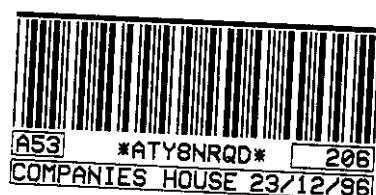


Student Loans Company Limited

Directors' report and financial statements

31 March 1996

Registered number 2401034



Student Loans Company Limited

Directors' report and financial statements

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Student Loans Company Limited

Chairman's statement

The attached directors' report and company financial statements cover the activities of the company for the year ended 31 March 1996, the fifth full year of its operations.

The year has seen further substantial business growth with loan balances outstanding at the end of the year of £1,859 million compared with £1,178 million a year earlier. In the light of this growth, it is pleasing to note that tight cost control kept running costs at £16.3 million only marginally above the £15.9 million for the previous year.

The company is committed to seeking to improve customer service and to contain operating costs. As I reported last year, the initiative in academic year 1994/95 to accelerate payment of loans to students applying for a second or subsequent time encountered operational difficulties during autumn 1994 resulting in delays to a significant number of applicants at that time. I am pleased to report that the corrective measures undertaken, following a detailed internal review of the process, have not only avoided any repetition of the problems in academic year 1995/96, but have now realised the benefits originally sought. The process will continue to be carefully monitored with a view to achieving whatever further improvements are possible.

During the year the National Audit Office published a report on the company's operation which was largely reassuring with the understandable exception of its findings regarding the initial problems with the repeat application process. There were a number of detailed recommendations concerning matters such as performance monitoring and clarity of reporting which the company has agreed to implement.

Since incorporation as a private limited company in 1989, the company has been subject to the provisions of the Companies Act 1985, while operating within the limits of the financial memorandum between the company and the Government. While, for all practical purposes, this has meant that the company has operated as an agent of the Education Departments, it has not been designated a Non Departmental Public Body (NDPB). As from 1 April 1996 the company has been officially classified an NDPB thus clarifying its status as a Government-owned body. With the exception of some minor annual reporting requirements, this change will have no perceptible effect on the operations, accountability, or profile of the company; nor does it in any way preclude the provisions of the Companies Act applying to the company.

I am pleased to report that the company was able to appoint a new Chief Executive during the year. Mr Colin Ward was promoted to this post from Assistant Managing Director on 1 January 1996, taking over from Professor Sir Eric Ash CBE who was Acting Chief Executive throughout 1995. Mr Ward has considerable business experience and a comprehensive knowledge of the company which will be invaluable in guiding its future development.

Mr Alastair Weatherston CB retired from his post of Under Secretary within the Scottish Office Education Department in November 1995; following his retirement as a non executive director of the company in 1994 Mr Weatherston was appointed as an Assessor at Board meetings. I wish to thank him for his advice and support to the Board in this role, and would take this opportunity of welcoming Mr Ken MacRae, Chief Executive of the Student Awards Agency for Scotland, as his replacement.

Student Loans Company Limited

Chairman's statement *(continued)*

I should like to thank all my Board colleagues for their efforts and support throughout the year, and in particular Sir Eric Ash for his exemplary executive stewardship. I am grateful too for the skill and dedication of the staff who restored the high standards of service which we owe to our customers.

As I announced in March, I have decided to step down after four years as Chairman, secure in the knowledge that the company has grown dramatically and is performing well and that its key issue of management succession has been settled. I can confidently commend to my successor the immense professionalism and dedication which exists within the company.

The customary full report on the company's activities during academic year 1995/96, including the attached directors' report and financial statements, will be published before the end of 1996.



K M Young CBE
Chairman

31 July 1996

Student Loans Company Limited

Directors' report

The directors have pleasure in submitting their annual report and the financial statements of the company for the year ended 31 March 1996.

