Company Registration Number: 03702189

Honours Plc

Annual Report and Financial Statements
For the year ended 31 March 2023

Honours Plc
Company Registration Number: 03702189

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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Officers and independent auditors

Directors

Wilmington Trust SP Services (London) Limited
Daniel Wynne

Company Secretary

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

Registered office

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

Independent auditors

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

STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2023

The Directors present their Strategic report for Honours Plc ("the Company") for the year ended 31 March 2023.

Principal activities

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 "Secured loan to third party"). The loans pay a floating rate of interest linked to Retail Price Index ("RPI") as published by the Office for National Statistics (ONS). Under the terms of the purchase of the loans from the Student Loans Company Limited, HTL also receives a subsidy from the UK Government and the devolved administrations of Scotland and Northern Ireland (together the "Authority") in an amount which fluctuates to match the RPI based to a monthly floating rate set by reference to SONIA (see LIBOR Transition within the Directors' report and note 6).

The Company funds its activities from issuing £291,950,000 Series 2 Class A1 asset backed floating rate Notes due 2029, £54,200,000 Series 2 Class A2 asset backed floating rate Notes due 2029, £33,350,000 Series 2 Class B asset backed floating rate Notes due 2029, £18,000,000 Series 2 Class C asset backed floating rate Notes due 2029, £11,950,000 Series 2 Class D asset backed floating rate Notes due 2029 and £8,750,000 Series 2 Class E asset backed floating rate Notes due 2029 (together the "Notes"). The debt securities are issued in Sterling and are listed on the Euronext Dublin. The activities of the Company are governed by the legal securitisation agreements of the Company. No changes in activity are envisaged. Honours Plc is a limited company by shares, registered in England.

Review of developments

On 23 March 1999 the Company commenced operations by drawing £1,000,008,000 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. 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.

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 2023, there were £67,365,000 (2022: £91,055,000) floating rate Notes outstanding excluding accrued expenses (see Note 18).

Key performance indicators

The Directors believe that the key performance indicators for the Company are the outstanding balance on the principal deficiency ledger and the Floating rate notes outstanding.

Following the calculation period for the month ended 31 March 2023 there was an outstanding balance of £5,831,148 (2022: £4,320,955) on the principal deficiency ledger for the securitisation issuance, indicating that there is a carry forward of loan losses which need to be covered out of available income. The Directors are of the opinion that over the period to maturity of the Notes, on the basis of their best estimate, the underlying performance of future cash receipts from the student loan portfolio will cover the outstanding balance on the principal deficiency ledger. 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 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.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023

Section 172 (1) statements

As a special purpose vehicle, the governance structure of the Company is such that the key policies have been predetermined at the time of issuance. The Directors have had regards to the matters set out in section 172(1) of the Companies Act 2006 as follows:

(a) the transaction documents have been formulated to achieve the Company's purpose and business objectives, safeguard the assets and promote the success of the Company with a long term view. In accordance with relevant securitisation legislation, the Company is only permitted to retain minimal profit;
(b) the Company has no employees;
(c) the Company is a securitisation vehicle and fosters its relationships with suppliers and others via professional third parties who have been assigned operational roles with their roles strictly governed by the transaction documents and fee arrangements agreed in advance. The Company has no customers;
(d) as a securitisation vehicle the Company has no physical presence or operations and accordingly has minimal impact on the community and the environment;
(e) the Company maintains a reputation for high standards of business conduct via professional third parties who have been assigned operational roles. Fee arrangements have been agreed in advance and supplier invoices paid strictly in accordance with the transaction documents including a Priority of Payments, if applicable; and
(f) the Company has a sole member with the issued shares all held on a discretionary trust basis for charitable purpose.

Political donations

No political donations were made by the Company during the current or prior year.

Principal risks and uncertainties

Credit impairment of its borrower base combined with a deterioration in UK economic conditions pose a continuous risk for the Company, which could result in a decline in borrowers' ability to pay. However, 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. Therefore, the only exposure of the Company to borrowers in the portfolio is to borrowers whose loans have been in long term arrears and cease to be eligible for indemnity payments.

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 financial assets at amortised cost 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 financial assets at amortised cost 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 credit risk, interest rate risk and liquidity risk. The Company is also exposed to operational risks. The Directors have adopted policies for managing each of these risks and they are summarised below.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023

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 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. Please see note 6(d) for examples of where the loan agreement can be cancelled and contractual indemnity from the Authority be exercised. 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 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, although it is worth noting that any increase to the length of time it takes to repay the principal balance could also increase the likelihood of default. However, there is, at present, no indication that this is occurring: the portfolio of subsidy eligible loans declined by 32.1% (2022: 22.3%) in the year from £74,968,000 to £51,712,000. 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

During the year loans were administered under a contract with Link Financial Outsourcing Limited, a third-party debt servicing provider, using the Link Debt Management System (LDMS), a bespoke, internally developed debt management system. There is a risk that the information held on the system is incomplete, inadequate, or inaccurate to allow the student loans to be administered correctly. The Directors have had no reports in the current period to indicate this has occurred.

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 SONIA, 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 SONIA (see LIBOR Transition in the Directors' report and note 6).

Liquidity risk

The Company's liquidity policy throughout the year has been to seek to ensure sufficient liquid resources to cover its financial commitments. This is achieved as a result of payments on the floating rate Notes liabilities being contingent on cash available.

In the event that the Company cannot cover the cost of operations and administration through payments received from customers, it can draw on cash reserves of £5,502,000 (2022: £5,619,000).

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 Link Financial Outsourcing Limited, which the Directors consider having a reliable loan monitoring system and credit control procedures to mitigate this credit risk. The Company also has legal options in pursuing potentially delinquent loans. See note 6(d) for a full explanation as to the impact of credit risk on the Company.

Foreign exchange risk

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

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023

Future developments

The key future developments which the Directors expect to have the greatest impact on the Company, due to their impact on the performance of the loans (in particular, future cash flows and default rates), relate to pressures resulting from uncertainty and changes in the macroeconomic environment. The Directors are also looking ahead to the completion of the loans and expectation around the future.

Economic uncertainty has been historically high due to the uncertainty of COVID-19, Russian military invasion of Ukraine and fall in employment. Inflation has been high and there was pressure from the Bank of England to continue to increase the base rate from an unprecedented low level, which had resulted in increased pressure on affordability and risk borrowers may ultimately default on their loans.

There has been progress through 2023 with the Bank of England raising interest rates but managing to limit inflation with the positive impact seen since June 2023, with inflation falling. This is continued to decrease, and the Bank of England has a target of reaching 2% inflation by early 2025. The base rate is forecast to remain at its highest, however is expected to start to decrease again through 2024 and 2025 as the economy stabilises.

There is a risk of financial instability for the Company due to the extent and duration of this economic uncertainty being unclear, however this is now seen as having decreased from previous years. A detrimental effect on the UK economy may impact the borrowers' ability to repay loans, or on the servicer's ability to continue to effectively service the loans. However, as at the report date there has been no material impact from these macroeconomic factors on the Company's financial performance or cash flows.

As 79.5% (2022: 78.4%) of customers within the HTL portfolio are currently in deferment, with a further 10.3% (2022: 12.0%) already in arrears, we do not anticipate external factors to have a material impact on the portfolio.

