

Company Registration No. 3702189

Honours Plc

Annual Report and Financial Statements

For the year ended 31 March 2012



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REPORT AND FINANCIAL STATEMENTS 2012

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OFFICERS AND PROFESSIONAL ADVISERS

Directors

Wilmington Trust SP Services (London) Limited
Daniel Russell Fisher (from 15 May 2012)
Martin McDermott
Jean-Christophe Schroeder (resigned 15 May 2012)

Company secretary

Wilmington Trust SP Services (London) Limited
Third Floor
1 King's Arms Yard
London
EC2R 7AF

Registered office

Third Floor
1 King's Arms Yard
London
EC2R 7AF

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants & Statutory Auditors
7 More London Riverside
London
SE1 2RT

DIRECTORS' REPORT

The directors present their annual report on the affairs of Honours Plc ("the company") together with the audited financial statements for the year ended 31 March 2012

Principal activity

The principal activity of the company is to own a beneficial interest in a student loan portfolio held in trust for it by Honours Trustee Limited ("HTL") The loans pay a floating rate of interest linked to RPI Under the terms of the purchase HTL also receives a subsidy from the UK Government and the devolved administrations of Scotland and Northern Ireland (termed the "Authority") in an amount which fluctuates to match the RPI interest rate to a monthly floating rate set by reference to LIBOR

The company funds its activities from issued floating rate debt securities The debt securities are issued in Sterling and listed on the Irish stock exchange No changes in activity are envisaged

The activities of the company are governed by the legal securitisation agreements of the company

Review of developments

On 23 March 1999 Honours Plc commenced operations by drawing £1,000,007,082 on a warehouse facility agreement to acquire its beneficial interest in the loan portfolio HTL acquired the portfolio of student loans (in which the company owns a beneficial interest) from the Student Loans Company Limited, a company wholly owned at that time by the Secretary of State for Education and Employment and the Secretary of State for Scotland

On 10 May 1999 the company issued £1,030,000,000 floating and fixed rate asset backed notes and used the proceeds to repay the warehouse facility and fund the payment of stamp duty on the purchase

In November 2006 all outstanding floating and fixed notes were redeemed and refinanced by new floating notes issued for £418,200,000 As at 31 March 2012, there were £227,124,564 (2011 £243,024,161) floating rate notes outstanding excluding capitalised issue costs and accrued expenses

As shown in the statement of comprehensive income, the company showed a reduced net interest income compared with the prior year, and the deficit on the company's total equity reduced by 10% over the year (2011 – 12%)

Following the calculation period for the month ending 31st March 2012 there was no outstanding balance on the principal deficiency ledger for the securitisation issuance A positive balance on the principal deficiency ledger indicates that there is a carry forward of loan losses which need to be covered out of available income During the twelve monthly calculation periods in the year ending 31st March 2012 income available to the principal deficiency ledger was £5,819,567 (2011 £6,809,816), while loan losses debited to the principal deficiency ledger were £2,886,061 (2011 £2,655,020), indicating significant excess income

On 29th July 2012 the company drew down the full amount of the liquidity facility in accordance with its terms following the downgrading of the liquidity facility provider by Standard & Poor's This is not expected to have any impact on the company's performance

On 1st August 2012 HM Revenue & Customs ruled that supplies made under the administration agreement should become standard rated following a European Court of Justice ruling This has given rise to a VAT liability which is estimated to have been £267,190 at the 31st March 2012 This has been reflected in the accounts with no corresponding income for the increased entitlement which this will give rise to under the receivables trust

The directors believe that further key performance indicators for the company other than those described above are not necessary or appropriate for an understanding of the development, performance or position of the business

Principal risks and uncertainties

Over indebtedness of its customer base combined with a deterioration in UK economic conditions is a continuing risk for the company, which could result in a decline in customers' ability to pay, although the low interest rate on the loans and the deferment and ultimate cancellation provisions contained in their terms, together with the entitlements to income subsidy and indemnity upon cancellation which the company has under its purchase agreement with the Authority, make the company's business less exposed to this than a private sector consumer loan business

DIRECTORS' REPORT (CONTINUED)

As a result of its normal business activities, the company is exposed to a number of financial risks, including risks associated with its beneficial interest. In order to manage these risks effectively the company has established clear policies and procedures as set out below which are monitored on an ongoing basis.

The company is financed by loan notes secured upon the senior beneficial interest in the portfolio of loans.

Financial instruments

The company's financial instruments comprise loans and receivables and floating rate notes payable. Cash and liquid resources, accrued interest income and accrued interest payable arise directly from the company's operations. Aside from the loans and receivables balance, the main purpose of financial instruments is to raise finance for the company's operations.

It is, and has been throughout the year and the preceding 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 and liquidity risk. The Board has adopted policies for managing each of these risks and they are summarised below. These policies have remained unchanged since the company commenced operations on 23 March 1999.

Business risks

The major risk to the business is that the student loans in which the company holds a beneficial interest will not be repaid in breach of the agreements. In circumstances where the loans are not repaid and are cancelled in compliance with their terms, the business relies on contractual indemnity payments from the Authority to compensate it. There is a risk that the loan portfolio may experience an increase in defaults or that the Authority might default on its payment obligations.

The purchase agreement with the Authority contemplates certain circumstances where the payments from the Authority may be delayed or withheld, or where the portfolio might need to be sold back to the Student Loans Company at a discount, however none of these circumstances are currently expected to occur. Economically there will be more income to cover the cost of default if the average life of the portfolio is longer and as such the rapid repayment of the portfolio is a further risk. However there is at present no indication that this is occurring: the portfolio of subsidy eligible loans declined by only 6.3% in the year (2011/12 9.3%). The notes which have been issued by the company are limited recourse to the extent of the Post Enforcement Call Option described in note 2.