Review of business and future developments

The company continued to administer the Government's loan scheme during the year under review, with all funding being provided by Government in accordance with the financial memorandum which governs the company's operational and financial arrangements. As a result the company made neither a profit nor a loss.

During the year the number of loans paid increased significantly from the previous year. As the life of the scheme has increased growing numbers of accounts are entering repayment each year for the first time. These trends are expected to continue in the forthcoming years subject to the introduction of alternative Government initiatives.

The company relies heavily on its investment in computer technology and in order to ensure that the appropriate systems and hardware are employed, the board is committed to an information systems strategy which is designed to migrate the current mainframe system to a modular UNIX-based platform. The new system development comprises several phases, the first of which requires to be operational by the end of 1997, failure to achieve which would have serious consequences for the continuing viability of the company's operations. The business case in support of the strategy is being considered by Ministers in the light of the Government's commitment to the private finance initiative, and the directors are clear that an early and positive decision is essential.

Dividends

The directors do not recommend the payment of a dividend (1995: £Nil).

Directors and their interests

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

KM Young CBE	Chairman	Non-Executive	
RT Kanter		Non-Executive	§
RG Burnett		Non-Executive	†
Sir Eric Ash CBE		Non-Executive	†*
Mrs A Bennigsen		Non-Executive	†§
C Ward	Assistant managing director		(to 31.12.95)
	Chief executive		(from 1.1.96)
JB Morrison	Finance & administration		
	director		
R J Harrison CBE	Director		(resigned 9.5.95)

†	Member of the audit committee at 31.3.96.
§	Member of the remuneration committee at 31.3.96.
*	Acting chief executive to 31.12.95.

Student Loans Company Limited

Directors' report *(continued)*

Directors and their interests *(continued)*

In March 1996, KM Young intimated his intention to resign as both chairman and non-executive director after four years' service. This will take effect on 4 August 1996.

None of the directors had any interest in the shares of the company at 31 March 1996 and 31 March 1995 (or subsequent date of appointment). The company is wholly owned by the Secretary of State for Education and Employment and the Secretary of State for Scotland.

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

Employees

It is the company's aim to keep employees informed about its affairs and in particular about those matters which affect them directly. To this end, newsletters and information memoranda are issued regularly.

It is the company's policy to give sympathetic consideration, in both recruitment and training, to the problems of the disabled.

Charitable donations

During the year the company made charitable donations of £800 (1995: £600).

Corporate governance

The board considers that during the year, the company complied with the recommendations of the Code of Best Practice established by the Committee on the Financial Aspects of Corporate Governance (the Cadbury Committee) with the following exceptions:

- the chairman's term of appointment is not fixed;
- Sir Eric Ash acted as Chief Executive for part of the year and was also a member of the audit committee, although he did not attend audit committee meetings during that period when he acted as chief executive.

The board is responsible for the company's system of internal financial control. The company has an established framework of internal financial control which is monitored and supported by an internal audit function. The system is designed to provide reasonable but not absolute assurance against material mis-statement or loss. The key elements of the system of internal financial control are as follows:

- regular meetings of the board of directors which has a schedule of matters which are specifically reserved for its approval;

Student Loans Company Limited

Directors' report *(continued)*

Corporate governance *(continued)*

- an established audit committee of the board which meets regularly and receives from management and internal and external auditors, inter alia, reports on the system of internal financial control, to provide reasonable assurance that control procedures are in place and are being followed;
- an organisational structure within the company with clear lines of responsibility;
- an accounting policies and procedures manual, key changes to which are approved by the board of directors;
- a four year strategic plan with a detailed annual budget, regularly revised forecasts, a comparison of actual with budget and with forecast on a monthly and quarterly basis, operating cashflow and variance statements, and key performance indicators, all of which are reviewed by the board.

The directors, through the audit committee, have reviewed the effectiveness of the system of internal financial control in existence in the company for the year ended 31 March 1996.

