Company Registration No. 03462683

FINANCE FOR HIGHER EDUCATION LIMITED

Annual Report and Financial Statements

For the year ended 31 March 2021

FINANCE FOR HIGHER EDUCATION LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2021

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FINANCE FOR HIGHER EDUCATION LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2021

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

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

SECRETARY

Apex Trust Corporate Limited
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EC2Y 5DN

COUNTRY OF INCORPORATION

United Kingdom

REGISTERED OFFICE

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140 London Wall
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BANKERS

NatWest Markets Plc
250 Bishopsgate
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United Kingdom
EC2M 4AA

AUDITOR

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

FINANCE FOR HIGHER EDUCATION LIMITED

STRATEGIC REPORT

ACTIVITIES

The Directors present their Strategic Report of Finance for Higher Education Limited ("FFHE" or the "Company") for the year ended 31 March 2021 with comparatives for the year ended 31 March 2020.

The objective of the Company is to provide financing and administration of a portfolio of loans made to students in full time education in the United Kingdom (UK). The loans were purchased from the Student Loans Company Limited, through a tripartite agreement between the Secretary of State for Education and Employment, the Secretary of State for Scotland and the Department of Education for Northern Ireland (collectively the "Government"), Student Loan Company Ltd (the "SLC") and FFHE in 1998.

There has been no change in the activities of the Company and no changes are foreseen in the future.

REVIEW OF DEVELOPMENTS

The Company issued secured loan notes to The Higher Education Securitised Investments Series No.1 Plc ("THESIS") to fund the purchase of the student loan portfolio. On the purchase date, it also entered into a borrowing facility with Student Loan Asset Funding Inc. ("SLAFI") to fund any cash shortfall caused by student loans in deferment.

There were no repayments of secured loan notes to THESIS during the year and the preceding year. As at 31 March 2021 the principal balance of secured loan notes in issue was £78,580,000 (2020: £78,580,000).

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

ENHANCED BUSINESS REVIEW

The main key indicator for the Company are net loan assets held at year end for £74,263,000 (2020: £92,036,000) funded by loan notes issued and held at year end for £104,253,000 (2020: £103,916,000) and borrowing facility from SLAFI held at year end for £45,802,000 (2020: £62,444,000).

Interest income, is another key performance indicator of the Company. The interest received from student loans is based on the Retail Price Index ("RPI") which increased during the year from 2.40% to 2.60%. The credit enhancement provided by the Government in the form of interest subsidy is dependent on LIBOR plus margin. There is a change due to LIBOR which decreased from 0.52% to 0.05%. The interest income is thus decreased by 42% on account of net subsidy paid to Government and decrease in interest received from borrowers. The interest expense has decreased by 45% due to change in LIBOR.

Other operating expense has decreased by 9% to £1,814,000 (2020: £1,997,000) due to the decrease in fees paid to Link Financial Outsourcing Limited ("Link Financial"). The reduction mainly relates to reduction in administration fees due to reduced average loan balance.

In relation to the impaired student loan portfolio, the Government agreed to guarantee the first loss up to maximum of £48.5 million. The First loss is defined in the original transaction documents as the amount outstanding at the point when a loan becomes twenty four months or more in arrears. This was fully utilised in year 2003.

Following an updated assessment of the provisions, there has been a loss at the end of the year. There is a provision charge amounting to £931,000 (provision release 2020: £3,697,000). Of the amounts previously provided for £1,807,000 (2020: £1,982,000) have been written off as it is considered that these debts will not be recovered.

	2021	2020
	£'000	£'000
Provision at the start of the year	5,258	10,937
Charge/(release) for the year	931	(3,697)
Amounts written off previously provided for	(1,807)	(1,982)
Provision at the end of the year	4,382	5,258

The level of the provision will continue to be reviewed annually by the Directors and financial statement amounts adjusted accordingly (please refer to note 8 of the financial statements for further information).

STRATEGIC REPORT (CONTINUED)

PAYMENT TO SUPPLIERS

The Company's policy concerning payment of its trade creditors is to pay in accordance with its contractual and other legal obligations. Due to the nature of the business, the main creditors are the noteholders. Principal and interest are repaid monthly in accordance with the agreements in place. The Company does not follow any other code or standard on payment practice.