Operational risks

The student loans are administered under a contract with Capita Customer Management Limited, formerly called Club 24 Limited ("Capita"). The current contract had a three year term and runs to November 2012 but with a 12 month notice period. The company is in discussions with Capita to renew the contract for a further term and it is expected that this will be agreed. Should either party not agree to the extension of this contract HTL would need to appoint a new administrator. There is a risk that a new administrator could not be found on acceptable terms or that Capita might fail in its responsibilities under the administration agreement.

Interest rate risk

Interest rate risk exists where assets and liabilities have interest rates set under a different basis or which reset at different times. The company minimises its exposure to interest rate risk by ensuring that the interest rate characteristics of its assets and liabilities are similar.

The company finances its operations entirely through the issue of floating rate notes and drawings on a floating rate loan facility. At the year end, all of the company's borrowings were at floating rates set by reference to one month LIBOR, which is in line with the company's policy. The underlying student loan assets have an interest rate set by reference to RPI. Under the terms of the purchase of the loans a subsidy is also payable by the Authority which fluctuates to match the RPI interest rate to a monthly floating rate set by reference to one month LIBOR.

DIRECTORS' REPORT (CONTINUED)

Liquidity risk

The company's liquidity policy throughout the year has been to seek to ensure sufficient liquid resources to cover its financial commitments. While this is substantially achieved as a result of payments on the floating rate notes liabilities being contingent on cash available, a facility provided by Danske Bank has been established which will be available, subject to certain criteria and circumstances, in the event of the company being unable, on a temporary basis, to meet its financial commitments. The Danske facility is subject to annual renewal and may be renewed at the company's option. The interest rate payable, should the facility be drawn to fund shortfalls, is LIBOR plus 0.6%. Since the year end a standby drawing of the full facility amount has been made as a result of the downgrade of Danske Bank, as required under the facility terms. This drawing has no impact on the business of the company as the interest rate payable on standby drawings is less than or equal to the deposit rate on the drawn funds. It remains the case that the facility has not been drawn to fund a shortfall since it was put in place.

Credit Risk

The principal credit risk to the company is that repayments on the portfolio of loans in which the company has a beneficial interest will not be met as they fall due. The repayments on the portfolio of loans are being administered by Capita which the directors consider has a reliable loans monitoring system and credit control procedures to mitigate this credit risk. The company also has legal options in pursuing potential delinquent loans.

Foreign exchange risk

All amounts are denominated in sterling and therefore there is no currency exposure.

Employees

Details of the number of employees and related costs can be found in note 6 to the financial statements. The company has had no employees during the year (2011: none).

Results and dividends

The audited financial statements for the year ended 31 March 2012 are set out on pages 9 to 25. The profit for the year after taxation was £2,028,000 (2011: profit £2,790,000).

No dividends were declared or paid by the company during the year or the preceding year and the directors do not propose a final dividend.

Future prospects

The directors believe the current level of activity will continue and the portfolio will continue to redeem.

The notes issued by the company contain an optional redemption clause which permits their redemption in full at the company's option on any interest payment date after 10 November 2011. There is no legal obligation to do so. To date the company has not sought to exercise this option notwithstanding the step-up in the interest margins payable on the notes.

Going concern

In the current climate all companies are impacted by increased risks and uncertainties. The directors have obtained reasonable assurances that the present value of the expected future cash inflows will exceed the present value of the expected future cash outflows and, after making due enquiries, are of the opinion that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements. Further consideration of going concern is included in note 2 of the notes to the financial statements.

Directors and their interests

The directors of the company who served throughout the year and up to the date of signing this report were
Wilmington Trust SP Services (London) Limited

Martin McDermott

Jean-Christophe Schroeder (resigned 15 May 2012)

Daniel Russell Fisher (from 15 May 2012)

Honours Plc

DIRECTORS' REPORT (CONTINUED)

None of the directors hold any interest in the company. Wilmington Trust SP Services (London) Limited own the two shares in Honours (Holdings) Limited, the parent company, on behalf of a charitable trust.

Wilmington Trust SP Services (London) Limited provides an indemnity to the other directors of the company against potential director liability.

Supplier payment policy

It is the company's policy that payments made to suppliers are made in accordance with the terms and conditions between the company and its suppliers and subject to the priority of payments on each interest payment date as set out in the terms of the notes.

Independent auditors and audit information

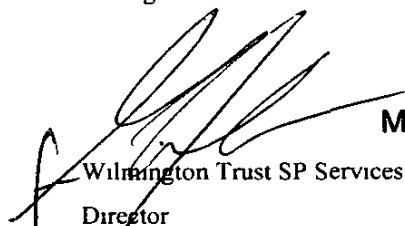
A resolution to re-appoint PricewaterhouseCoopers LLP will be proposed by the members at the forthcoming Annual General Meeting of the company.

Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are 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



Mark Filer

Wilmington Trust SP Services (London) Limited
Director

Date 28 SEPTEMBER 2012

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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.

Independent auditors' report to the members of Honours Plc

We have audited the financial statements of Honours Plc for the year ended 31 March 2012 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2012 and of its profit and cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

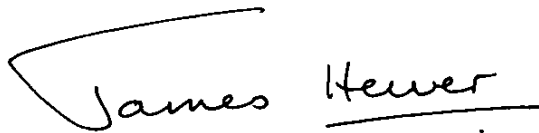
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

Independent auditors' report to the members of Honours Plc (continued)

- 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

A handwritten signature in black ink that reads "James Hewer". The signature is written in a cursive style with a large, sweeping initial "J" and a horizontal line underlining the name.