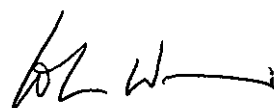
The board includes five non-executive directors who collectively represent a wide range of business experience. The board maintains an audit committee, chaired by Mr RG Burnett, which operates along the lines recommended in the Code. The company also has a remuneration committee, comprising two non-executive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

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

On behalf of the board



C Ward
Director

21 St Thomas Street
Bristol
BS1 6JS

31 July 1996

Student Loans Company Limited

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to (a) select suitable accounting policies and then apply them consistently, (b) make judgements and estimates that are reasonable and prudent, (c) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors also have a responsibility to:

- ensure that funding from the funding bodies is used only for the purposes for which it has been given, the purpose for which it was voted by Parliament and in accordance with the financial memorandum with the funding bodies and any other conditions which the funding bodies may from time to time prescribe;
- ensure that funding is applied in accordance with the Education (Student Loans) Act 1990, the Education (Student Loans) (Northern Ireland) Order 1990, and the Education (Student Loans) Regulations in force for the financial year;
- ensure that there are appropriate financial and management controls in place to safeguard public funds;
- ensure reasonable steps have been taken to secure the economical, efficient and effective management of the company's resources and expenditure.



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

We have audited the financial statements on pages 9 to 22.

Respective responsibilities of directors and auditors

As described on page 6 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 31 March 1996 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985;
- funds from the funding bodies have been applied only for the purposes for which they were received;
- income has been applied in accordance with the Education (Student Loans) Act 1990, the Education (Student Loans) (Northern Ireland) Order 1990, the Education (Student Loans) Regulations in force for the financial year, and the financial memorandum with the funding bodies.

KPMG
Chartered Accountants
Registered Auditors

24 Blythswood Square
Glasgow
G2 4QS

2 August 1996



Review report by KPMG to Student Loans Company Limited on corporate governance matters

In addition to our audit of the financial statements, we have reviewed the directors' statement on pages 4 to 5 on the company's compliance with the paragraphs of the Code of Best Practice specified by the terms of engagement for our review. The objective of our review is to draw attention to non-compliance with those paragraphs of the Code which is not disclosed.

Basis of opinion

We carried out our review in accordance with Bulletin 1995/1 'Disclosure relating to corporate governance' issued by the Auditing Practices Board. That Bulletin does not require us to perform any additional work necessary to express a separate opinion on the effectiveness of either the company's system of internal financial control or corporate governance procedures, or on the ability of the company to continue in operational existence.

Opinion

With respect to the directors' statements on internal financial control on pages 4 to 5 and going concern on page 5, in our opinion the directors have provided the disclosures required by paragraphs 4.5 and 4.6 of the Code (as supplemented by the related guidance for directors) and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain directors and officers of the company, and examination of relevant documents, in our opinion the directors' statement on pages 4 to 5 appropriately reflects the company's compliance with the other paragraphs of the Code specified for our review.


KPMG
Chartered Accountants
Registered Auditors

24 Blythswood Square
Glasgow
G2 4QS

2 August 1996

Student Loans Company Limited

Profit and loss account

for the year ended 31 March 1996

	<i>Note</i>	1996 £000	1995 £000
Turnover	3	16,243	15,846
Administrative expenses		(16,262)	(15,884)
		<hr/>	<hr/>
		(19)	(38)
 Interest receivable	 4	 26	 51
		<hr/>	<hr/>
Result on ordinary activities before taxation	5	7	13
 Tax on result on ordinary activities	 7	 (7)	(13)
		<hr/>	<hr/>
Result on ordinary activities after taxation and for the financial year		-	-
		<hr/>	<hr/>

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

Statement of total recognised gains and losses

The company has no recognised gains or losses in either year other than the result for the year.