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.

In March 2020, the World Health Organization declared the spread of the Covid-19 virus a pandemic. Since then, many countries, including the UK, have periodically imposed strict social distancing measures, restrictions on non-essential activities and travel quarantines, in an attempt to slow the spread of the virus and reduce its impact.

The Directors have a reasonable expectation that there is no material impact of Covid-19 on the Company's financial instruments valuation, impairments or liquidity and the Company has adequate resources to continue in operational existence for the period to 30th September 2022, 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.

We continue to monitor the impact of Covid-19 on the Company.

Notwithstanding the risks and uncertainties above, the financial statements have been prepared on the going concern basis as discussed in Note 1.

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 finances its operations through borrowed funds and the issue of secured loan notes. At the year end, all of the Company's borrowings were at floating rates, excluding accruals. The secured loan notes earn interest based on one-month LIBOR plus a margin.

As the student loans pay interest based on the retail price index, the Government pays the Company a credit enhancement to the coupon (effectively an interest subsidy) to bring the combined yield to LIBOR plus margin. This subsidy is tied to one-month LIBOR. As a result, the Company has no material net exposure to interest rate risk and therefore no sensitivity analysis has been presented.

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 secured loan notes. The Company has in place a borrowing and credit loss facilities to ensure that sufficient liquidity is maintained to meet its obligations on the secured loan notes. These include an undrawn committed borrowing facility and a guarantee for losses on the portfolio up to a certain level; however, this level has been exceeded.

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 the Government from the identified underlying portfolio of student loans including interest capitalised on loans in deferment and the Company will not face any liquidity risk.

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. The loan portfolio purchased from the Government is termed as a "deemed loan". The Government substantially retains the risk associated with the portfolio while providing FFHE with the following:

1. A credit enhancement on "Qualifying Loans" to compensate for low interest rates applicable to the loans under the credit agreements.
2. 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 £48.5m, representing 4.72% of purchased loans.
3. Cancelled loans, where a borrower dies or has reached a specific age and is not behind in their payments.
4. Repurchased loans, where a borrower has been certified as long term disabled.

Further, according to the terms of the Loan notes issued, the ultimate loss will be borne by the noteholders, Also, the Company estimates and provides for the impairment, if any, on the carrying value of the loans to the students.

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

Colin Benford
Apex Corporate Services (UK) Limited
Director
Date: 21 September 2021

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2021

The Directors present their report and the financial statements of the Company for the year ended 31 March 2021 with comparatives for the year ended 31 March 2020.

CHANGE OF REGISTERED OFFICE

On 05 July 2021, the registered office of the company changed from 125 Street Wood, London, United Kingdom EC2V 7AN to Bastion House, 6th Floor, 140 London Wall, London, United Kingdom EC2Y 5DN.

CORPORATE GOVERNANCE

The Board of Directors has overall responsibility for the Company's internal control systems and risk control which are managed in accordance with the terms of the servicing agreement. Link Financial Outsourcing Limited manages the administration of the loans. NatWest Markets Plc performs the cash management function and also manages the financial reporting and disclosure process. Apex Corporate Services (UK) Limited and Apex Trust Corporate Limited have oversight of appointment, performance and independence of the external audit function.

RESULTS AND DIVIDENDS

The loss for the year after taxation amounted to £1,114,000 (profit in 2020: £3,682,000).

No dividends were declared or paid by the Company during the year and the Directors do not propose a final dividend (2020: £nil).

DIRECTORS

The Directors who served during the year are as follows:

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

The Directors received no emoluments for their services to the Company during the current or preceding year.

The Directors had no material interest in any contract of significance in relation to the business of the Company in the current or preceding year.

EMPLOYEES

The Company has no employees. NatWest Markets Plc. performs cash management services for the Company. Link Financial Outsourcing Limited is the administrator of the loan portfolio and Apex Trust Corporate Limited performs the Company's secretarial function.