The loan portfolio has a natural end-of-life, due to the period of the loans within the loan portfolio and the original date of issuance. A significant proportion of the loan book, up to 99%, will be eligible for cancellation within the next 12 months. The process of the submission for contractual indemnity payments from the Authority takes place over a period of time, naturally spreading the cash in-flows over a longer period of time. The Directors continue to assess the future of the loans, in particular in light of the increasing clarity on the expected result of each loan on completion. This includes both the forecasts around the cancellation of the loans, covered by the cancellation indemnity, and the potential exposure of the Company to borrowers whose loans have been in long term arrears and cease to be eligible for indemnity payments. The Directors continue to monitor and assess the expectations of the completion of the loan, and this is taken into account within the IFRS 9 Expected Credit Loss provision. The Company continues to be a going concern, as detailed below, and activity is expected to continue for the medium-term future.

As the Notes are a limited recourse obligation of the Company, the Company is not ultimately exposed if the borrowers are unable to repay loans as the entity can only pay out what it receives from the underlying loans. The Company will continue to monitor their effect on borrowers' ability to service their loans and inflation rate, and therefore Company performance.

Approved by the Board of Directors on 26 March 2024 and signed on behalf of the Board

Thompson Fisher, Authorised Signatory

Wilmington Trust SP Services (London) Limited

Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2023

The Directors present their report on the affairs of Honours Plc together with the audited financial statements for the year ended 31 March 2023.

Going concern

In order to form a view as to the most appropriate basis of preparation of these financial statements, the Directors have assessed the likelihood of whether the Company will be able to continue trading over the foreseeable future versus the likelihood of either intending to or being forced to either cease trading or to place the Company into liquidation.

The ability of the Company to meet its operating and administrative expenses is dependent principally on the performance of the loans. The Notes are a limited recourse obligation of the Company, secured over the loans, and the Company's ability to pay amounts due on Notes are, in substance, limited to the application of the receipts from the loans under the terms of the Priority of Payments as set out in the terms and conditions of the Notes. The liquidity reserve fund is available to make interest payments to the noteholders if interest arrears would otherwise occur.

Despite accumulated losses of £12,114,000, the Directors are of the opinion that the Company will generate sufficient cash to operate under the terms of the securitisation and has adequate resources to continue in operational existence for the foreseeable future. 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. Please see note 6(d) for examples of where the loan agreement can be cancelled and contractual indemnity from the Authority is exercised.

As noted in future developments, the loan portfolio has a natural end-of-life due to the period of the loan and the original date of issuance. Within the going concern period, a significant proportion of the loan book, up to 99%, will be eligible for cancellation. While the loans will be eligible for cancellation, the process of the submission for contractual indemnity payments from the Authority takes place over a period of time, naturally spreading the cash in-flows over a longer period of time and beyond the going concern period under review. The Directors continue to adopt the going concern basis in preparing the financial statements.

Whilst noting the economic uncertainties the UK has faced and the improvements over 2023, after making enquiries regarding the quality of assets and liquidity reserves in place, the Directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Should there ultimately be insufficient funds available, any unpaid amounts due on the Notes are discharged in full due to the limited recourse nature of the Company's borrowings. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

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 and the Directors do not expect the option to be exercised in the foreseeable future.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023

LIBOR Transition

The Directors were aware of the need to transition away from synthetic LIBOR to SONIA due to its cessation on 31 December 2022.

Honours Plc launched the consent solicitation on Monday 12 September 2022. Accordingly, the meetings of each class of noteholders were scheduled to be held on Tuesday 4 October 2022 and if the Extraordinary Resolutions of each class of noteholders were approved, this would be shared by Freshfields to the wider group informing the relevant parties of the decision that had been reached. Following on from these meetings, execution versions of the Deed of Amendment and the Amended Administration Agreement with signing instructions would be released for signatures.

At the meetings held on 4 October 2022, the Extraordinary Resolutions were passed in respect of the Class C Notes and the Class E Notes. The meetings for the Class A2 Notes, Class B Notes and Class D Notes were adjourned through lack of quorum with such adjourned meetings held on 19 October 2022.

Notice was given to the Noteholders that at the adjourned meetings of the holders of the Class A2 Notes, Class B Notes and Class D Notes held on 19 October 2022, eligible Noteholders of each such Class which were present or presented at the relevant meeting represented more than one-quarter of the aggregate Principal Amount Outstanding of the Notes of the relevant Class for the time being outstanding and a majority consisting of not less than three-fourths of those voting in favour of the relevant Extraordinary Resolutions in respect of such Classes were duly passed by Noteholders at such meetings.

The issuer proceeded with the replacement of the current synthetic LIBOR-based interest rates with SONIA-based interest rates by arranging execution of the Deed of Amendment, the Amendment relating to the Master Definitions Schedule and Sale and Purchase Agreement and the Amended Administration Agreement.

The agreements for the transition from synthetic LIBOR to SONIA were fully executed and the amendments to the transaction documents came into effect on 28 October 2022.

Non-adjusting post balance sheet event

During September 2023, the Company, as Issuer, was notified by the Cash Manager that a misapplication of the RPI had been applied to payments made on the Interest Payment dates falling from October 2022 onwards. The miscalculation resulted in an error in the calculation of the Liquidity Reserve Requirement, and an over-payment of principal amount and an under-payment of interest amount due to the A2 Noteholders totalling £2.6m. Following notification, the September 2023 interest payments were not made on the interest payment date of the 11th September 2023, as the Cash Manager sought to correct the erroneous payments via a recall process. This process was carried out by the International Central Securities Depositories (ICSDs), Euroclear and Clearstream, with the correction amounts settled by Clearstream on the 25th of September 2023 and Euroclear on the 4th of October 2023. The September 2023 interest payments were made within the seven working-day grace period following the September IPD. As at the end of September 2023, the Noteholders were in the position and value that the Notes would have held had no error occurred. No event of default was triggered.

The Directors were made aware of the issue and briefed extensively regarding the remediate action that was being taken by the Cash Manager and the ICSDs. The transaction documents were explicitly and extensively referenced throughout. Due to no event of default taking place and the ICSDs confirming that the recall process could be performed and classed as business as usual, it was considered that sufficient governance had been discharged. Further to this, notices were prepared and circulated to the noteholders alerting them of this remediation exercise.

The event is a non-adjusting balance sheet event, as in line with the underlying transaction documents, there was no legal ability to correct the position.

Employees

The Company has had no employees during the year (2022: none).

Results and dividends

The audited financial statements for the year ended 31 March 2023 are set out on pages 16 to 35. The loss for the year after taxation was £400,000 (2022: loss of £501,000). No dividend was made to the shareholders (2022: Nil).

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023

Corporate governance

The Directors are responsible for the Company's internal control environment and for reviewing its effectiveness. The governance structure of the Company is also such that some key policies have been predetermined at the time of issuance and the operational roles have been assigned to third parties with their roles strictly governed by the respective transaction documents. The governance structure of the Company provides for procedures that have been designed for safeguarding assets against unauthorised use or disposition; for maintaining proper accounting records; and for the reliability and usefulness of financial information used within the business or for publication. Such procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement, errors, losses, or fraud.

The procedures enable the Company to comply with any regulatory obligations. For further details, refer to the notes to the financial statements particularly note 6 on risk management.

Risk management

Key risks are described in the Strategic report with financial risk management disclosed in note 6.

Streamlined Energy and Carbon Reporting

The Company is out of the scope of the Streamlined Energy and Carbon Reporting ("SECR"), as it does not meet the numerical thresholds in relation to turnover and number of employees.