Student Loans Company Limited

Balance sheet at 31 March 1996

	Note	1996		1995	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	8		2,986		1,826
Current assets					
Debtors	9	497		1,197	
Cash at bank and in hand	10	54,413		21,136	
		<u>54,910</u>		<u>22,333</u>	
Creditors: amounts falling due within one year	11	(54,910)		(22,333)	
Net current assets			-		-
Total assets less current liabilities			<u>2,986</u>		<u>1,826</u>
Accruals and deferred income					
Deferred capital receipts	12		(2,986)		(1,826)
			<u>-</u>		<u>-</u>
Capital and reserves					
Called up share capital	13		-		-
Profit and loss account			-		-
			<u>-</u>		<u>-</u>
Total shareholders' funds - equity			<u>-</u>		<u>-</u>

These financial statements were approved by the board of directors on 31 July 1996 and were signed on its behalf by:


C Ward
Director

Student Loans Company Limited

Cash flow statement

for the year ended 31 March 1996

	Note	1996	1995
		£000	£000
Net cash inflow/(outflow) from operating activities	15(a)	33,257	(4,021)
Returns on investments and servicing of finance			
Bank and other interest received		26	51
Taxation			
Corporation tax paid		(6)	(13)
Investing activities			
Payments to acquire tangible fixed assets		(1,851)	(650)
Receipts from sales of tangible fixed assets		140	29
Net cash outflow from investing activities		(1,711)	(621)
Net cash inflow/(outflow) before financing		31,566	(4,604)
Financing			
Capital funding received from the funding bodies		1,711	621
Increase/(decrease) in cash and cash equivalents	15(b)	33,277	(3,983)

Student Loans Company Limited

Notes

(forming part of the financial statements)

1 Statement of loans administered

Funding for the purpose of making loans to students is received by the company from the Department for Education and Employment, the Scottish Office Education Department and the Department of Education for Northern Ireland ('The funding bodies').

In accordance with FRS 5 'Reporting the substance of transactions' neither the loans nor the related obligation to repay the funding bodies is included in the financial statements of the company since:

- (a) in accordance with the terms of the company's financial memorandum any interest which the company earns on funds made available for making loans to students and on money repaid to the company by borrowers under the scheme shall be returned to the funding bodies; and
- (b) there is an agreement between the company and the funding bodies that the company is liable to transmit to these bodies only those repayments which are actually made to the company. As a consequence, the company is not liable for the cost of repayments which ultimately may not be recovered and the balances shown below are stated at their full amount.

The company is not liable for the cost of repayments which ultimately may not be recovered. However, the Education (Student Loans) Regulations provide deferment for borrowers in repayment whose incomes fall below a pre-determined threshold each year. It is reasonable to assume that a number of borrowers who have been and will be granted such deferment will never reach the threshold, and will not, therefore, be required to repay their loans. The directors are of the view that an estimate should be made of such balances at 31 March 1996 which will not be repaid because of this statutory provision. Experience of deferment is extremely limited, because significant repayments only began in 1992, and future patterns are hard to predict because of the factors which might affect them, for example, changes in national economic conditions. Nonetheless, based on current experience, the directors have estimated that, of the £1.9 billion (1995: £1.2 billion) balances held at 31 March 1996, some £197 million (1995: £125 million) will not require to be repaid because of the statutory deferment provision.

Other regulations provide the company with the statutory ability to write off loans of deceased borrowers. Given the short experience of the application of these regulations, it is estimated that a further £3 million (1995: £2 million) might not be repaid under these provisions.

In addition to these regulatory provisions, the company, like any provider of credit, experiences default in repayment of amounts due. Again, the historical information available at this stage to assess possible future default is extremely limited. Nevertheless, the directors have estimated the likely value of the balances held at 31 March 1996 which might not be repaid as a result of default at £25 million (1995: £15 million).

These estimates will be reviewed annually with experience of the levels of deferment, statutory write off and default.