GOING CONCERN BASIS

As a consequence of reassessment of provisions, there is a charge of the impairment of loan assets. The Company has made a loss and has large net liabilities of £74,735,000 (2020: £73,621,000) due to losses carried forward from earlier years.

The Company's business activities, performance and position, as well as principal risks and uncertainties are set out on page 2 to 4. In addition, note 15 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 Rates 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.

GOING CONCERN BASIS (CONTINUED)

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

1. **Quality of Securitised Assets**

The underlying transaction collateral was originated from the student loan program, 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 of Education and Employment' (DFEE) 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.
- Eligible Cancelled loans, where a borrower dies or has reached a specific age and is not behind in their payments.
- Eligible 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 deferment. Therefore, the accumulated losses will be ultimately borne by the loan noteholders.

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 30th September 2022, 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.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2021 (CONTINUED)

AUDITOR

Ernst & Young 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

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: 21 September 2021

FINANCE FOR HIGHER EDUCATION LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 MARCH 2021

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:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- state whether FRS 102 has been followed; and
- make an assessment of the Company's ability to continue as a going concern.

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: 21 September 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMERS OF FINANCE FOR HIGHER EDUCATION LIMITED

Opinion

We have audited the financial statements of Finance for Higher Education Limited for the year ended 31st March 2021 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and the related notes 1 to 18, 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 31st March 2021 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, 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.

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 the period to 30th September 2022, 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.

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 within the annual report.

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 there is 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' report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FINANCE FOR HIGHER EDUCATION LIMITED (CONTINUED)

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. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity 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)
- We understood how Finance for Higher Education Ltd 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.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by holding discussions with management.
- 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 as well as reviewing board minutes and correspondence exchanged with the relevant authorities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FINANCE FOR HIGHER EDUCATION LIMITED (CONTINUED)

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.

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 L.L.P.

Jean-Philippe Faillat (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
Date: 21 September 2021

FINANCE FOR HIGHER EDUCATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2021

	Notes	2021 £'000	2020 £'000
REVENUE			
Interest income	3	2,256	3,469
Interest expense	4	(1,549)	(2,351)
GROSS PROFIT		707	1,118
Other operating expenses	5	(1,814)	(1,997)
Provisions and recovery	9	(7)	4,561
OPERATING EXPENSE/INCOME		(1,821)	2,564
(LOSS)/PROFIT BEFORE TAXATION		(1,114)	3,682
Taxation charge	7	-	-
(LOSS)/PROFIT FOR THE YEAR		(1,114)	3,682
Other comprehensive income for the year		-	-
TOTAL COMPREHENSIVE (LOSS)/PROFIT FOR THE YEAR		(1,114)	3,682

The accompanying notes on pages 16 to 29 are an integral part of this statement of comprehensive income.

The results above arose wholly from continuing operations.

FINANCE FOR HIGHER EDUCATION LIMITED

STATEMENT OF FINANCIAL POSITION
As at 31 March 2021

	Notes	2021 £'000	2020 £'000
NON-CURRENT ASSETS			
Loans maturing after one year	8	63,276	77,902
CURRENT ASSETS			
Loans maturing within one year	8	10,987	14,134
Other receivables		1,058	815
Cash and cash equivalents		407	343
		12,452	15,292
TOTAL ASSETS		75,728	93,194
CURRENT LIABILITIES			
Loans Notes issued/Borrowing facility maturing within one year	11	(10,987)	(14,134)
Accrued interest payable		(44)	(80)
Other creditors	13	(364)	(375)
		(11,395)	(14,589)
NET CURRENT ASSETS		1,057	703
NON-CURRENT LIABILITIES			
Loans Notes issued/Borrowing facility maturing after more than one year	11	(139,068)	(152,226)
TOTAL LIABILITIES		(150,463)	(166,815)
NET LIABILITIES		(74,735)	(73,621)
EQUITY			
Share capital	14	-	-
Retained losses		(74,735)	(73,621)
TOTAL SHAREHOLDERS' DEFICIT		(74,735)	(73,621)

The accompanying notes on pages 16 to 29 are an integral part of this statement of financial position.

These financial statements of Finance For Higher Education Limited, registration number 03462683, were approved by the Board of Directors and authorised for issue on 21 September 2021.