James Hewer (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

28 September 2012

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2012

| | Note | 2012 £'000 | 2011 £'000 |
|--|------|---------------------|---------------------|
| Revenue | | | |
| Interest receivable and similar income | 7 | 8,123 | 7,953 |
| Interest payable and similar charges | 8 | (2,958) | (2,607) |
| Net Interest Income | | <u>5,165</u> | <u>5,346</u> |
| Other income | | 128 | 155 |
| Increase / (decrease) in value of secured loan due to impairment | | (355) | 467 |
| Administrative expenses | 9 | (2,911) | (3,177) |
| Operating Profit | | <u>2,027</u> | <u>2,791</u> |
| Other interest income | | 4 | 4 |
| Profit before tax for the year | | <u>2,031</u> | <u>2,795</u> |
| Tax on profit on ordinary activities | 10 | (3) | (5) |
| Profit and total comprehensive income for the year | 18 | <u><u>2,028</u></u> | <u><u>2,790</u></u> |

The results above arose wholly from continuing operations. The company operates in a single business segment and all the company's activities are in the UK.

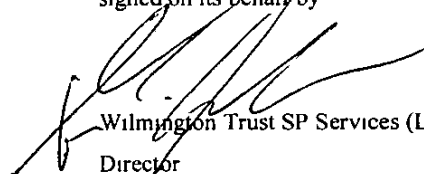
The accompanying notes form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 March 2012

| | Note | 2012 £'000 | 2011 £'000 |
|--|------|------------------|------------------|
| Non-current assets | | | |
| Secured loan to third party | 11 | 206,914 | 219,806 |
| Current assets | | | |
| Other receivables | 12 | 58 | 308 |
| Cash and cash equivalents | | 2,328 | 2,796 |
| Total current assets | | <u>2,386</u> | <u>3,104</u> |
| Total assets | | <u>209,300</u> | <u>222,910</u> |
| Current liabilities | | | |
| Financial liability | 13 | (182) | (603) |
| Trade and other payables | | (789) | (560) |
| Net current assets | | <u>1,415</u> | <u>1,941</u> |
| Non-current financial liabilities | 14 | <u>(227,125)</u> | <u>(242,571)</u> |
| Net liabilities | | <u>(18,796)</u> | <u>(20,824)</u> |
| Equity | | | |
| Called up share capital | 17 | 13 | 13 |
| Accumulated loss | 18 | (18,809) | (20,837) |
| Total equity | 19 | <u>(18,796)</u> | <u>(20,824)</u> |

The accompanying notes form an integral part of these financial statements

These financial statements on pages 9 to 25 were approved by the Board of Directors on ~~28 SEPTEMBER 2012~~ and signed on its behalf by



Mark Filer

Wilmington Trust SP Services (London) Limited
Director

Company registration number 3702189

STATEMENT OF CHANGES IN EQUITY
For year ended 31 March 2012

| | Share Capital £'000 | Accumulated loss £'000 | Total equity £'000 |
|----------------------------|------------------------------------|---------------------------------------|-----------------------------------|
| At 1 April 2011 | 13 | (20,837) | (20,824) |
| Total comprehensive income | - | 2,028 | 2,028 |
| | <hr/> | <hr/> | <hr/> |
| At 31 March 2012 | 13 | (18,809) | (18,796) |
| | <hr/> | <hr/> | <hr/> |
| At 1 April 2010 | 13 | (23,627) | (23,614) |
| Total comprehensive income | - | 2,790 | 2,790 |
| | <hr/> | <hr/> | <hr/> |
| At 31 March 2011 | 13 | (20,837) | (20,824) |
| | <hr/> | <hr/> | <hr/> |

The accompanying notes form an integral part of these financial statements

STATEMENT OF CASH FLOWS
For the year ended 31 March 2012

| | Note | 2012 £'000 | 2011 £'000 |
|---|------|---------------------|---------------------|
| Operating activities | | | |
| Cash flow from operations | 20 | 1,264 | 1,700 |
| Income tax paid | | (3) | (5) |
| Net cash from operating activities | | <u>1,261</u> | <u>1,695</u> |
| Investing activities | | | |
| Repayments on secured loan | | 14,592 | 24,951 |
| Net cash from investing activities | | <u>14,592</u> | <u>24,951</u> |
| Financing activities | | | |
| Note repayments | | (15,866) | (26,311) |
| Start-up Loan repayments | | (454) | (741) |
| Net cash used in financing activities | | <u>(16,320)</u> | <u>(27,052)</u> |
| Net change in cash and cash equivalents | | <u>(468)</u> | <u>(406)</u> |
| Cash and cash equivalents at beginning of year | | <u>2,796</u> | <u>3,202</u> |
| Cash and cash equivalents at end of year | | <u><u>2,328</u></u> | <u><u>2,796</u></u> |

The accompanying notes form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2012

1. GENERAL INFORMATION

Honours Plc is a public limited company incorporated and domiciled in the United Kingdom under 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 directors' report.

The activities of Honours Plc are entirely undertaken in the UK and all its activities are sterling denominated.

2. GOING CONCERN

The directors are of the opinion that over the period to maturity of the notes, on the basis of their best estimate as to the underlying performance of future cash receipts from the student loan portfolio, the present value of the expected cash inflows will exceed the present value of the expected cash outflows. According to the terms of the floating notes, where there are insufficient funds to repay the notes at legal maturity (2029), the Priority of Payments detailed in the offering circular dated 3 November 2006 is followed. Under the terms of this schedule each class of notes is subordinated to the class ranking immediately above it.

The notes are full recourse obligations of the company and are issued subject to an option of the company's parent to acquire the notes for nominal consideration, the post enforcement call option, should any of the notes remain outstanding following enforcement of their rights and realisation of the assets of the company. Following the purchase of such remaining note obligations by the company's parent, the directors of the company would rely on the parent to support the continued operation of the company through the cancellation of the notes. The notes are therefore viewed as being "without recourse" and the company will only be liable to make any payments to the extent that it has received sufficient funds to enable it to do so.