Student Loans Company Limited

Notes (continued)

1 Statement of loans administered (continued)

At 31 March 1996, the amount of loans receivable by instalments from students amounts to £1,859,042,000 (1995: £1,178,066,000), of which £88,551,000 (1995: £44,896,000) is in respect of interest earned. This balance is due from students and repayable to the funding bodies, after allowing for balances on accounts for which deferment of repayment has been granted at 31 March of the relevant year as follows:

	1996 £000	1995 £000
Within one year	138,462	76,253
Between one and two years	247,943	147,197
Between two and five years	1,011,678	640,365
In more than five years	460,959	314,251
	<hr/> 1,859,042 <hr/>	<hr/> 1,178,066 <hr/>

Instalment repayments by year are assessed by reference to the underlying loan agreements and expected date of graduation of each student in the first instance given that repayment is due to commence in the April following graduation. However, the Education (Student Loans) Regulations provide for borrowers in repayment to apply for deferment of repayment on an annual basis depending on their level of income, and the effects of the regulations have been taken into account in the timing of the amounts due to be repaid but only insofar as such deferment has been granted at 31 March of the relevant year. The effect on the timing of repayments of any subsequent deferments which will be granted thereafter under the regulations cannot be determined and no estimate thereof has been made.

Interest is applied to the student loans receivable at 31 March 1996 in accordance with the terms and conditions stated in the loan agreements. The loans made to students bear interest at such rates prescribed by the Secretary of State as being necessary to maintain the value of the loans in real terms. The rate of interest charged on loans from 1 September 1994 to 31 August 1995 was such as to give an annual percentage rate of 2.3% per cent. From 1 September 1995 the rate of interest charged has been such as to give an annual percentage rate of 3.5% per cent. Subject to the provision for deferment in the Education (Student Loans) Regulations, borrowers repay loans in monthly instalments over a fixed period. At present, that fixed period is either five or seven years, depending on the number of academic years over which loans are advanced. Borrowers may repay their loans early if they wish. The company calculates the amount of repayments due under the scheme annually.

Of the loan repayments receivable and interest earned as at 31 March 1996, £533,800,000 (1995: £305,146,000) of individual student loans will be wholly repayable to the funding bodies within five years, with the balance of £1,325,242,000 (1995: £872,920,000) not being wholly repayable within five years.

In the year ended 31 March 1996, an amount of £491,000 (1995: £270,000) representing the balances of 1,570 borrowers (1995: 2,473 borrowers) was written off in accordance with the regulations of the Student Loans Scheme and the company's financial memorandum with the funding bodies.

Student Loans Company Limited

Notes (continued)

2 Accounting policies

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

Basis of accounting

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

Basis of preparation

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

All net costs during the year were met by the funding bodies and are accounted for as management fees receivable. Consequently, the company made neither a profit nor a loss.

Depreciation

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

Computer and other electronic equipment	- over 3 years
Furniture, fixtures and fittings	- over 8 years
Motor vehicles	- over 3 years
Leasehold improvements	- over the unexpired period of the lease

Deferred capital receipts

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

Operating leases

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

Student Loans Company Limited

Notes (continued)

2 Accounting policies (continued)

Pensions

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

3 Turnover

Turnover represents management fees receivable in the form of grant-in-aid from the funding bodies for the purpose of administering loan funds.

4 Interest receivable

	1996 £000	1995 £000
Bank interest	21	16
Other interest	5	35
	—	—
	26	51
	==	==

5 Result on ordinary activities before taxation

	1996 £000	1995 £000
(a) <i>This is stated after charging or (crediting):</i>		
Depreciation	674	946
Gain on disposal of fixed assets	123	-
Deferred capital receipts	(674)	(946)
Directors' remuneration (see below)	217	226
Auditors' remuneration, including expenses:		
Audit services	28	25
Other services	81	15
Operating lease rentals:		
Land and buildings	922	920
	==	==

Student Loans Company Limited

Notes (continued)