They were signed on its behalf by:

CMB Colin Benford

Apex Corporate Services (UK) Limited
Director

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2021

	Share capital	Retained losses	Total
	£'000	£'000	£'000
Balance as at 31 March 2019	-	(77,303)	(77,303)
Profit for the year	-	3,682	3,682
Balance as at 31 March 2020	-	(73,621)	(73,621)
Loss for the year	-	(1,114)	(1,114)
Balance as at 31 March 2021	-	(74,735)	(74,735)

The accompanying notes on pages 16 to 29 are an integral part of these financial statements.

FINANCE FOR HIGHER EDUCATION LIMITED

STATEMENT OF CASH FLOWS
For the year ended 31 March 2021

	Notes	2021 £'000	2020 £'000
Operating activities			
Operating (loss)/profit before tax		(1,114)	3,682
Provision/(release) for impairment	8	931	(3,697)
Changes in deferred interest	12	424	706
Changes in operating assets		(243)	(181)
Changes in operating liabilities		(47)	(445)
Removal of effect of amortization from operating Expenses		41	41
Issuer facility fees paid to Thesis		(125)	(125)
Cash flow from operating activities before tax		(133)	(19)
Income taxes paid		0	0
Cash flow from operating activities after tax		(133)	(19)
Investing activities			
Receipts from Deemed Loan		16,842	11,363
Net cash from investing activities		16,842	11,363
Financing activities			
Repayment of borrowing facility		(16,645)	(11,492)
Net cash flow used in financing activities		(16,645)	(11,492)
Net decrease in cash and cash equivalents		64	(148)
Cash and cash equivalents at beginning of year		343	491
Cash and cash equivalents at the end of the year		407	343

The accompanying notes on pages 16 to 29 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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

Finance for Higher Education Limited ("FFHE" or the "Company") is a Company incorporated in the United Kingdom and subject to the Companies Act 2006. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic Report.

Basis of accounting

There 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.

In March 2020, the World Health Organization declared the spread of the Covid-19 virus a pandemic. Since then, many countries, including the UK, have periodically imposed strict social distancing measures, restrictions on non-essential activities and travel quarantines, in an attempt to slow the spread of the virus and reduce its impact.

The directors note that the global spread of Covid-19 and associated containment measures resulted in unprecedented, sharp and sudden impacts on economic activity across a wide range of countries, including the UK. Impacts on some sectors and parts of the economy have been extreme at times.

Whilst vaccination programmes are currently being deployed globally and underpin expectations around medium-term recovery prospects, these vaccines may ultimately fail to achieve sufficient levels of general population immunity. Therefore, significant uncertainties remain as to how long the Covid-19 pandemic will last. Subsequent waves of infection may result in the reintroduction of restrictions in affected countries or regions. Even when restrictions are relaxed, they may be re-imposed, potentially at short notice, if either levels of immunisation are insufficient or new strains of the Covid-19 virus or other diseases develop into new epidemics or pandemics. The Directors have a reasonable expectation that there is no material impact of Covid-19 on the Company's financial instruments valuation, impairments or liquidity to the Company.

In the event of defaults from students, the Company has the credit enhancement arrangement with Department of Education and a borrowing facility with SLAFT. This facility will when needed allow Company to fund interest accruing on the Loan Portfolio where the borrowers have deferred their payments

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. 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.

1. ACCOUNTING POLICIES (CONTINUED)

Going concern basis (continued)

After making enquiries of valuation specialists, considering the results of the stress testing analysis and considering the uncertainties described above, the Directors have a reasonable expectation that there is no material impact of Covid-19 on the Company's financial instruments valuation, impairment or liquidity and the Company has adequate resources to continue in operational existence for the period to 30th September 2022, 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.

Interest income

The sources of income are interest receivable on the Loans to students and the subsidy in the form of credit enhancement as receivable from the Department of Education and Employment i.e. the Government. Income is accounted for on a time basis and at the effective interest rate applicable, 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 income also excludes any recoveries on loans already written off.

