000</b>	<b>£'000</b>	<b>£'000</b>

**Statement of financial position:**

*Non-current liabilities*

Retained losses	75,737	(72,175)	3,562
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**Statement of changes in equity**

Retained losses	75,737	(72,175)	3,562
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**16. SUBSEQUENT EVENTS**

There have been no subsequent events post the statement of financial position date.