Directors and their interests

The Directors of the Company are nominated and provided by Wilmington Trust SP Services (London) Limited under the terms of a corporate services agreement. The Directors of the Company who were in office during the year and up to the date of signing the financial statements were:

Wilmington Trust SP Services (London) Limited
Daniel Wynne

None of the Directors hold any interest in the Company. Wilmington Trust SP Services (London) Limited holds the two shares in Honours (Holdings) Limited, the parent company, under a declaration of trust for charitable purposes.

Wilmington Trust SP Services (London) Limited maintains Directors' and Officers' liability insurance in respect of itself and those persons it nominates and provides as Directors.

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulation.

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 UK-adopted international accounting standards.

The Company has also prepared financial statements in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Under company law, Directors must not approve 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 the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also 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.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023

Directors' confirmations

Each of the Directors, whose names and functions are listed in the Directors' report confirm that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with UK-adopted international accounting standards and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the Company; and
- the Strategic report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

In the case of each Director in office at the date the Directors' report is approved:

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

Directors indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity provision, which constitute a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force during the financial year and also at the date of approval of the financial statements.

Independent auditors

Following the recommendation of the Board of Directors, PricewaterhouseCoopers LLP were appointed by them on 22 April 2010 to audit the financial statements for the year ended 31 March 2011 and subsequent financial periods. During 2021, the Directors carried out a selection process concerning the auditors in accordance with 489B of Companies Act 2006 and PricewaterhouseCoopers LLP were re-appointed.

The period of total uninterrupted engagement is 13 years, covering the years ended 31 March 2011 to 31 March 2023.

Approved by the Board of Directors on 26 March 2024 and signed on behalf of the Board

Thompson Fisher, Authorised Signatory

Wilmington Trust SP Services (London) Limited

Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HONOURS PLC

Report on the audit of the financial statements

Opinion

In our opinion, Honours Plc's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2023 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of financial position as at 31 March 2023; the Statement of comprehensive income, the Statement of cash flows, Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the directors.

Separate opinion in relation to international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union

As explained in note 4 to the financial statements, the Company, in addition to applying UK-adopted international accounting standards, has also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the company financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 11 to the financial statements, we have provided no non-audit services to the company in the period under audit.

Our audit approach

Overview

Audit scope

- The scope of our audit and the nature, timing and extent of audit procedures performed were determined by our risk assessment and other qualitative factors.
- We tailored the scope of our audit to ensure that we performed sufficient work to enable us to opine on the financial statements.
- We identified all material financial statement line items and disclosures including those that were considered qualitatively material, and conducted our work over those accordingly.

Key audit matters

- Provision for expected credit losses

Materiality

- Overall materiality: £586,741 (2022: £822,470) based on 1% of total assets.
- Performance materiality: £440,056 (2022: £616,853).

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HONOURS PLC (CONTINUED)

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Provision for expected credit losses The impairment provision in respect of the secured loan required under IFRS 9 represents management's probability weighted estimate considering forward looking information and multiple outcomes of the expected credit losses in the loan portfolios underlying the secured loan. This Expected Credit Loss ("ECL") provision involves complex calculations and is based on management's assumptions and judgements including: • The modelling methodology adopted including how to calculate the probability of default, exposure at default, and loss given default; • The definition of what constitutes a significant increase in credit risk; and • The incorporation of forward-looking information and economic scenarios or if such information is not modelled, being able to evidence why this is appropriate. Loans with deferred repayments are assessed as having suffered significant increase in credit risk since initial recognition and therefore lifetime expected credit losses are provided for these accounts. Forecasting the behaviour of this portfolio is judgemental and could result in material changes in the estimated expected credit loss, hence our significant audit risk specifically relates to the determination of the probability of default for loans with deferments. Further details are provided in Notes 4, 5, 6 and 13.	We focused our testing on: • Substantive testing covering data attributes used in the impairment model and in particular the probability of default calculation, including projections of customer behaviour based on historical data and delinquency statuses; • Assessed the methodology and assumptions applied in the calculation of the probability of default for compliance with IFRS 9; and • As a risk assessment procedure, we performed sensitivity analysis of the impairment provision to changes in the assumptions applied. In addition, we performed the following procedures on the calculations, assumptions and judgements involved in the ECL provision model in response to the risk of material misstatement: • Assessed the reasonableness of key methodologies, assumptions and judgements made by management; • Performed substantive testing over loans projected to be eligible for cancellation at a future date by agreeing the key borrower DOB field back to customer agreements; • Performed substantive testing over the cancellation of loans by confirming that a sample of loans flagged as cancelled during the year meet the criteria for cancellation and have appropriate supporting evidence; • Re-performed the calculation of the expected credit loss provision; • Performed a reconciliation of expected credit loss per the model to the general ledger; and

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HONOURS PLC (CONTINUED)

	• Assessed the completeness of management's assertion that model overlays with regards to forward looking economic scenarios were not material, owing to the ability of the borrowers to defer and the Government subsidies received in respect of cancelled loans. Based on the evidence obtained, we found that the provision for expected credit losses is appropriate and in line with the requirements of IFRS 9.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

The purpose of the company as a securitisation vehicle is to raise and repay funds as dictated by the underlying legal documentation. A third-party cash manager is contracted to manage all such payments made by the company. We identified all material financial statement line items and disclosures, including those that were considered qualitatively material. The procedures performed provided sufficient evidence over all material classes of transactions, account balances and disclosures in the financial statements.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the company's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the company's financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall Company materiality	£586,741 (2022: £822,470).
How we determined it	1% of total assets
Rationale for benchmark applied	As an SPE is established as a not for profit entity, funded almost entirely by debt, it would follow that users may focus their attention on the SPE's total assets as suggested by ISA (UK) 320 paragraph A3.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2022: 75%) of overall materiality, amounting to £440,056 (2022: £616,853) for the company financial statements

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount in the middle of our normal range was appropriate.

We agreed with the directors that we would report to them misstatements identified during our audit above £29,337 (2022: £41,124) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HONOURS PLC (CONTINUED)

Conclusions relating to going concern

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Reviewed the Directors' going concern assessment and note that the Directors believe that the company will continue in operational existence for the foreseeable future and anticipate that the company will have adequate funds available to meet its obligations as they fall due;
- Inspected transaction documents to verify that the Floating rate Notes in issue are limited recourse instruments and that certain expenses can be deferred if there are insufficient funds;
- Reviewed historic levels of non-deferrable expenses and payments and compared this to the year-end cash at bank balance with a view to its sufficiency to cover such expenses and assessed sensitivity to potential reductions in future cash receipts from the underlying loans;
- Confirmed the closing cash position;
- Considered historic and expected write-offs on the secured loan when assessing the future potential impact on receipts;
- Inspected post year-end investor reports for pertinent changes in cash flows, such as deterioration in the performance of the underlying loans; and
- Reviewed the events of default in the transaction set out in the transaction documents and checked that no trigger breaches had occurred that would impact the going concern assertion directly.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 March 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HONOURS PLC (CONTINUED)

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to any breach of the listing requirements of the Euronext Dublin (formerly known as the Irish Stock Exchange) under which the offering circular dated 3 November 2006 was issued or of the transaction documents, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries. Audit procedures performed by the engagement team included:

- Making inquiries with those charged with governance in relation to known or suspected instances of non-compliance with laws and regulations and fraud;
- Testing that the priority of payments has been applied in accordance with the transaction documents;
- Testing journals using a risk-based approach and evaluating whether there was evidence of bias;
- Review of the financial statement disclosures to underlying supporting documentation; and,
- Review of minutes of board meetings which occurred during the year.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HONOURS PLC (CONTINUED)

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Appointment

We were appointed by the Directors on 22 April 2010 to audit the financial statements for the year ended 31 March 2011 and subsequent financial periods. The period of total uninterrupted engagement is thirteen years, covering the years ended 31 March 2011 to 31 March 2023.