Interest expense

Interest expense is accrued on accrual basis by reference to the loan notes outstanding and the accrual facility at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash payments through the expected life of the loan's carrying amount. The underwriting fee expense is also recorded at an amortised cost basis over the life time of the loan notes.

Other operating expenses

Other operating expenses are accrued on accrual basis by reference to the administration fees, commission fees, management fees, facility fees, and audit fees.

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 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 statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of interest and similar income.

The Company assesses at each reporting date, whether there is any objective evidence that the financial asset is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. 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 'credit loss expense'.

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.

1. ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand/with Bank.

Deemed Loans

FFHE purchased from the SLC (which is a wholly owned subsidiary of the Government) a portfolio of loans originated by SLC under the Students Loan Scheme, which is being accounted as deemed loans. The purchase of this portfolio is governed by a tripartite agreement amongst the Government, the SLC and FFHE. Within the scope of this agreement, the transferor, in this case SLC transferred the credit agreements with the student borrowers to FFHE but retained substantially, all the risks and rewards associated with the transferred assets. The transaction is therefore accounted for as a financing transaction. The Government agreed to provide the following to FFHE:

1. A credit enhancement on "Qualifying Loans" to compensate for low interest rates applicable to the loans under the credit agreements to the extent of LIBOR plus margin less RPI.
2. 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 £48.5m, representing 4.75% of purchased loans.
3. Cancelled loans, where a borrower dies or has reached a specific age and is not behind in their payments.
4. Repurchased loans, where a borrower has been certified as long term disabled.

Appropriate allowances for estimated irrecoverable amounts are recognised in the statement of comprehensive income when there is objective evidence that the Loan is impaired. The assets recognised in the statement of financial position have been described in the current year as loan to reflect the appropriate treatment/description of purchase of the loans from the Government.

Floating rate notes

The secured loan notes were issued on 23 March 1998 to THESIS. Loan notes are measured at fair value on initial recognition, and are subsequently measured at amortised cost using the effective interest rate method. The borrowing facility is measured at fair value on initial recognition and subsequently measured at amortised cost using the effective interest rate method.

Taxation

Income tax expense or income, comprising current tax and deferred tax, is recorded in the statement of comprehensive income 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 UNCERTAINITY

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 underlying the Deemed Loan in order to determine the amortised cost balance of these investments. Consequently, the impairment provision is also determined as a result of this estimation. The estimates and associated assumptions 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.

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 Company reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in the statement of comprehensive income. The Company's impairment methodology for assets carried at amortised 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

	2021	2020
	£'000	£'000
Interest Income received from Deemed Loans	2,256	3,390
Interest Subsidy received from Government	-	79
	2,256	3,469

Subsidy received/paid is based on the difference between LIBOR rate plus margin and the loans' RPI rate.

4. INTEREST EXPENSE

	2021	2020
	£'000	£'000
Class A3 secured loan notes at LIBOR +0.78%	267	449
Class A4 secured loan notes at LIBOR +1.50%	129	178
Class B1 secured loan notes at LIBOR	211	356
Class B2 secured loan notes at LIBOR	211	356
	818	1,339
Interest expense on borrowing facility	476	1,012
Interest subsidy paid to the Government	255	-
	1,549	2,351

5. OTHER OPERATING EXPENSES

	2021	2020
	£'000	£'000
Administration fees	1,367	1,588
Commission fees	209	187
Audit related fees	91	75
Non audit related fees	18	18
Management and other fees	7	8
Accrual Facility fees	100	100
Issuer facility fees	22	21
	1,814	1,997

Commission fees relate to fees paid to Link Financial for recoveries of loan balances previously written off.