On the basis of the above, the directors consider that the financial statements should continue to be prepared on a going concern basis.

3. ADOPTION OF NEW AND REVISED STANDARDS

At the date of authorisation of these financial statements the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

| Standard/Interpretation | Effective for periods commencing on or after |
|--|--|
| Amendments to IFRS 7, 'Financial instruments: Disclosures' on Transfers of assets | 1 July 2011 |
| Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income | 1 July 2012 |
| IFRS 9, 'Financial instruments' – classification and measurement | 1 January 2015 |
| IFRS 10, 'Consolidated financial statements' | 1 January 2013 |
| IFRS 13, 'Fair value measurement' | 1 January 2013 |
| IAS 27 (revised 2011) 'Separate financial statements' | 1 January 2013 |
| Amendment to IFRS 7, 'Financial instruments: Disclosures', on offsetting financial assets and financial liabilities | 1 January 2013 |
| Amendment to IAS 32, 'Financial instruments: Presentation', on offsetting financial assets and financial liabilities | 1 January 2014 |

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2012

The pronouncements above will be relevant to the Company but were not effective at 31 March 2012, and have not been applied in preparing these financial statements. The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the company.

4. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 15.

Share Capital

Ordinary shares are classified in equity. Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company's shareholders. Dividends for the year that are declared after the balance sheet date are dealt with in the subsequent events note.

Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products and services within a particular economic environment that are subject to risk and returns that are different from those segments operating in other economic environments.

The Directors consider that the entity has only one geographical and one business segment and therefore is not required to produce additional segmental disclosures.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' and 'interest expense' in the income statement using the effective interest method.

Financial instruments

In accordance with IAS 39, the financial instruments of the company have been classified into the following categories:

a) Cash and cash equivalents

Cash and cash equivalents are comprised of cash at the bank and short term treasury term deposits.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2012

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Loans and receivables

Loans and receivables represent a portfolio of student loans in which the company owns a senior beneficial interest. These portfolios were purchased from the Student Loan Company Limited at a price, including the stamp duty which was applied, equal to par.

As the company does not retain all the risks and rewards arising from the loan portfolio, this beneficial interest has been recognised as a loan to a third party, secured by the underlying loan portfolio.

This secured loan has been classified within the 'loans and receivables' and is measured at amortised cost using the effective interest rate method. The effective interest rate is determined based upon the total collections to be received, estimated on a systematic basis reflecting the characteristics and quality of the underlying portfolio together with the collection experience since acquisition.

In addition to this, the company benefits from an income subsidy paid by the devolved administrations of Scotland and Northern Ireland (the "Authority") in respect of loans qualifying, being all loans which are not an 'Overdue Loan 24 Plus', as defined in the purchase agreement for the loans, equal to the difference between the loan interest rate and LIBOR + 2.69%. This is included in the effective interest rate on the loans and receivables.

Impairment provisions are made where objective evidence indicates that it is likely that losses may ultimately be realised and are applied to both principal and interest receivable amounts. The company assesses at each financial year end whether there is objective evidence that the secured loan is impaired. Impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan (a 'loss event') and that loss event (or events) has an impact on the future cash flows of the loan that can be reliably estimated.

For disclosure purposes the secured loan has been classified as a non-current asset as, while it is expected that repayments will be received in the next year, the amount of repayments received is dependent on the income and behavioural profile of borrowers in the underlying portfolio of student loans.

c) Financial liabilities at amortised cost

All financial liabilities held by the company are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method, except for those financial liabilities measured at fair value through profit or loss, e.g. derivative liabilities.

For disclosure purposes the floating rate notes have been classified as non-current liabilities as the principal redemptions on the notes are dependent on the repayments received from the portfolio of student loans underlying the secured loan and therefore principal repayments on the notes do not fall due until repayments have been received. The amount of repayments received from the underlying student loans is dependent on the income and behavioural profile of the borrowers.

Any premium and discounts are amortised over the period to expected maturity as part of the effective interest rate method.

Taxation

Under the powers conferred by the Finance Act 2005 (the "Act"), legislation was enacted in 2006 which ensures that, subject to certain conditions being met and an election being made, for periods commencing on or after 1 January 2007, corporation tax for a 'securitisation company' will be calculated by reference to the profit of the securitisation company required to be retained in accordance with the relevant capital market arrangement.

The directors are satisfied that the company meets the definition of a 'securitisation company' as defined by both The Finance Act 2005 and the subsequent secondary legislation and that no incremental unfunded tax liabilities will arise. Additionally, no deferred tax amounts are recognised by the company.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2012

5 RISK MANAGEMENT AND CONTROL

As a result of its normal business activities, the company is exposed to a range of risks, the most significant being interest rate risk, liquidity risk, credit risk and operational risk

a) *Operational risk*

Operational risk is defined by the company as the potential risk of financial loss, or impairment to reputation, as a result of internal process failures, or from the inappropriate actions of employees or management. The board of directors has ultimate responsibility for establishing the framework in which operational risk is managed. The substantial part of the operations of Honours Trustee Limited ("HTL") and those that are concerned with its customers are contracted to Capita under an agreement which currently runs until November 2012 with a 12 month notice period. The company will seek to ensure that this contract is either extended or that an alternative provider is identified to provide operational services at the term of the contract. The company actively manages its contractual relationship with Capita to ensure that all potential operational issues are identified, mitigated or resolved at the earliest opportunity.

b) *Foreign exchange risk*

All amounts are denominated in sterling and therefore there is no currency exposure.

c) *Credit risk*

Credit risk is defined by the company as the potential for loss as a result of the non payment of receivables by their obligors in accordance with the terms of those receivables. The company's main asset is a beneficial interest in the assets of HTL, which comprise a portfolio of student loans, rights to receive subsidy and other payments from the Authority under the terms of the purchase agreement and cash balances held with financial institutions totalling £2,328,000 at the year end.