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

26 March 2024

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2023

	Note	2023 £'000	2022 £'000
Interest receivable and similar income	8	4,004	3,138
Interest payable and similar charges	9	(2,881)	(1,261)
Net interest income		1,123	1,877
Other (expenses)/income	10	(989)	(1,476)
Release of impairment on secured loan	13	924	818
Administrative expenses	11	(1,517)	(1,720)
Operating loss		(459)	(501)
Other interest income		59	-
Loss before tax for the year		(400)	(501)
Tax on loss	12	-	-
Loss and total comprehensive expense for the year	21	(400)	(501)

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 on pages 20 to 36 form an integral part of these financial statements.

Honours Plc
Company Registration Number: 03702189

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2023

	Note	2023 £'000	2022 £'000
Non-current assets			
Secured loan to third party	13	19,477	61,896
Current assets			
Trade and other receivables	14	868	1,067
Reimbursement asset	19	593	593
Secured loan to third party	13	32,235	13,072
Cash and cash equivalents	15	5,502	5,619
Total current assets		39,198	20,351
Total assets		58,675	82,247
Current liabilities			
Provision for other liabilities and charges	19	(593)	(593)
Financial liabilities	16	(2,419)	(1,876)
Trade and other payables	16	(399)	(424)
Floating rate Notes in issue	16	(32,235)	(13,072)
Total current liabilities		(35,646)	(15,965)
Non-current financial liabilities	17	(35,130)	(77,983)
Total liabilities		(70,776)	(93,948)
Net liabilities		(12,101)	(11,701)
Equity			
Share capital	20	13	13
Accumulated losses	21	(12,114)	(11,714)
Total equity	22	(12,101)	(11,701)

The accompanying notes on page 20 to 36 form an integral part of these financial statements.

The financial statements on pages 16 to 36 were approved by the Board of Directors on 26 March 2024 and signed on its behalf by

Thompson Fisher, Authorised Signatory

On behalf of Wilmington Trust SP Services (London)

Limited Director

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2023

	Share capital £'000	Accumulated losses £'000	Total equity £'000
At 1 April 2021	13	(11,213)	(11,200)
Loss and total comprehensive expense for the year (note 21)	-	(501)	(501)
At 31 March 2022	13	(11,714)	(11,701)
At 1 April 2022	13	(11,714)	(11,701)
Loss and total comprehensive expense for the year (note 21)	-	(400)	(400)
At 31 March 2023	13	(12,114)	(12,101)

The accompanying notes on pages 20 to 36 form an integral part of these financial statements.

Honours Plc
Company Registration Number: 03702189

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2023

	Note	2023 £'000	2022 £'000
Operating activities			
Cash used in from operations	23	(1,465)	(1,495)
Income tax paid		-	-
Net cash used in operating activities		(1,465)	(1,495)
Investing activities			
Interest received on secured loan		2,813	4,188
Repayments received on secured loan		24,516	19,534
Other interest received		59	-
Net cash generated from investing activities		27,388	23,722
Financing activities			
Interest paid		(2,348)	(1,029)
Note repayments		(23,692)	(18,891)
Net cash used in financing activities		(26,040)	(19,920)
Net change in cash and cash equivalents		(117)	2,307
Cash and cash equivalents at beginning of year	15	5,619	3,312
Cash and cash equivalents at end of year	15	5,502	5,619

The accompanying notes on pages 20 to 36 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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 Wilmington Trust SP Services (London) Limited, Third Floor, 1 King's Arms Yard, London, EC2R 7AF. 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 of the loans from the Student Loans Company Limited, HTL also receives a subsidy from the UK Government and the devolved administrations of Scotland and Northern Ireland (together the "Authority") in an amount which fluctuates to match the RPI based interest rate to a monthly floating rate set by reference to SONIA (see LIBOR Transition within the Directors' report and note 6).

The Company funds its activities from issued floating rate debt securities. The debt securities are issued in Sterling and are listed on the Euronext Dublin. The activities of the Company are governed by the legal securitisation agreements of the Company. No changes in activity are envisaged. Honours Plc is a limited company by shares, registered in England.

2. GOING CONCERN

In order to form a view as to the most appropriate basis of preparation of these financial statements, the Directors have assessed the likelihood of whether the Company will be able to continue trading over the foreseeable future versus the likelihood of either intending to or being forced to either cease trading or to place the Company into liquidation.

The ability of the Company to meet its operating and administrative expenses is dependent principally on the performance of the loans. The Notes are a limited recourse obligation of the Company, secured over the loans, and the Company's ability to pay amounts due on Notes are, in substance, limited to the application of the receipts from the loans under the terms of the Priority of Payments as set out in the terms and conditions of the Notes. The liquidity reserve fund is available to make interest payments to the noteholders if interest arrears would otherwise occur.

Despite accumulated losses of £12,114,000 the Directors are of the opinion that the Company will generate sufficient cash to operate under the terms of the securitisation and has adequate resources to continue in operational existence for the foreseeable future. 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. Please see note 6(d) for examples of where the loan agreement can be cancelled and contractual indemnity from the Authority is exercised.

Whilst noting the economic uncertainties the UK has faced and the improvements over 2023, after making enquiries and reviewing underlying data and forecasts regarding the quality of assets and liquidity reserves in place, the Directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Should there ultimately be insufficient funds available, any unpaid amounts due on the Notes are discharged in full due to the limited recourse nature of the Company's borrowings. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

3. ADOPTION OF NEW AND REVISED STANDARDS

There are no standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

4. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies. The financial statements have been prepared in accordance with UK-adopted international accounting standards, international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and the Companies Act 2006. These financial statements are presented in Sterling (GBP) which is the Company's functional currency. Functional currency is the currency of the primary economic environment in which the entity operates.

The preparation of financial statements 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 5.

The principal accounting policies which have been disclosed below have been consistently applied throughout the years.

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.

Interest receivable and payable

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest receivable and similar income' and 'interest payable and similar charges' in the Statement of Comprehensive Income using the effective interest method.

Other income/(expenses)

Revenue related to amounts collected from previously written off customer loans is recognised within Other income/(expenses) when it is received. Additionally, when a customer loan is written off the expense related to that write off is recognised within Other income/(expenses).

Provisions for liabilities and charges

A provision is recognised where there is a present legal or constructive obligation as a result of a past event, it is probable that the obligation will be settled, and it can be reliably estimated. This includes management's best estimate of the expenditure required to settle the liabilities as at the balance sheet date. Provisions for liabilities and charges comprise amounts set aside in relation to potential non-compliance with the CCA as detailed further in note 19.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

The Company's financial instruments comprise a secured loan to a third party, cash and liquid resources, floating rate Notes in issue and various receivables and payables that arise from its ongoing operations as a securitisation vehicle. These financial instruments are classified and measured as described below in accordance with IFRS 9.

a) Secured loan and other financial assets

Recognition, measurement and classification

Upon an asset transfer, if the transferor retains substantially all the risks and rewards associated with the asset, the transaction does not qualify for derecognition under IFRS 9 and is therefore accounted for as a financing transaction. In respect of the student loans portfolios sold to the Company by the UK Government, this was adjudged to fail the derecognition criteria of IFRS 9, on the basis the Government had been deemed not to transfer the significant risk and reward associated with the portfolios, owing to the requirement to pay the Company interest rate subsidies, cancellation indemnities and an initial first loss guarantee of 4.75% of the initial portfolio size (that has since been utilised). Accordingly, the student loans have not been deemed to transfer to the balance sheet of the Company and instead the transaction is accounted for, in substance, as a collateralised loan to the UK Government as seller, where recourse is limited to the cash flows from the underlying student loans and the other credit enhancement provided by the UK Government as described above.