6. AUDITOR REMUNERATION

The operating profit before taxation is stated after charging:

	2021	2020
	£'000	£'000
Auditor's fees for audit of the Company's statutory accounts	73	55
Auditor's fees for non-audit services	18	18
	91	73

7. TAXATION ON PROFIT/ (LOSS) ON ORDINARY ACTIVITIES

The tax charge for the year comprises:

	2021 £'000	2020 £'000
Current taxation:		
Charge/(credit) for the year	-	-
Current tax charge/(credit) for the period	-	-
Tax charge/(credit) for the year	-	-

The actual tax (credit)/charge differs from the expected tax (credit)/charge computed by applying the standard rate of UK corporation tax of 19% (2020: 19%) as follows:

	2021	2020
(Loss)/profit for the year	(1,114)	3,682
Expected tax charge/(credit)	(212)	699
Non deductible items	68	47
Losses brought forward and utilised	(201)	(746)
Losses and temporary differences in year where no deferred tax asset recognised	345	-
Actual tax charge/(credit)	-	-

The UK Corporation tax rate applicable to the company from 1 April 2020 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 £11,847,000 (2020: £11,704,000) provided at a corporation tax rate of 19% (2020: 19%) have not been recognised in respect of tax losses carried forward of £62,355,000 (2020: £61,598,000) 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.

8. DEEMED LOANS

	2021 £'000	2020 £'000
Opening loan balance	97,294	110,639
Government subsidy received for loans written off during the year	(16,609)	(10,816)
Amounts written off during the year where no subsidy applies	(1,807)	(1,982)
Repayments of loans	(233)	(547)
Gross Deemed loan before impairment	78,645	97,294
Provision for impairment at start of the year	(5,258)	(10,937)
Write-off for the year	1,807	1,982
(Provision)/release for the year	(931)	3,697
Provision for impairment at end of the year	(4,382)	(5,258)
Net Loan value	74,263	92,036
Loans due within one year	10,987	14,134
Loans due after more than one year	63,276	77,902
	74,263	92,036

The loan provision has been based upon an updated assessment of losses at year-end. FFHE receives RPI as an interest from students. The Government provides a credit enhancement of LIBOR plus margin less RPI to bring the effective interest rate to LIBOR plus margin (2.129%). The enhancement of the margin over RPI is to provide for the operating expenses of FFHE. For instances, where the RPI received will be greater than the LIBOR plus margin, FFHE is liable to pay the difference to the Government, thus maintaining the effective interest rate on the portfolio at LIBOR plus margin.

First loss is the amount outstanding at the point when a loan becomes twenty four months or more in arrears. The Government reimbursed the first losses to the extent of £48.5 million (fully utilised by year 2003). The loans to the extent of the first loss has been taken were immediately written-off and any subsequent recoveries are taken as income. The first loss agreement allows the Company to claim 50% of any subsequent recoveries made on loans within the first loss. Any recoveries in respect of losses not claimed under the first loss are due to the Company in full. The provision for impairment above represents incurred losses above the first loss level. The Company is not eligible to receive any subsidy on loans which are overdue by more than 24 months or past due the back stop date. Hence, these are written off from the books as a prudent measure after following the recovery procedures entailed in the original agreement. The provision for impairment factors in expected cash flows from recoveries on any such loans as mentioned above. Backstop Losses are losses related to loans which have passed the "backstop" date. The "backstop" date is the date 12 months after the date the loan should have been repaid under the credit agreement will be extended by any period of deferment except where a loan is deferred with arrears.

8. DEEMED LOANS (CONTINUED)

BALANCES WRITTEN OFF	£'000
Balance written off as on 31 March 2020	135,252
of which: Due to Overdue 24+ months	73,271
of which: Due to Backstop Losses	13,414
of which: Due to First Loss Claimed	48,567
Balance written off during the year 2020 – 2021	1,807
of which: Due to Overdue 24+ months	958
of which: Due to Backstop Losses	849
of which: Due to First Loss Claimed	-
Balance written off as on 31 March 2021	137,059
of which: Due to Overdue 24+ months	74,229
of which: Due to Backstop Losses	14,263
of which: Due to First Loss Claimed	48,567

Income which relates to recoveries of balances previously written off

	2021	2020
	£'000	£'000
First Loss Recoveries	52	34
24+ Recoveries	585	550
Backstop Recoveries	287	280
	924	864

The provision is established on a portfolio basis taking into account the level of arrears, repayment status, and past loss and recoveries experience. The most significant factors in establishing the provision are the expected loss rates and the related average life. The future credit quality of these portfolios is subject to uncertainties that could cause actual credit losses to differ materially from reported loan impairment provisions. These uncertainties include the economic environment, notably interest rates and their effect on the unemployment level and bankruptcy trends.