The principal credit exposures of the group are the UK Government and the Authority, and the borrowers in the portfolio. As at 31 March 2012 there were 63,091 live debit balance customer accounts within the non-charged off portfolio (2011 – 71,747). The largest customer balance was £16,404 (2011 - £15,633), large balances are not common and balances over £8,000 accounted for £18,474,470 (2011 - £14,329,690), 8.2% (2011 - 5.9%) of the portfolio balance.

As at 31 March 2012, the credit exposure of the company was

| | Carrying value £'000 | Maximum exposure £'000 |
|---------------------------------|----------------------------|------------------------------|
| Underlying student loan debtors | 206,914 | 226,518 |
| UK Government | 21 | 21 |
| Financial institutions | 2,365 | 2,365 |
| Total | 209,300 | 228,904 |

As at 31 March 2011, the credit exposure of the company was

| | Carrying value £'000 | Maximum exposure £'000 |
|---------------------------------|----------------------------|------------------------------|
| Underlying student loan debtors | 219,806 | 241,716 |
| UK Government | 283 | 283 |
| Financial institutions | 2,821 | 2,821 |
| Total | 222,910 | 244,820 |

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2012

5. RISK MANAGEMENT AND CONTROL (continued)

The student loans themselves are written on favourable terms to the borrowers who may defer repayments if they earn less than the current deferment threshold (which was £27,734 per annum at the year end) Providing that borrowers keep their account up to date, they may also ultimately be entitled to have their loan cancelled. In such circumstances HTL will receive an indemnity payment from the Authority. Interest on the loans is below market and set at a rate equivalent to the annual rate of change in the retail prices index. During the year interest on the loans was charged at an average rate of 4.9%.

The HTL declaration of trust defines cash proceeds from the portfolio and the Authority as either principal receipts or income receipts and the company is entitled to receive all the principal receipts on the trust property together with as much of the income receipts as are required by the company to meet its expense obligations and to make good any credit losses. In the first instance the Second Beneficiary of the HTL declaration of trust will bear credit losses.

The following tables provide a breakdown of the arrears status of past due accounts at the financial year end which are disclosed net of the effective provision for impairment.

| Past due accounts | | |
|-------------------------|-----------------|-----------------|
| | 2012 (£000s) | 2011 (£000s) |
| 0-1 months in arrears | 2,163 | 2,233 |
| 2-6 months in arrears | 1,433 | 1,189 |
| 7-12 months in arrears | 1,366 | 1,303 |
| 13-18 months in arrears | 140 | 146 |
| 19-23 months in arrears | 209 | 201 |
| Total | 5,311 | 5,072 |

Loans which are 24 or more months past due have been written off in the company's accounts.

The adjustment to the carrying value of the secured loan as a result of the impairment of the underlying portfolio has moved as follows during the year:

| | 2012 (£000s) | 2011 (£000s) |
|--------------------------|-----------------|-----------------|
| Opening value impairment | 4,856 | 5,133 |
| Charge for period | 355 | (467) |
| Write-offs | (2,886) | (2,655) |
| Recoveries | 2,390 | 2,844 |
| Closing value impairment | 4,715 | 4,855 |

d) Market value risk

Market value risk is the potential movement in the fair value of the portfolios purchased. Due to the non-recourse nature of the notes, the fair market value of the notes in general moves in line with this. Moreover, the absence of any accounting driven covenants or capital requirements means that any such movement does not pose a risk to the going concern status of the business.

e) Interest rate risk

Interest rate risk exists where assets and liabilities have interest rates set under a different basis or which reset at different times. The company minimises its exposure to interest rate risk by ensuring that the interest rate characteristics of its assets and liabilities are similar.

The company finances its operations entirely through the issue of floating rate notes. The assets also earn interest on their outstanding balance at a floating rate taking into account the income subsidy paid by the Authority which converts the RPI interest basis of the loans into a rate varying with the LIBOR rate on the floating rate notes.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2012

5 RISK MANAGEMENT AND CONTROL (continued)

At 31st March 2012 the effective interest rate on the loans and receivables was 4.7% (2011- 4.7%) and the interest rate on issued floating rate notes is between 0.9% and 4.5% (2011- 0.6% and 3.65%)

The following table provides a summary of the interest rate re-pricing profile of the company's assets and liabilities. Assets and liabilities have been allocated to periods by reference to the earlier of the next interest rate reset date and the contractual maturity date

| £000s | 31 March 2012 | | | | | | Non interest bearing | Total |
|--|--------------------|----------------------|--------------------|-------------------|-------------------|---------------------------|----------------------|-----------|
| | Less than 3 months | 3 months to 6 months | 6 months to 1 year | 1 year to 5 years | More than 5 years | No specific re-price date | | |
| Non-current assets | | | | | | | | |
| Secured Loan to third party | 206,914 | - | - | - | - | - | - | 206,914 |
| Current assets | | | | | | | | |
| Trade and other receivables | - | - | - | - | - | - | 58 | 58 |
| Cash and cash equivalents | 2,328 | - | - | - | - | - | - | 2,328 |
| | 209,242 | - | - | - | - | - | 58 | 209,300 |
| Current liabilities | | | | | | | | |
| Financial liabilities | (182) | - | - | - | - | - | - | (182) |
| Trade and other payables | - | - | - | - | - | - | (789) | (789) |
| Net current assets | 209,060 | - | - | - | - | - | (731) | 208,329 |
| Non-current financial liabilities | (227,125) | - | - | - | - | - | - | (227,125) |
| | (18,065) | - | - | - | - | - | (731) | (18,796) |