On the basis that the secured loan is to be held for collection of the underlying contractual cash flows and the cash flows are deemed to represent solely payments of principal and interest ("SPPI"), it is measured initially at fair value and then subsequently at amortised cost using the effective interest rate method that includes the unwind of directly attributable transaction costs initially capitalised as part of the secured loan. The effective interest rate is determined based upon the total collections expected to be received in respect of the secured loan, estimated on a systematic basis reflecting the characteristics and quality of the underlying portfolio and credit enhancements based on collections experience since acquisition.

For disclosure purposes the amount of repayments to be received within one year has been estimated using an effective interest model this has then been classified as current. Estimation has been used since the amount of repayments received from the underlying student loans is dependent on the income and behavioural profile of the borrowers which cannot be known in advance.

Impairment

The secured loan is regularly assessed for impairment on a forward-looking basis in respect of Expected Credit Losses ("ECL") associated with the underlying receivables. In arriving at this ECL in respect of the underlying receivables, a three-stage model is adopted:

- Stage 1: 12-month ECL calculated at initial recognition covering expected defaults over the next 12 months;
- Stage 2: Lifetime ECL (not credit impaired) calculated following a significant deterioration in credit quality relative to initial recognition (assumed by the Company to be when a loan is in arrears by over 30 days or if in deferment); and
- Stage 3: Lifetime ECL (credit impaired) calculated once deemed to be credit impaired (assumed to be over 90 days in arrears) and interest revenue recognised on the revised receivable balance, net of the lifetime loss allowance (as opposed to gross).

The ECL allowance on the secured loan references that on the underlying student loans and is calculated using probability of default ("PD"), exposure at default ("EAD") and loss given default ("LGD") and utilises a variety of measurement models and other relevant judgements exercised by the Company. These models incorporate historical experience of credit losses and recoveries, the specific composition of the underlying receivables portfolio and risk evaluation at the time of origination and a forecast of future economic conditions.

For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. There was no material impact on the measurement of the impairment of trade receivables.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) 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.

For disclosure purposes the floating rate Notes current liability has been estimated using the effective interest model. This is because 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, as described above.

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

c) Cash and cash equivalents

Cash and cash equivalents are comprised of cash at the bank.

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.

5. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

Certain assets and liability amounts reported in the financial statements are based on management estimates and assumptions. The following are examples of management judgements and estimates:

a) Critical accounting judgements

Measurement of the secured loan to third party

It has been concluded that the secured loan should be measured at amortised cost under IFRS 9 having assessed the business model and underlying cash flows against the relevant criteria below.

Given the nature of the Company's activities, the applicable business model was identified as being one that holds to collect the cash flows of the secured loan. It was then necessary to confirm that cash flows received in respect of the secured loan represent payments of SPPI.

IFRS 9 does not provide specific guidance on assessing the SPPI criterion for assets such as the secured loan. Furthermore, a secured loan does not have a single contract which sets out its contractual terms, but instead is formed from elements of different contracts that give rise to the secured loan.

It is therefore necessary to determine what the contractual terms of the secured loan are by considering the various contractual rights and obligations that the secured loan asset represents. This requires consideration of the terms of the underlying assets and of the Notes purchased by the note holders.

It was concluded that all amounts received in respect of the secured loan are reflective of the time value of money whilst any enforcement events or clean-up calls on the underlying student loans would not expose the Company to any additional market upside or downside, given the limited recourse nature of the floating rate Notes. As such, amortised cost measurement in the context of IFRS 9 requirements is deemed appropriate.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

5. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

b) Critical accounting estimates

Impairment of the secured loan

The Company also reviews its secured loan 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. The model for the calculation of the impairment of the secured loan was revised during 2021, by taking into account further available customer behaviour based on historical data. As per IFRS 9, management use a three-stage model for impairment based on changes in credit quality since initial recognition. A macroeconomic analysis has also been performed in the current year.

Stage 1 includes financial instruments that have not had a significant increase in credit risk since initial recognition or that have a low credit risk at the reporting date. For these assets, 12-month expected credit losses ("ECL") are recognised and an impairment provision is calculated on the gross carrying value of the asset.

Stage 2 includes financial instruments that have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognised. Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument. Stage 2 represents people who earn above the threshold which stands at £35,092 from 1 September 2022. Deferment is allowed for 12 months and 99.8% of loans are eligible for cancellation over a 2 years period. Default risk is therefore considered low as this only occurs after 24 months of arrears.

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognised, and an impairment provision calculated based on the cure rates of assets that are in default at the balance sheet date.

IFRS 9 requires management, when determining whether the credit risk on a financial instrument has increased significantly, to consider reasonable and supportable information available, in order to compare the risk of a default occurring at the reporting date with the risk of a default occurring at initial recognition of the financial instrument.

The Company conducted a sensitivity analysis which identified that if the probability of default for the loan portfolio was increased by 5% this would increase the impairment allowance to £4,855,000 which is an additional impairment charge of £312,500. Conversely if the probability of default for the loan portfolio was decreased by 5% this would decrease the impairment allowance to £3,921,200 which is an impairment release of £621,300.

Macroeconomic analysis

The macroeconomic factors that management have determined to be the most significant are inflation, wage growth and unemployment. Inflation is currently high and this feeds into the 'cost of living crisis' whereby people are paying more for everyday items and could have less money to spare to pay their debts. Wage growth largely lags behind inflation and therefore repayors may have less money to pay down their debts. However, there has been progress during 2023 with inflation falling, and the Bank of England has set a strategy and target to continue this downwards trend into the future. Unemployment continues to be low.

Having performed this analysis, the above-mentioned factors would have an immaterial impact on the IFRS 9 Expected Credit Losses and thus have not been applied.

Effective interest rate on the secured loan

The beneficial interest in the student loan portfolios 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

6. RISK & CAPITAL 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) Capital management

The Company's objective when managing capital is to enable the ongoing trade of its operations and to safeguard its ability to continue as a going concern in order to provide returns for shareholders, provide benefits for other stakeholders and to maintain an optimal capital structure. Capital employed by the Company is equity from shareholders and working capital management through trade receivables and payables. There were no changes in the Company's approach to capital management during the year. The funding requirements of the Company are met by cash generated from operations.

b) 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. A substantial part of the operations of the Company and those that are concerned with its borrowers are contracted to Link Financial Outsourcing Limited. The Company actively manages its contractual relationship with its administrators to ensure that all potential operational issues are identified, mitigated or resolved at the earliest opportunity.

c) Foreign exchange risk

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

d) 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 static portfolio of student loans which is no longer accepting new 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 totals £6,095,000 (2022: £6,212,000) at the year end. Over time the percentage of loans in deferment in the portfolio is increasing and the credit profile of the portfolio is becoming less exposed to borrower payment risk and more to the Authority indemnity obligations.