It is estimated that £63 million (2020: £78 million) of the net investment value will mature after more than one year.

The impairment provision has been netted off against loans maturing after one year for presentation purposes.

9. PROVISIONS AND RECOVERIES

	2021	2020
	£'000	£'000
Provision (charged)/released to P&L for the year	(931)	3,697
Income relating to recoveries of balances previously written off	924	864
	(7)	4,561

10. CURRENT ASSETS

	2021	2020
	£'000	£'000
Loans maturing within one year (see note 8)	10,987	14,134
Other receivables	1,058	815
Cash and Cash Equivalents	407	343
	12,452	15,292

11. LOAN NOTES AND BORROWING FACILITIES

Maturity within one year

	2021	2020
	£'000	£'000
Borrowing Facility	10,987	14,134
	10,987	14,134

Maturity more than one year

	2021	2020
	£'000	£'000
Secured loan notes and capitalised interest (note 12)	104,253	103,916
Borrowing facility	34,815	48,310
	139,068	152,226

The Company has entered into a committed borrowing facility with Student Loan Asset Funding Inc. This facility is in place to fund any cash shortfall caused by student loans in deferment. The facility is for £95,802,000 (2020: £112,444,000) of which £45,802,000 (2020: £62,444,000) had been drawn at the year end. The final maturity date of the borrowing facility is March 2028.

12. SECURED LOAN NOTES AND CAPITALISED INTEREST

	2021	2020
	£'000	£'000
There are four types of secured loan notes issued and outstanding:		
Class A3 secured loan notes	29,638	29,689
Class A4 secured loan notes	7,987	8,001
Class B1 secured loan notes	20,639	20,650
Class B2 secured loan notes	20,639	20,650
Class B1 capitalised interest	12,675	12,463
Class B2 capitalised interest	12,675	12,463
	104,253	103,916
Loan notes due after more than one year	104,253	103,916
	104,253	103,916

According to the terms of these floating and fixed rate notes, 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.

The Company shall only be obliged to make payments in respect of principal and interest on the loan notes maturing in 2028.

13. OTHER CREDITORS

	2021	2020
	£'000	£'000
Amounts owed to customers	165	176
Accruals and other liabilities	199	199
	364	375

Accruals and other liabilities include an accrual for professional and other services. The Company considers it is appropriate to accrue expenses in the period to which they relate and this is consistent with the accounting policy.

Amounts owed to customers are not interest bearing and are repayable on demand at the request of customers.

14. SHARE CAPITAL

	2021	2020
	£	£
Authorised		
100 ordinary shares of £1 each	100	100
Allotted, called up and fully paid		
2 ordinary shares of £1 each	2	2

The fully paid shares were issued on incorporation. All the shares of the Company are held by The Higher Education Securitised Investments Series (Holdings) Limited or its nominees.

15. FINANCIAL INSTRUMENTS

The Company's financial instruments comprise principally amounts due from a portfolio of student loans and various tranches of secured loan notes issued to and held by THESIS. Additional funding has been obtained through other loan agreements. Cash, accrued interest income, accrued interest payable and other items arise directly from the Company's operations.

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.

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
As at 31 March 2021	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Loan notes	104,253	105,577	-	-	-	-	105,577
Borrowing facility	45,802	48,273	869	1,728	7,645	38,031	-
Interest payable	44	4,899	58	122	536	2,502	1,681
	150,099	158,749	927	1,850	8,181	40,533	107,258

	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
As at 31 March 2020	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Loan notes	103,916	104,485	-	-	-	-	104,485
Borrowing facility	62,444	67,443	1,160	2,307	10,201	53,775	-
Interest payable	80	4,661	87	172	725	2,552	1,125
	166,440	176,589	1,247	2,479	10,926	56,327	105,610

15. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk

The carrying amount of financial assets represents the maximum credit exposure.

The Company is exposed to credit risk on its Deemed Loan. This loan balance net of impairment is outlined in note 8. The Company monitors its credit exposure on a monthly basis.

