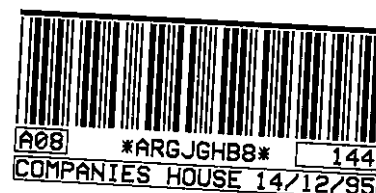


Student Loans Company Limited
Directors' report and financial statements

31 March 1995

Registered number 2401034



Student Loans Company Limited

Directors' report and financial statements

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Student Loans Company Limited

Chairman's statement

The attached directors' report and company financial statements cover the period from 1 April 1994 to 31 March 1995.

Volumes of business have continued to grow during the year and the results of administering the underlying activities of paying loans, maintaining accounts and collecting loan repayments are reflected in the financial statements.

At the end of the financial year the balance of loans outstanding was £1,178 million compared with £675 million in the previous year, and the cost of administration was some £16 million compared with £14 million in 1993-94.

Funding for both loans and operations is provided by Government, and accordingly the company makes neither a profit nor a loss; however, within the limits of the financial memorandum between the company and the Government, the company is required to operate as an independent company, and, as far as possible, commercially.

During the course of 1994-95 there were two events which had a detrimental effect on the company's performance and reputation.

Firstly, in the early part of the year a new process was introduced for processing loan applications for students seeking loans for a second or subsequent time which was intended to simplify the application process on the one hand, and to accelerate the payment of such loans on the other. While the company anticipated that most of these applications would be processed over the summer, in fact the bulk of them were received at the beginning of the 1994-95 academic year and, as a consequence, resources to handle them were inadequate, resulting in delayed payments to a substantial number of students. A major study has, therefore, been carried out, involving wide-ranging consultation with representatives of higher education institutions and students to identify precisely why the problems arose last year, and, as a result the Board is confident that the monitoring processes and modifications which have been introduced to the system will achieve the originally intended benefits.

Secondly, following alleged impropriety in earlier years within the company, an independent investigation and report were commissioned jointly by the Department for Education and the company, and, as a consequence, the Board took action which resulted, inter alia, in the dismissal as chief executive of Mr RJ Harrison, and the securing of his resignation as a director. Professor Sir Eric Ash, a non-executive director, agreed to take over as acting chief executive on a part-time basis, if necessary until 31 December 1995, by which date it was anticipated that a full-time chief executive would be appointed.

A number of other Board changes occurred in 1994-95. Mr Alastair Weatherston CB, Under Secretary in the Scottish Office Education Department who has served on the Board since 1990, resigned in September 1994 as did Mr Jeremy Moore, Assistant Secretary in the Department for Education who, since January 1994 has represented the Education Secretary's interest in the company; I wish to thank most sincerely both these colleagues for their considerable contributions during their periods of office, and am particularly pleased that they will continue to work closely with the Board in their advisory capacities at Board level. Also in September we were pleased to announce the appointment to the Board of two new non-executive directors, Mrs Alexandra Bennigsen and Professor Sir Eric Ash CBE who, between them, represent a significant wealth of business and academic experience and achievement. This process of restructuring the Board was completed in October 1994 with the internal promotion to the Board of two senior executives: Mr Colin Ward, Assistant Managing Director, and Mr John Morrison, Finance and Administration Director who had both joined the company in 1990.

Student Loans Company Limited

Chairman's statement *(continued)*

I should like to thank all my Board colleagues for their efforts and support throughout what at times has been a difficult year. I also wish to thank the staff whose magnificent response minimised and overcame the serious operational problems last autumn, and then restored the high quality of service the company and customers expect.

A full report on the company's activities during 1994-95 academic year will be published before the end of 1995 and, as before, the attached financial statements and directors' report will form part of it.



KM Young CBE
Chairman

30 August 1995

Student Loans Company Limited

Directors' report

The directors have pleasure in submitting their annual report and the financial statements of the company for the year ended 31 March 1995.

Review of business and future developments

The operational and financial arrangements of the company are governed by a financial memorandum between the company and the Department for Education and Employment, the Scottish Office Education Department and the Department of Education for Northern Ireland ('the funding bodies').

During the year under review the company continued to pay out loans to students on behalf of the Government's loans scheme, funded by the funding bodies, and to collect loan repayments on behalf of those bodies. The volume of activity increased substantially during the year. Further details are given in the Statement of Loans Administered in note 1 to the financial statements.