5 Result on ordinary activities before taxation (continued)

	1996 £000	1995 £000
(b) Directors' remuneration		
Fees	46	35
Executive remuneration (including benefits in kind)	156	176
Pension contributions	15	15
	<u>217</u>	<u>226</u>

Emoluments of the:

	1996		1995	
	Including pension contributions £000	Excluding pension contributions £000	Including pension contributions £000	Excluding pension contributions £000
Chairman	18	18	12	12
Highest paid director	74	67	86	77
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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

	Number of directors	
	1996	1995
£Nil - £5,000	1	3
£5,001 - £10,000	3	2
£10,001 - £15,000	-	1
£15,001 - £20,000	1	1
£35,001 - £40,000	1	-
£40,001 - £45,000	-	2
£50,001 - £55,000	1	-
£65,001 - £70,000	1	-
£75,001 - £80,000	-	1
	<u> </u>	<u> </u>

Student Loans Company Limited

Notes (continued)

5 Result on ordinary activities before taxation (continued)

The remuneration of each individual director analysed into its constituent elements, along with comparatives is as follows:

	Basic emolument		Bonus payment		Benefit conversion		Pension contribution		Other benefits etc		Total	
	1996	1995	1996	1995	1996	1995	1996	1995	1996	1995	1996	1995
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
KM Young	18	12	-	-	-	-	-	-	-	-	18	12
RT Kanter	9	8	-	-	-	-	-	-	-	-	9	8
RG Burnett	9	8	-	-	-	-	-	-	-	-	9	8
Sir Eric Ash §†	36	16	-	-	-	-	-	-	-	-	36	16
A Bennigsen †	8	5	-	-	-	-	-	-	-	-	8	5
C Ward *	59	27	4	-	-	12	7	3	5	3	75	45
JB Morrison *	48	24	-	-	-	16	6	3	6	3	60	46
RJ Harrison	-	68	-	-	-	-	2	9	-	9	2	86

The benefit conversion in 1995 relates to the one-off buy out of the contractual entitlement of the executive directors to provision of petrol for private use of their company cars.

§ 1996 figures include the period from 1 April 1995 to 31 December 1995 as acting chief executive.

† 1995 comparatives relate to the period from 21 September 1994 to 31 March 1995.

* 1995 comparatives relate to the period from 1 October 1994 to 31 March 1995.

6 Staff numbers and costs

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

	1996	1995
Number of employees	335	301
	==	==

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

The aggregate payroll costs of these persons were as follows:

	1996	1995
	£000	£000
Wages and salaries	4,296	3,844
Social security costs	319	303
Other pension costs	212	214
	==	==
	4,827	4,361
	==	==

Student Loans Company Limited

Notes (continued)

7 Tax on result on ordinary activities

	1996 £000	1995 £000
Based on the result for the year	7	13
	==	==

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

8 Tangible fixed assets

	Short leasehold improvements £000	Computer & other electronic equipment £000	Furniture, fixtures & fittings £000	Motor vehicles £000	Total £000
Cost					
At beginning of year	627	2,340	853	142	3,962
Additions	210	1,544	52	45	1,851
Disposals	-	(142)	(6)	(63)	(211)
	==	==	==	==	==
At end of year	837	3,742	899	124	5,602
	==	==	==	==	==
Depreciation					
At beginning of year	91	1,639	341	65	2,136
Charge for year	28	501	108	37	674
On disposals	-	(142)	(4)	(48)	(194)
	==	==	==	==	==
At end of year	119	1,998	445	54	2,616
	==	==	==	==	==
Net book value					
At 31 March 1996	718	1,744	454	70	2,986
	==	==	==	==	==
At 31 March 1995	536	701	512	77	1,826
	==	==	==	==	==

9 Debtors

	1996 £000	1995 £000
Management fees receivable	-	713
Other debtors	21	40
Prepayments and accrued income	476	444
	==	==
	497	1,197
	==	==

Included within other debtors above is an amount of £4,000 (1995: £nil) due after more than one year.