The principal credit exposures of the Company are the Authority and the borrowers in the portfolio. The credit exposure of the Company to the borrowers in the portfolio is limited due to the indemnity provided by the Authority which means that the only exposure of the Company to borrowers in the portfolio is to borrowers whose loans have been in long term arrears and cease to be eligible for indemnity payments. The credit risk of borrowers who have kept their accounts up to date through repayments or deferment of their payments, or whose loans are in arrears but have not yet ceased to be eligible for the indemnity is borne by the Authority. As at 31 March 2023 there were 10,760 live debit balance borrower accounts within the qualifying loans portfolio (2022: 15,799). The largest borrower balance was £19,556 (2022: £19,556). Large balances are not common and balances over £8,000 accounted for £20,013,421 (2022: £28,655,693), 34.3% (2022: 34.5%) of the portfolio balance.

The tables below disclose the maximum exposure to credit risk as at 31 March 2023 for financial assets with exposure to credit risk:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

6. RISK & CAPITAL MANAGEMENT AND CONTROL (CONTINUED)

d) Credit risk (continued)

At 31 March 2023	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Impairment allowance £'000	Total £'000
Underlying student loan debtors	2,545	49,870	3,839	(4,542)	51,712
UK Government	868	-	-	-	868
Financial institutions – ring fenced*	593	-	-	-	593
Financial institutions	5,502	-	-	-	5,502
Total	9,508	49,870	3,839	(4,542)	58,675

At 31 March 2022	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Impairment allowance £'000	Total £'000
Underlying student loan debtors	4,301	71,678	4,455	(5,466)	74,968
UK Government	1,067	-	-	-	1,067
Financial institutions – ring fenced*	593	-	-	-	593
Financial institutions	5,619	-	-	-	5,619
Total	11,580	71,678	4,455	(5,466)	82,247

*Settlement agreement proceeds held in escrow in a named account to be used for the sole purpose of part-settling the CCA provision in note 19.

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. Providing that borrowers keep their account up to date, they may also ultimately be entitled to have their loan cancelled (see criteria for cancellation below). In such circumstances the Company will receive an indemnity payment from the Authority. Interest on the loans is below market rate and set at a rate equivalent to the annual rate of change in the RPI. During the year interest on the loans was charged at an average rate of 5.9% (2022: 2.0%).

The loan agreement can be cancelled and contractual indemnity from the Authority is exercised if one of the following events occurs:

- The borrower has died;
- The borrower has become disabled;
- 25 years has passed since the inception of the most recent loan agreement entered by the borrower (subject to no breach in contractual terms);
- Where the borrower has reached 50 years of age and no less than 10 years has passed since they received the loan agreement (subject to there being no breach in loan obligations);
- Where the borrower has reached 60 years of age (subject to there being no breach in loan obligations).

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.

Loans are written off in the Company's financial statements under the following requirements:

- Balances are uncollectable and written down to 0;
- 24 or more months past due where contact has been lost with customer or cannot trace customer;
- Trivial balances below £30 are written off on periodic review of non-active accounts;
- Borrowers become insolvent (bankruptcy or IVA);
- Statute of limitations claims where there has been a period of more than 6 years (5 years if its Scotland) with no contact with the borrowers.

The impairment is calculated based on the observed likelihood of loans meeting the write off criteria once they have moved into the relevant arrears grouping. 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 expected to occur.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

6. RISK & CAPITAL MANAGEMENT AND CONTROL (CONTINUED)

e) 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 Company.

f) 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 through the issued 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 SONIA rate on the floating rate Notes. At 31 March 2023, the effective interest rate on the secured loan to third party was 7.12% (2022: 3.99%) and the interest rate on issued floating rate Notes is between 0.00% and 9.645% (2022: 0.00% and 4.46%).

The following tables provide a summary of the interest rate re-pricing profile of the Company's financial assets and financial liabilities. Financial assets and financial liabilities have been allocated to periods by reference to the earlier of the next interest rate reset date and the contractual maturity date. The amounts in the table below are the contractual undiscounted cash flows.

31 March 2023
£'000

	Less than 3 months	3 to 6 months	6 months to 1 year	1 year to 5 years	More than 5 years	No re-price date	Non-interest bearing	Total
Non-current assets								
Secured loan to third party	19,477	-	-	-	-	-	-	19,477
Current assets								
Trade and other receivables	-	-	-	-	-	-	868	868
Reimbursement asset	593	-	-	-	-	-	-	593
Secured loan to third party	32,235	-	-	-	-	-	-	32,235
Cash and cash equivalents	5,502	-	-	-	-	-	-	5,502
Total assets	57,807	-	-	-	-	-	868	58,675
Current liabilities								
Provision for liabilities and charges	-	-	-	-	-	-	(593)	(593)
Financial liabilities	(2,419)	-	-	-	-	-	-	(2,419)
Trade and other payables	-	-	-	-	-	-	(399)	(399)
Floating rate Notes in issue	(32,235)	-	-	-	-	-	-	(32,235)
Total assets less current liabilities	23,153	-	-	-	-	-	(124)	23,029
Non-current financial liabilities	(35,130)	-	-	-	-	-	-	(35,130)
Net assets/(liabilities)	(11,977)	-	-	-	-	-	(124)	(12,101)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

6. RISK & CAPITAL MANAGEMENT AND CONTROL (CONTINUED)

f) Interest rate risk (continued)

31 March 2022
£'000

	Less than 3 months	3 to 6 months	6 months to 1 year	1 year to 5 years	More than 5 years	No re-price date	Non-interest bearing	Total
Non-current assets								
Secured Loan to third party	61,896	-	-	-	-	-	-	61,896
Current assets								
Trade and other receivables	-	-	-	-	-	-	1,067	1,067
Reimbursement asset	593	-	-	-	-	-	-	593
Secured loan to third party	13,072	-	-	-	-	-	-	13,072
Cash and cash equivalents	5,619	-	-	-	-	-	-	5,619
Total assets	81,180	-	-	-	-	-	1,067	82,247
Current liabilities								
Provision for liabilities and charges	-	-	-	-	-	-	(593)	(593)
Financial liabilities	(1,876)	-	-	-	-	-	-	(1,876)
Trade and other payables	-	-	-	-	-	-	(424)	(424)
Floating rate Notes in issue	(13,072)	-	-	-	-	-	-	(13,072)
Total assets less current liabilities	66,232	-	-	-	-	-	50	66,282
Non-current financial liabilities	(77,983)	-	-	-	-	-	-	(77,983)
Net assets/(liabilities)	(11,751)	-	-	-	-	-	50	(11,701)

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 one-month SONIA) 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.

Interest rate sensitivity analysis

If interest rates had been 1% higher/lower and all other variables were held constant, the Company's loss for the year ended 31 March 2023 would decrease/increase by up to £28,500 (2022: £36,900). 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 (2022: none).

g) Liquidity risk

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 2023
£'000

	Weighted average effective interest rate	Less than 3 months £'000	More than 3 months to less than 5 years £'000	5+ years £'000	Total £'000
Trade and other Payables	-	399	-	-	399
Provisions for liabilities and charges	-	-	593	-	593
Financial Liabilities	1.9375%	3,654	27,208	44,771	75,633
Total		4,053	27,801	44,771	76,625

6. RISK & CAPITAL MANAGEMENT AND CONTROL (CONTINUED)

g) Liquidity risk (continued)

31 March 2022 £'000	Weighted average effective interest rate	Less than 3 months £'000	More than 3 months to less than 5 years £'000	5+ years £'000	Total £'000
Trade and other Payables	-	424	-	-	424
Provisions for liabilities and charges	-	-	593	-	593
Financial Liabilities	1.9051%	4,865	59,904	39,210	103,978
Total		5,289	60,497	39,210	104,995

The interest rates assumed are the one-month SONIA rate at each financial year end.

Floating rate Notes have a final maturity date of 10 April 2029.