| £000s | 31 March 2011 | | | | | | Non interest bearing | Total |
|--|--------------------|----------------------|--------------------|-------------------|-------------------|---------------------------|----------------------|-----------|
| | Less than 3 months | 3 months to 6 months | 6 months to 1 year | 1 year to 5 years | More than 5 years | No specific re-price date | | |
| Non-current assets | | | | | | | | |
| Secured Loan to third party | 219,806 | - | - | - | - | - | - | 219,806 |
| Current assets | | | | | | | | |
| Trade and other receivables | - | - | - | - | - | - | 308 | 308 |
| Cash and cash equivalents | 2,796 | - | - | - | - | - | - | 2,796 |
| | 222,602 | - | - | - | - | - | 308 | 222,910 |
| Current liabilities | | | | | | | | |
| Financial liabilities | (603) | - | - | - | - | - | - | (603) |
| Trade and other payables | - | - | - | - | - | - | (560) | (560) |
| Net current assets | 221,999 | - | - | - | - | - | (252) | 221,747 |
| Non-current financial liabilities | (242,571) | - | - | - | - | - | - | (242,571) |
| | (20,572) | - | - | - | - | - | (252) | (20,824) |

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2012

5 RISK MANAGEMENT AND CONTROL (continued)

Interest rate sensitivity analysis

In general terms the company has limited exposure to movements in interest rates since the subsidy paid by the Authority on the eligible loans within HTL's loan portfolio (which is fixed with reference to 1 month sterling LIBOR) matches the interest rate charged on the company's borrowings. However differences between the balance of floating rate assets and the balance of floating rate liabilities do exist which combined with the discount at which the floating rate assets are held in the company's statement of financial position will give rise to variances in the company's profit and loss.

If interest rates had been 1% higher / lower and all other variables were held constant, the company's profit for the year ended 31 March 2012 would increase / decrease by £26,958 (2011 increase / decrease by £27,261),

The sensitivity analysis is an indication of how movements in interest rates may impact the company's financial performance. Future movements in market interest rates are unpredictable.

The company has no interest rate swap contracts in place (2011 none)

f) Liquidity risk

The company seeks to ensure sufficient liquid resources to cover cash flow and funding fluctuations. The terms of its securitisation financing ensure that the company's cash liabilities are matched to the cash available to it. In the event that there is a shortfall in cash required to cover current senior expenses, the company has access to a £20 million committed facility provided by Danske Bank. The Danske Bank facility is subject to annual renewal and may be renewed at the company's option. As a result of the downgrading of Danske Bank by Standard & Poor's, subsequent to the year end the Danske Bank facility has been fully drawn to standby and the proceeds are on deposit at Deutsche Bank as account bank and guaranteed investment contract counterparty.

The table below analyses the company's liabilities into relevant maturity groupings based upon the remaining period between the financial year end and the contractual maturity date.

31 March 2012

| £000 | Weighted average effective interest rate | Less than 3 months | Less than 5 years | 5+ years | Total |
|---------------------------|--|--------------------|-------------------|----------|---------|
| Accrued expenses | - | 789 | - | - | 789 |
| Floating rate liabilities | 1.4897% | - | - | 292,202 | 292,202 |
| Total | | 789 | - | 292,202 | 292,991 |

31 March 2011

| £000 | Weighted average effective interest rate | Less than 3 months | Less than 5 years | 5+ years | Total |
|---------------------------|--|--------------------|-------------------|----------|---------|
| Accrued expenses | - | 560 | - | - | 560 |
| Floating rate liabilities | 1.3413% | - | - | 309,635 | 309,635 |
| Total | | 560 | - | 309,635 | 310,195 |

The interest rates assumed are the 1 month LIBOR rate at each financial year end.

Floating rate notes are not due to be repaid in full until their final maturity date of 10 April 2029.

Interest is capitalised and paid at final maturity as the earliest date on which the company is obliged to pay interest.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2012

5. RISK MANAGEMENT AND CONTROL (continued)

g) Fair value of assets and liabilities

The directors have estimated the fair value of the floating rate notes as at 31st March 2012 based on prices quoted to them by traders in these securities and, in the absence of such quoted prices, an estimate of value based on the implied credit spreads of the transactions for the floating rate notes which have traded and the average lives of each class of floating rate notes. These estimation techniques are necessarily subjective in nature and involve a number of assumptions. The secured loan to third party represents an interest in the underlying student loans materially equivalent to the floating rate notes and therefore the directors consider that it is consistent to value this in the same way, adjusting for any further claims of the company on the assets and timing differences.

| | 31 March 2012 | |
|---|-----------------------------|---------------------------------|
| | Fair Value £'000 | Carrying Value £'000 |
| Secured loan to third party | 153,013 | 206,914 |
| Trade and other receivables | 58 | 58 |
| Cash and cash equivalents | 2,328 | 2,328 |
| Total assets | 155,399 | 209,300 |
| Current financial liabilities | (182) | (182) |
| Trade and other payables | (789) | (789) |
| Net current assets and total assets less current liabilities | 154,428 | 208,329 |
| Non-current financial liabilities | (154,687) | (227,125) |
| Total equity | (259) | (18,796) |

| | 31 March 2011 | |
|---|-----------------------------|---------------------------------|
| | Fair Value £'000 | Carrying Value £'000 |
| Secured loan to third party | 181,661 | 219,806 |
| Trade and other receivables | 308 | 308 |
| Cash and cash equivalents | 2,796 | 2,796 |
| Total assets | 184,765 | 222,910 |
| Current financial liabilities | (603) | (603) |
| Trade and other payables | (560) | (560) |
| Net current assets and total assets less current liabilities | 183,602 | 221,747 |
| Non-current financial liabilities | (183,204) | (242,571) |
| | 398 | (20,824) |