Student Loans Company Limited

Notes (continued)

10	Cash at bank and in hand	1996	1995
		£000	£000
	Cash held in:		
	Commercial bank accounts	832	471
	HM Paymaster General office accounts	53,580	20,664
	Cash in hand	1	1
		<hr/>	<hr/>
		54,413	21,136
		<hr/>	<hr/>
11	Creditors: amounts falling due within one year	1996	1995
		£000	£000
	Loan funding received from the funding bodies not yet issued as student loans	49,073	18,134
	Loan repayments received from students repayable to the funding bodies	4,918	2,671
	Trade creditors	134	503
	Corporation tax	5	4
	Other creditors	-	27
	Taxation and social security	562	720
	Accruals and deferred income	218	274
		<hr/>	<hr/>
		54,910	22,333
		<hr/>	<hr/>
12	Deferred capital receipts	1996	1995
		£000	£000
	At 1 April	1,826	2,151
	Receivable for the year	1,834	621
	Credited to profit and loss account	(674)	(946)
		<hr/>	<hr/>
	At 31 March	2,986	1,826
		<hr/>	<hr/>

Student Loans Company Limited

Notes (continued)

13 Called up share capital

	1996 £	1995 £
<i>Authorised</i>		
Ordinary shares of £1 each	100	100
	<u> </u>	<u> </u>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	10	10
	<u> </u>	<u> </u>

14 Movement in shareholders' funds

As the opening and closing reserves are £Nil and there have been no share issues during the year there has been no movement in shareholders' funds during the year (1995: no movements).

15 Cash flows

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

	1996 £000	1995 £000
Result on ordinary activities before taxation and net interest receivable	(19)	(38)
Depreciation	674	946
Deferred capital receipts	(674)	(946)
	<u> </u>	<u> </u>
	(19)	(38)
Decrease/(increase) in debtors, excluding interest receivable	700	(5)
(Decrease)/increase in creditors	(610)	287
	<u> </u>	<u> </u>
Net cash inflow from administration activities	71	244
Net increase in loans provided to students	(637,321)	(486,726)
Net increase in loan funding received from the funding bodies	668,260	479,957
Movement on loan repayments received from borrowers not yet remitted to the funding bodies	2,247	2,504
	<u> </u>	<u> </u>
Net cash inflow/(outflow) from operating activities	33,257	(4,021)
	<u> </u>	<u> </u>

Student Loans Company Limited

Notes (continued)

15 Cash flows (continued)

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

	1996 £000	1995 £000
Balance at 1 April	21,136	25,119
Net cash inflow/(outflow) (note 15(c))	33,277	(3,983)
	<hr/>	<hr/>
Balance at 31 March	54,413	21,136
	<hr/>	<hr/>

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

	1996 £000	1995 £000	Change in year £000
Cash at bank and in hand	54,413	21,136	33,277
	<hr/>	<hr/>	<hr/>

16 Financial commitments

At 31 March 1996 and 1995 the company had an annual commitment under a non-cancellable operating lease as set out below:

	Land and buildings £000
Operating lease which expires:	
Within one year	-
In the second to fifth years inclusive	-
In over five years	922
	<hr/>

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

At 31 March 1996 the company had contracts for the supply of computing services in respect of its loan administration system. Under the terms of the contracts the company has a commitment of £1,094,000 (1995: £1,515,000) in respect of the year to 31 March 1997.

At 31 March 1996 the company had placed a contract for the purchase of fixed assets at a cost of £176,000 (1995: £260,000).

Student Loans Company Limited

Notes (continued)

17 Pensions

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

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

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

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

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

During the year under review, the pensions charge in the profit and loss account of £194,000 (1995: £186,000) was equivalent to the contributions due to the scheme between 1 April 1995 and 31 March 1996. In addition the company made pension contributions of £18,000 (1995: £28,000) to the personal pension plans of certain employees of the company.