Interest is paid in full monthly in arrears where applicable based on the rights of the note holder otherwise interest is capitalised and paid at final maturity as the earliest date on which the Company is obliged to pay interest.

h) Fair value of financial assets and financial liabilities measured at amortised cost

The Directors have estimated the fair value of the floating rate Notes as displayed in the table below 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. 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 2023	Fair Value £'000	Carrying Value £'000
Secured loan to third party	58,658	51,712
Trade and other receivables	868	868
Reimbursement asset	593	593
Cash and cash equivalents	5,502	5,502
Total financial assets	**65,621**	**58,675**
Floating Notes payable	(62,210)	(67,365)
Current financial liabilities	(2,419)	(2,419)
Provision for other liabilities and charges	(593)	(593)
Trade and other payables	(399)	(399)
Total financial liabilities	**(65,621)**	**(70,776)**

31 March 2022	Fair Value £'000	Carrying Value £'000
Secured loan to third party	75,231	74,968
Trade and other receivables	1,067	1,067
Reimbursement asset	593	593
Cash and cash equivalents	5,619	5,619
Total financial assets	**82,510**	**82,247**
Floating Notes payable	(79,617)	(91,055)
Current financial liabilities	(1,876)	(1,876)
Provision for other liabilities and charges	(593)	(593)
Trade and other payables	(424)	(424)
Total financial liabilities	**(82,510)**	**(93,948)**

At the reporting date, the carrying amounts of the Company's financial assets and liabilities for which fair values were determined directly, in full or part, by reference to price quotations and determined using valuation techniques are below. The carrying values of cash and cash equivalents, reimbursement asset, trade and other receivables, current financial liabilities and trade and other payables are a reasonable approximation of the fair values of these instruments.

6. RISK & CAPITAL MANAGEMENT AND CONTROL (CONTINUED)

h) Fair value of financial assets and financial liabilities measured at amortised cost (continued)

	31 March 2023			
	Level 1	Level 2	Level 3	Total
Hierarchy Levels	**£'000**	**£'000**	**£'000**	**£'000**
Assets at amortised cost whose fair values is disclosed				
Secured loan to third party	-	-	58,658	58,658
Liabilities at amortised cost whose fair value is disclosed				
Floating Notes payable	-	-	(62,210)	(62,210)

	31 March 2022			
	Level 1	Level 2	Level 3	Total
Hierarchy Levels	**£'000**	**£'000**	**£'000**	**£'000**
Assets at amortised cost whose fair values is disclosed				
Secured loan to third party	-	-	75,231	75,231
Liabilities at amortised cost whose fair value is disclosed				
Floating Notes payable	-	-	(79,617)	(79,617)

Level 1 is quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 is inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 are inputs for the asset or liability that are not based on observable market data (unobservable inputs).

7. DIRECTORS AND EMPLOYEES

	2023	2022
	£'000	£'000
Wilmington Trust SP Services (London) Limited Corporate services fee	160	172

Wilmington Trust SP Services (London) Limited provides corporate services to the Company. Corporate services provided include making available the services of the Directors to the Company.

No other fees or emoluments other than those disclosed above were paid to any Directors. The Company does not have any employees (2022: nil).

8. INTEREST RECEIVABLE AND SIMILAR INCOME

	2023	2022
	£'000	£'000
Effective interest receivable from third party loan	4,004	3,138

9. INTEREST PAYABLE AND SIMILAR CHARGES

	2023	2022
	£'000	£'000
Effective interest payable on floating rate Notes	(2,881)	(1,261)

10. OTHER (EXPENSES)/INCOME

	2023	2022
	£'000	£'000
Amounts collected from written off customers	1,139	1,305
Expense associated with written off customers	(2,116)	(2,378)
Other	(12)	(403)
	(989)	(1,476)

11. ADMINISTRATIVE EXPENSES

	2023 £'000	2022 £'000
Administration fees	1,049	1,392
Other fees – legal & professional and treasury management	248	126
Amounts paid to auditors of these financial statements (including VAT)		
- The audit of the individual financial statements (provided by PricewaterhouseCoopers LLP)	191	176
- Fees payable to the Company's auditors for other assurance services	29	26
	1,517	1,720

The other assurance services related to mandated agreed-upon procedures conducted on the student loan portfolio, as detailed in the transaction documents.

12. TAX ON LOSS

	2023 £'000	2022 £'000
UK corporation tax on the loss for the year	-	-

Factors affecting the Company current tax charge for the year:

The tax on the Company's loss (2022: loss) before tax is different to the theoretical amount that would arise using the weighted average tax rate applicable to loss of the Company as follows:

	2023 £'000	2022 £'000
Loss before tax for the year	(400)	(501)
Accounting loss before tax multiplied by the standard rate of corporation tax of 19% (2022: 19%)	76	95
Accounting loss not taxed in accordance with SI 2006/3296	(76)	(95)
Total tax charge	-	-

For UK corporation tax purposes, the Company has been considered as a securitisation company under the 'Taxation of Securitisation Companies Regulations 2006' (SI 2006/3296). Therefore, the Company is not required to pay corporation tax on its accounting profit or loss. Instead, the Company is required to pay tax on its retained profits as specified in the documentation governing the transaction.

13. SECURED LOAN TO THIRD PARTY

	2023 £'000	2022 £'000
Opening balance	74,968	96,442
Interest income accrued	4,004	3,138
Loan amounts received	(26,068)	(23,052)
Loan amounts written off	(2,116)	(2,378)
Increase in value of secured loan due to impairment credit/(charge)	924	818
Closing balance	51,712	74,968

13. SECURED LOAN TO THIRD PARTY (CONTINUED)

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Balance at 1 April 2021	5,209	91,584	5,934	102,727
Transfers to Stage 1	191	-	-	191
Transfers from Stage 2	-	(264)	-	(264)
Transfers to Stage 3	-	-	73	73
Decrease to secured loan to third party	(1,064)	(18,103)	(748)	(19,915)
Written off during the year	(35)	(1,539)	(804)	(2,378)
As at 31 March 2022	4,301	71,678	4,455	80,434
Transfers to Stage 1	358	-	-	358
Transfers from Stage 2	-	(1,719)	-	(1,719)
Transfers to Stage 3	-	-	1,361	1,361
Decrease to secured loan to third party	(2,080)	(19,216)	(769)	(22,065)
Written off during the year	(35)	(873)	(1,208)	(2,116)
As at 31 March 2023	2,544	49,870	3,839	56,253

Current assets	2023 £'000	2022 £'000
Secured loan to third party	32,235	13,072

Non-Current assets	2023 £'000	2022 £'000
Secured loan to third party	24,019	67,362
Impairment allowance	(4,542)	(5,466)
	19,477	61,896

Movement in ECL	Stage 1 12-month ECL £'000	Stage 2 Lifetime ECL £'000	Stage 3 Lifetime ECL £'000	Total £'000
Loss allowance at 1 April 2021	(18)	(2,621)	(3,645)	(6,284)
Income statement credit/(charge)	5	69	744	818
Loss allowance at 31 March 2022	(13)	(2,552)	(2,901)	(5,466)
Income statement credit/(charge)	(67)	940	51	924
Loss allowance at 31 March 2023	(80)	(1,612)	(2,850)	(4,542)

The loan portfolio has a natural end-of-life due to the period of the loans and the original date of issuance. Within the going concern period, a significant proportion of the loan book, up to 99%, will be eligible for cancellation. While the loans will be eligible for cancellation, the process of the submission for contractual indemnity payments from the Authority takes place over a period of time, naturally spreading the cash in-flows over a longer period of time.