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2012

6. DIRECTORS AND EMPLOYEES

Directors' emoluments

| | Total emoluments | |
|--|------------------|---------------|
| | 2012 £'000 | 2011 £'000 |
| Wilmington Trust SP Services (London) Limited directors' fee | 45 | 42 |

None of the directors had any material interest in any contract of significance in relation to the business of the company. The company does not have any employees (2011 – nil)

7. INTEREST RECEIVABLE AND SIMILAR INCOME

| | 2012 £'000 | 2011 £'000 |
|--|---------------|---------------|
| Effective interest rate receivable from third party loan | 8,123 | 7,953 |
| | <u>8,123</u> | <u>7,953</u> |

8. INTEREST PAYABLE AND SIMILAR CHARGES

| | 2012 £'000 | 2011 £'000 |
|--|----------------|----------------|
| Effective interest rate payable on floating rate notes and start-up loan | (2,958) | (2,607) |
| | <u>(2,958)</u> | <u>(2,607)</u> |

9. ADMINISTRATIVE EXPENSES

| | 2012 £'000 | 2011 £'000 |
|---|---------------|---------------|
| Administration fees | 2,137 | 2,190 |
| Amounts paid to auditors | | |
| - Auditors' remuneration for audit services pursuant to legislation | 35 | 28 |
| - Taxation services | 14 | 16 |
| - Other services | 18 | 14 |
| Other fees | 254 | 250 |
| Amortised note issuance costs | 453 | 679 |
| | <u>2,911</u> | <u>3,177</u> |

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2012

10. TAX ON PROFIT ON OPERATING ACTIVITIES

| | 2012 £'000 | 2011 £'000 |
|---|---------------|---------------|
| UK corporation tax on the profit for the year | (3) | (5) |

Factors affecting the Company current tax charge for the year

The current tax charge for the year is lower (2011 lower) than the standard rate of corporation tax in the UK of 20% (2011 21%). The difference is explained below

| | 2012 £'000 | 2011 £'000 |
|---|---------------|---------------|
| Profit on ordinary activities before tax | 2,031 | 2,795 |
| Current tax charge at 20% (2011 21%) | (406) | (587) |
| Adjustment for accounting profits not taxed in accordance with SI 2006/3296 | 406 | 587 |
| Adjustment for cash retained profit taxed in accordance with SI 2006/3296 | (3) | (5) |
| Actual current tax charge | <u>(3)</u> | <u>(5)</u> |

11. SECURED LOAN TO THIRD PARTY

| | 2012 £'000 | 2011 £'000 |
|--|----------------|----------------|
| As at 1 April | 219,806 | 241,822 |
| Interest income accrued | 8,123 | 7,953 |
| Repayments received | (20,660) | (30,436) |
| Increase (decrease) in value of secured loan due to impairment | (355) | 467 |
| As at 31 March | <u>206,914</u> | <u>219,806</u> |

12. TRADE AND OTHER RECEIVABLES

| | 2012 £'000 | 2011 £'000 |
|-------------------|---------------|---------------|
| Other receivables | 58 | 308 |
| | <u>58</u> | <u>308</u> |

The receivable is comprised of payments of subsidy and other amounts accrued but unpaid by the Authority at the financial year end together with cash held by the administrator of the portfolio on trust for the company and other beneficiaries

13. CURRENT FINANCIAL LIABILITIES

| | 2012 £'000 | 2011 £'000 |
|--------------------------|---------------|---------------|
| Accrued interest payable | (182) | (150) |
| Start-up Loan repayments | - | (453) |
| | <u>(182)</u> | <u>(603)</u> |

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2012

14. NON-CURRENT FINANCIAL LIABILITIES

| | 2012 £'000 | 2011 £'000 |
|-----------------------------------|----------------|----------------|
| Floating rate notes (see note 15) | 227,125 | 242,571 |
| | <u>227,125</u> | <u>242,571</u> |

The company has pledged all its assets including its interest in the student loan portfolio, receivables under the sale and purchase agreement and any cash balances from time to time as security to support its financial liabilities pursuant to a Deed of Charge. Further details of the start-up loan are included in note 20.

15. FLOATING RATE NOTES

There are six classes of floating rate notes issued, all due in 2029.

| | 2012 £'000 | 2011 £'000 |
|--|----------------|----------------|
| Series 2 Class A1 asset backed floating rate notes | 100,875 | 116,774 |
| Series 2 Class A2 asset backed floating rate notes | 54,200 | 54,200 |
| Series 2 Class B asset backed floating rate notes | 33,350 | 33,350 |
| Series 2 Class C asset backed floating rate notes | 18,000 | 18,000 |
| Series 2 Class D asset backed floating rate notes | 11,950 | 11,950 |
| Series 2 Class E asset backed floating rate notes | 8,750 | 8,750 |
| Issue costs capitalised | - | (453) |
| | <u>227,125</u> | <u>242,571</u> |

The Series 2 notes were issued at par on 10 November 2006.