All net costs for the year were met by the funding bodies. Consequently the company made neither a profit nor a loss.

Dividends

The directors do not recommend the payment of a dividend (1994: £Nil).

Directors and their interests

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

KM Young CBE	Chairman	Non-Executive		
WAP Weatherston CB		Non-Executive	Ø	(resigned 21 September 1994)
RJ Harrison CBE		Chief Executive		(resigned 9 May 1995)
RT Kanter		Non-Executive	§	
RG Burnett		Non-Executive	†	
JP Moore		Non-Executive	Ø	(resigned 21 September 1994)
Sir Eric Ash CBE		Non-Executive	†*§	(appointed 21 September 1994)
Mrs A Bennigsen		Non-Executive	†§	(appointed 21 September 1994)
C Ward	Assistant managing director			(appointed 1 October 1994)
JB Morrison	Finance & administration director			(appointed 1 October 1994)

† Currently member of the audit committee.
 § Currently member of the remuneration committee.
 * Appointed acting chief executive 16 December 1994.
 Ø Appointed assessors on 21 September 1994 with full access to board meetings as observers

None of the directors had any interest in the shares of the company at 31 March 1995 and 31 March 1994 (or subsequent date of appointment). The company is wholly owned by the Secretary of State for Education and Employment and the Secretary of State for Scotland.

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

Student Loans Company Limited

Directors' report (*continued*)

Tangible fixed assets

Information relating to changes in tangible fixed assets is given in note 8 to the financial statements.

Employees

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

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

Charitable donations

During the year the company made charitable donations of £600 (1994: £1,332).

Insurance of directors and officers

During the year the company maintained insurance to indemnify the directors and officers of the company against liability at law for damages, claimants' costs and expenses in respect of claims made against them jointly or severally from any wrongful act committed by them in their respective capacities.

Corporate governance

The board considers that from 22 June 1994, other than the chairman's term of appointment not being fixed, the company complied with the recommendations of the Code of Best Practice established by the Committee on the Financial Aspects of Corporate Governance (the Cadbury Committee). Guidance on the requirements for directors to report on the company's system of internal controls was published in December 1994 and, in accordance with this guidance, will be first reported on in the 1996 financial statements.

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

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

The auditors, KPMG, have confirmed that in their opinion: with respect to the directors' statement on going concern, the directors have provided the disclosures required by paragraph 4.6 of the Code (as supplemented by the related guidance for directors) and the statement is not inconsistent with the information of which they are aware from their audit work on the financial statements; and that the directors' statement appropriately reflects the company's compliance with the other paragraphs of the Code in force specified for their review. They have carried out their review in accordance with the Bulletin issued by the Auditing Practices Board, which does not require them to perform any additional work necessary to express a separate opinion on the effectiveness of the company's system of corporate governance procedures, or on the ability of the company to continue in operational existence.

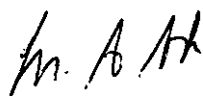
Student Loans Company Limited

Directors' report (*continued*)

Auditors

On 6 February 1995 our auditors changed the name under which they practise to KPMG and, accordingly, have signed their report in their new name. In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

On behalf of the board



Sir Eric Ash CBE
Director

21 St Thomas Street
Bristol
BS1 6JS

30 August 1995

Student Loans Company Limited

Statement of directors' responsibilities

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

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

The directors also have a responsibility to:

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



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

We have audited the financial statements on pages 8 to 21.

Respective responsibilities of directors and auditors

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

Basis of opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 31 March 1995 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985;
- funds from the funding bodies have been applied only for the purposes for which they were received;
- income has been applied in accordance with the Education (Student Loans) Act 1990, the Education (Student Loans) (Northern Ireland) Order 1990, the Education (Student Loans) Regulations in force for the financial year, and the financial memorandum with the funding bodies.