CATEGORIES OF FINANCIAL INSTRUMENTS

	2021	2020
	£'000	£'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	75,728	93,194
Financial liabilities		
Other financial liabilities	150,463	166,815

Impaired financial assets

	2021	2020
	£'000	£'000
Not past due	68,712	85,894
Past due	9,933	11,400
	78,645	97,294
Less: allowance for impairment	(4,382)	(5,258)
	74,263	92,036

The impairment provision against the overall loan portfolio is made for all loans. As such, it is not possible to disclose the specific carrying amount of impaired loans above.

MATURITY OF FINANCIAL LIABILITY

	2021	2020
	£'000	£'000
In one year or less, or on demand	10,987	14,134
In more than one year but not more than two years	19,297	17,731
In more than two years but not more than five years	41,433	50,171
In more than five years	78,746	84,779
	150,463	166,815

The maturity profile of the Company's financial liabilities is an estimate, since their repayment is dependent on receipts from the student loans which may be repaid at different times at the option of the borrower.

15. FINANCIAL INSTRUMENTS (CONTINUED)

Borrowing facilities

The Company has committed borrowing facility with Student Loan Asset Funding Inc. The undrawn facility available at 31 March 2021, in respect of which all conditions precedent had been met, was as follows:

	2021 £'000	2020 £'000
In more than five years	50,000	50,000

At 31 March 2021 the facility limit was £95,802,000 (2020: £112,444,000) of which £45,802,000 (2020: £62,444,000) has been drawn down.

Fair values and Fair value hierarchy

As at 31 March 2021, 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 discounted cash flow model and traders' best estimates of the valuation. There are no alterative model valuations. The Company has identified all underlying assets and liabilities at level 3

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

	2021 £'000 Carrying Value	2021 £'000 Fair Value	2020 £'000 Carrying Value	2020 £'000 Fair Value
Loan receivables	74,263	54,664	92,036	65,732
Loan notes issued	104,253	14,197	103,916	10,040
Borrowing facility	45,802	39,018	62,444	53,606

The fair values of the loan notes issued are determined based on comparable note issuances adjusted for current market conditions via 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 management determines the fair value of the Borrowing facility based on the cash flows of the accrual facility.

The fair value of the loan receivables have been determined with reference to the fair value of the loan notes issued, the borrowing facility and the broking fee since the characteristics of the cash flows are similar.

Loan notes receivable for value £54,664,000 (2020: £65,732,000), loan notes issued for value £14,197,000 (2020: £10,040,000) and borrowing facility for value £39,018,000 (2020: £53,606,000) are accordingly classified at Level. 3.

15. FINANCIAL INSTRUMENTS (CONTINUED)

As at 31 March 2021	Level 1	Level 2	Level 3
Financial assets	**£'000**	**£'000**	**£'000**
Loan receivables	-	-	54,664
	-	-	54,664
Financial Liabilities			
Loan notes issued	-	-	(14,197)
Borrowing facility	-	-	(39,018)
	-	-	(53,215)

As at 31 March 2020	Level 1	Level 2	Level 3
Financial assets	**£'000**	**£'000**	**£'000**
Loan receivables	-	-	65,732
	-	-	65,732
Financial Liabilities			
Loan notes issued	-	-	(10,040)
Borrowing facility	-	-	(53,606)
	-	-	(63,646)

16. RELATED PARTY TRANSACTIONS

The Company's secured loan notes issued and outstanding (note 11) were issued to The Higher Education Securitised Investment Series No. 1 PLC ("THESIS"), a fellow subsidiary undertaking. The interest expense for the year was £1,054,000 (2020: £1,320,000) and an amount of £22,000 (2020: £33,000) was accrued at year end.

THESIS Plc was paid issuer fees on an annual basis. During the year £126,000 (2020: £127,000) was paid in respect of these services and £7,016 (2020: £6,615) was accrued at the year end.

17. 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; however, as a result of the evaluation of the terms of the notes in issue and terms of agreement for the Loans purchased from SLC it is concluded that it does not control the Company. The Company as such has no controlling party.

18. SUBSEQUENT EVENTS

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