The Class A issuer notes rank, respective of series, with preference or priority among themselves. Subject to the relevant scheduled and/or, as applicable, permitted redemption dates or other payment conditions of the issuer notes, payments of principal and interest due and payable on the Class A issuer notes respective of series will rank ahead of payments of principal and interest due and payable on the Class B issuer notes, the Class C issuer notes, the Class D issuer notes and the Class E issuer notes subject to the terms and conditions of the issuer notes, the Issuer Cash Management Agreement, the Issuer Deed of Charge, the Honours Plc Deed of Charge and the other issuer transaction documents. Similarly, payments of principal and interest due and payable on the Class B issuer notes will rank ahead of payments of principal and interest due and payable on the Class C issuer notes, Class D issuer notes and Class E issuer notes, payments of principal and interest due and payable on the Class C issuer notes will rank ahead of payments of principal and interest due and payable on the Class D issuer notes and Class E issuer notes, and payments of principal and interest due and payable on the Class D issuer notes will rank ahead of payments of principal and interest due and payable on the Class E issuer notes.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2012

15 FLOATING RATE NOTES (continued)

Following the margin step-up from the interest payment date falling in November 2011 which was written in to the terms of the notes at issue, the interest rates payable on the liabilities have increased as follows

| | Current | Previous |
|---|--------------|--------------|
| Class A1 asset backed floating rate notes | LIBOR +0 22% | LIBOR +0 11% |
| Class A2 asset backed floating rate notes | LIBOR +0 28% | LIBOR +0 14% |
| Class B asset backed floating rate notes | LIBOR +1 00% | LIBOR +0 50% |
| Class C asset backed floating rate notes | LIBOR +1 60% | LIBOR +0 80% |
| Class D asset backed floating rate notes | LIBOR +3 75% | LIBOR +2 75% |
| Class E asset backed floating rate notes | LIBOR +3 00% | LIBOR +3 00% |
| Start-up Loan | LIBOR +3 00% | LIBOR +3 00% |

16. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

Some assets and liability amounts reported in the financial statements are based on management estimate and assumptions, in particular the beneficial interest in the student loan portfolios, which is calculated on an effective interest basis. The effective interest is calculated with reference to expected cash flows and future performance of the underlying student loan portfolio. There is therefore a risk of significant changes to the carrying amounts for these assets and liabilities within the next financial year.

In particular, the company reviews its beneficial interest to assess impairment, in determining whether an impairment loss should be recorded in the income statement. In undertaking this review, the company makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from the portfolio.

17. SHARE CAPITAL

There are 10,000,000 authorised shares of £1 each (2011 10,000,000) of which 2 (2011 2) are called up and fully paid and 49,998 (2011 49,998) are called up and partly paid at 25p per share.

The company is not subject to externally imposed capital requirements in either the current or prior year. The company manages its ordinary share capital in order that there is sufficient capital, in the opinion of the directors, to support the transactions and level of business undertaken by the company.

18. ACCUMULATED LOSS

| | 2012 £'000 | 2011 £'000 |
|---------------------------------|-----------------|-----------------|
| Loss brought forward | (20,837) | (23,627) |
| Profit for the year | 2,028 | 2,790 |
| Accumulated loss at end of year | <u>(18,809)</u> | <u>(20,837)</u> |

Losses brought forward result from the accounting of the loans under previously applicable accounting standards. It is anticipated that accumulated losses will be offset by future profits as anticipated repayments on the loans in excess of the carrying value accrue to income.

19. RECONCILIATION OF MOVEMENTS IN TOTAL EQUITY SHAREHOLDERS' DEFICIT

| | 2012 £'000 | 2011 £'000 |
|-------------------------------|-----------------|-----------------|
| Opening total equity | (20,824) | (23,614) |
| Profit for the financial year | 2,028 | 2,790 |
| Closing total equity | <u>(18,796)</u> | <u>(20,824)</u> |

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2012

20. CASH FLOW FROM OPERATIONS

| | 2012 £'000 | 2011 £'000 |
|--|---------------|---------------|
| Profit before tax for the year | 2,031 | 2,795 |
| Decrease in receivables | 250 | 857 |
| Increase in payables | 229 | 304 |
| Decrease/(increase) in value of secured loan due to impairment | 355 | (467) |
| Amortisation of capitalised issue costs | 453 | 679 |
| Effective interest rate receivable from secured loan | (2,054) | (2,468) |
| Net cash flow from operating activities | <u>1,264</u> | <u>1,700</u> |

21. RELATED PARTY TRANSACTIONS

The Nationwide Building Society ("Nationwide") provided a start up loan of £6,778,025 to the company for which Nationwide receives interest. During this financial year this loan was fully repaid (2011 - £452,869 outstanding). Nationwide is deemed to be a related party as it exerts significant influence over the company.

Nationwide received £452,869 (2011 - £735,913) in start-up loan principal repayments and £7,275 (2011 - £32,976) in start-up loan interest payments during the year.

Nationwide also held certain of the floating rate notes issued by the company during the accounting period and received interest and principal in respect of these holdings of £510,842 (2011 - £497,831) and £1,620,185 (2011 - £2,678,690) respectively.

Honours Trustee Limited sold its interest in the student loan portfolio under the terms of a trust deed to Honours plc and makes payments under the receivables trust to Honours plc.

22. ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking is Honours (Holdings) Limited, a company incorporated in Great Britain. This is the smallest and largest group in which the results of the company are consolidated. The ultimate controlling party is Honours (holdings) Limited. Wilmington Trust SP Services (London) Limited, a company incorporated in Great Britain, holds the shares of Honours (Holdings) Limited under the terms of a discretionary trust for certain charitable institutions. The financial statements are available from Wilmington Trust SP Services (London) Limited, Third Floor, 1 King's Arms Yard, London EC2R 7AF.

23. POST BALANCE SHEET EVENT

Following the ruling of HM Revenue & Customs regarding the VAT treatment of the administration contract with Capita on 1st August 2012, it is estimated that a VAT liability existed as at 31st March 2012 of £267,000. This liability gives rise to a claim on the receivables trust which has not been recognised as an offsetting asset and there the result for the year has been reduced by £267,000. In addition as a result of the elimination of irrecoverable VAT to Capita in respect of the services provided by it under the administration agreement as a result of the change in VAT treatment, Capita has since HM Revenue & Customs ruling issued a credit note in respect of expenses accrued during the accounting period for £77,000, which has also not been applied to reduce expenses accrued during the period.