14. TRADE AND OTHER RECEIVABLES

	2023 £'000	2022 £'000
Other receivables	868	1,067

Other receivables are comprised of the proceeds 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.

15. CASH AND CASH EQUIVALENTS

	2023 £'000	2022 £'000
Cash on deposit subject to Guaranteed Investment contract	5,502	5,619

All cash and cash equivalents of the Company and in the account of Honours Trustee Limited of which the Company is the principal beneficiary are held subject to the terms of a Guaranteed Investment Contract entered into with Deutsche Bank.

16. CURRENT LIABILITIES

	2023 £'000	2022 £'000
Provisions for liabilities and charges	593	593
Financial liabilities	2,419	1,876
Trade and other payables	399	424
Floating rate Notes in issue (see note 18)	32,235	13,072
	35,646	15,965

17. NON-CURRENT FINANCIAL LIABILITIES

	2023 £'000	2022 £'000
Floating rate Notes (see note 18)	35,130	77,983

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.

18. FLOATING RATE NOTES

There are six classes of floating rate Notes issued, all due in 2029:

	2023 £'000	2022 £'000
Series 2 Class A1 asset backed floating rate Notes	-	-
Series 2 Class A2 asset backed floating rate Notes	17,101	40,791
Series 2 Class B asset backed floating rate Notes	23,266	23,266
Series 2 Class C asset backed floating rate Notes	12,557	12,557
Series 2 Class D asset backed floating rate Notes	8,337	8,337
Series 2 Class E asset backed floating rate Notes	6,104	6,104
	67,365	91,055

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

The Class A issuer Notes rank, irrespective of series, without 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 A1 issuer Notes irrespective of series will rank ahead of payments of principal and interest due and payable on the Class A2 issuer notes, 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.

18. FLOATING RATE NOTES (CONTINUED)

Following the contractual margin step-up from November 2011, the interest rates payable on the floating rate Notes are as follows:

Series 2 Class A1 asset backed floating Notes	One-month SONIA +0.22+%
Series 2 Class A2 asset backed floating Notes	One-month SONIA +0.31+%
Series 2 Class B asset backed floating Notes	One-month SONIA +1.03+%
Series 2 Class C asset backed floating Notes	One-month SONIA +1.63+%
Series 2 Class D asset backed floating Notes	One-month SONIA +3.78+%
Series 2 Class E asset backed floating Notes	One-month SONIA +3.03+%

19. PROVISION FOR OTHER LIABILITIES AND CHARGES

Prior to the Company moving to a new loan administration service provider, it was identified that the Company may not be in compliance with certain aspects of the CCA. Specifically, the Company identified certain historical borrower communications in respect of particular arrears notices sent to borrowers were not in compliance with the CCA. A provision was therefore recognised in the Statement of financial position based on the Directors' best estimate at the time of the expenditure required to meet the liabilities deemed probable from putting the customer back to a position they would have been in had these notices not been sent, plus interest and any professional advice required on the matter.

A settlement agreement between the Company and Capita (which was the previous servicer) was entered into on 7 December 2017, with Capita pledging £8,000,000 to fund settlements with customers and reimbursement of related advisory costs. Funds were held in escrow in a designated, ring-fenced bank account to be distributed to borrowers.

On 2 December 2019, a regulatory news service ("RNS") announcement to the London Stock Exchange confirmed that the Company had remediated customers by £3,100,000 split between actual cash payments and balance reductions for those affected by non-compliance with the CCA with £1,000,000 pledged for costs incurred before 31 March 2019 and £1,500,000 for costs relating to the remediation plan.

A cash balance of £593,000 at the year-end is being held pending Honours obtaining payment instructions from the Authority in order to be able to pay the cash refund still owing to them. The balance is held as current and will be paid once instruction is received. This is the corresponding provision held on the Statement of financial position of £593,000 (2022: £593,000).

	2023 £'000	2022 £'000
Opening balance of reimbursement asset	593	682
Utilised in the year	-	(89)
Closing balance of reimbursement asset	593	593

20. SHARE CAPITAL

There are 10,000,000 (2022: 10,000,000) authorised shares of £1 each of which 2 (2022: 2) are called up and fully paid and 49,998 (2022: 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.

21. ACCUMULATED LOSSES

	2023 £'000	2022 £'000
Opening accumulated losses	(11,714)	(11,213)
Loss for the year	(400)	(501)
Closing accumulated losses	(12,114)	(11,714)

22. TOTAL EQUITY

	2023 £'000	2022 £'000
Opening total equity	(11,701)	(11,200)
Total comprehensive expense	(400)	(501)
Closing total equity	(12,101)	(11,701)

23. CASH USED IN OPERATIONS

	2023 £'000	2022 £'000
Loss before tax for the year	(400)	(501)
Decrease in trade and other receivables	-	18
Increase in trade and other payables	(26)	207
Interest receivable	(4,004)	(3,138)
Interest payable	2,881	1,261
Increase in value of secured loan due to impairment	(924)	(818)
Other (expenses)/income	989	1,476
Finance costs	-	-
Decrease to provision for liabilities and charges	-	(89)
Cash released from reimbursement asset	-	89
Other interest income	(59)	-
Cash received from remediation	78	-
Cash flow used in operating activities	(1,465)	(1,495)

The movement in interest payable is included in interest paid in the Statement of Cash Flows.

24. RELATED PARTY TRANSACTIONS

During the year the Company paid Wilmington Trust SP Services (London) Limited, a Director of the Company, £159,834 in administration fees (2022: £172,239).

25. ULTIMATE PARENT UNDERTAKING

The immediate and ultimate parent undertaking is Honours (Holdings) Limited, a company incorporated in England & Wales. 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 England & Wales, holds the shares of Honours (Holdings) Limited under the terms of a discretionary trust for charitable purposes. The financial statements of Honours (Holdings) Limited are available from Wilmington Trust SP Services (London) Limited, Third Floor, 1 King's Arms Yard, London EC2R 7AF.

26. NON-ADJUSTING POST BALANCE SHEET EVENT

During September 2023, the Company, as Issuer, was notified by the Cash Manager that a misapplication of the RPI had been applied to payments made on the Interest Payment dates falling from October 2022 onwards. The miscalculation resulted in an error in the calculation of the Liquidity Reserve Requirement, and an over-payment of principal amount and an under-payment of interest amount due to the A2 Noteholders totalling £2.6m. Following notification, the September 2023 interest payments were not made on the interest payment date of the 11th September 2023, as the Cash Manager sought to correct the erroneous payments via a recall process. This process was carried out by the International Central Securities Depositories (ICSDs), Euroclear and Clearstream, with the correction amounts settled by Clearstream on the 25th of September 2023 and Euroclear on the 4th of October 2023. The September 2023 interest payments were made within the seven working-day grace period following the September IPD. As at the end of September 2023, the Noteholders were in the position and value that the Notes would have held had no error occurred. No event of default was triggered.

26. NON-ADJUSTING POST BALANCE SHEET EVENT (CONTINUED)

The Directors were made aware of the issue and briefed extensively regarding the remediate action that was being taken by the Cash Manager and the ICSDs. The transaction documents were explicitly and extensively referenced throughout. Due to no event of default taking place and the ICSDs confirming that the recall process could be performed and classed as business as usual, it was considered that sufficient governance had been discharged. Further to this, notices were prepared and circulated to the noteholders alerting them of this remediation exercise.

The event is a non-adjusting balance sheet event, as in line with the underlying transaction documents, there was no legal ability to correct the position.