KPMG
Chartered Accountants
Registered Auditors

24 Blythswood Square
Glasgow
G2 4QS

30 August 1995

Student Loans Company Limited

Profit and loss account
for the year ended 31 March 1995

	Note	1995 £000	1994 £000
Turnover	3	15,846	13,711
Administrative expenses		(15,884)	(13,721)
		(38)	(10)
Interest receivable	4	51	13
Result on ordinary activities before taxation	5	13	3
Tax on result on ordinary activities	7	(13)	(3)
Result on ordinary activities after taxation and for the financial year		-	-

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

Statement of total recognised gains and losses

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

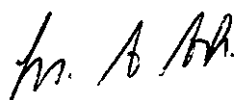
Student Loans Company Limited

Balance sheet
at 31 March 1995

	Note	1995 £000	1994 £000 As restated*
Fixed assets			
Tangible assets	8	1,826	2,151
Current assets			
Debtors	9	1,197	1,192
Cash at bank and in hand	10	21,136	25,119
		<u>22,333</u>	<u>26,311</u>
Creditors	11	(22,333)	(26,311)
Net current assets		-	-
Total assets less current liabilities		1,826	2,151
Accruals and deferred income			
Deferred capital receipts	12	(1,826)	(2,151)
		-	-
Capital and reserves			
Called up share capital	13	-	-
Profit and loss account		-	-
		<u>-</u>	<u>-</u>

* - see note 2.

These financial statements were approved by the board of directors on 30 August 1995 and were signed on its behalf by:



Sir Eric Ash CBE
Director

Student Loans Company Limited

Cash flow statement for the year ended 31 March 1995

	Note	1995	1994
		£000	£000
Net cash (outflow)/inflow from operating activities	15(a)	(4,021)	24,694
Returns on investments and servicing of finance			
Bank and other interest received		51	13
Taxation			
Corporation tax paid		(13)	(6)
Investing activities			
Payments to acquire tangible fixed assets		(650)	(529)
Receipts from sales of tangible fixed assets		29	18
Net cash outflow from investing activities		(621)	(511)
Net cash (outflow)/inflow before financing		(4,604)	24,190
Financing			
Capital funding received from the funding bodies		621	511
(Decrease)/increase in cash and cash equivalents	15(b)	(3,983)	24,701

Student Loans Company Limited

Notes

(forming part of the financial statements)

1 Statement of loans administered

Funding for the purpose of making loans to students is received by the company from the funding bodies.

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

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

The implementation of FRS 5 has resulted in interest earned on student loans and the corresponding loan interest repayable to the funding bodies being excluded from the profit and loss account. This has no net impact on interest receivable.

The company is not liable for the cost of repayments which ultimately may not be recovered. However, the Education (Student Loans) Regulations provide deferment for borrowers in repayment whose incomes fall below a pre-determined threshold each year. It is reasonable to assume that a number of borrowers who have been and will be granted such deferment will never reach the threshold, and will not, therefore, be required to repay their loans. The directors are of the view that an estimate should be made of such balances at 31 March 1995 which will not be repaid because of this statutory provision. Experience of deferment is extremely limited, because significant repayments only began in 1992, and future patterns are hard to predict because of the factors which might affect them, for example, changes in national economic conditions. Nonetheless, based on current experience, the directors have estimated that, of the £1.2 billion (1994: £675 million) balances held at 31 March 1995, some £125 million (1994: £72 million) will not be repaid because of the statutory deferment provision.

Other regulations provide the company with the statutory ability to write off loans of deceased borrowers, and in certain other limited circumstances. Given the short experience of the application of these regulations, it is estimated that a further £2 million (1994: £1 million) might not be repaid under these provisions.

In addition to these regulatory provisions, the company, like any provider of credit, experiences default in repayment of amounts due. Again, the historical information available at this stage to assess possible future default is extremely limited. Nevertheless, the directors have estimated the likely value of the balances held at 31 March 1995 which might not be repaid as a result of default at £15 million (1994: £10 million).

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

Student Loans Company Limited

Notes (continued)

1 Statement of loans administered (continued)

At 31 March 1995, the amount of loans receivable by instalments from students amounts to £1,178,066,000 (1994: £675,111,000), of which £44,896,000 (1994: £28,667,000) is in respect of interest earned. This balance is due from students and repayable to the funding bodies as follows:

	1995 £000	1994 £000
Within one year	76,253	42,177
Between one and two years	147,197	80,639
Between two and five years	640,365	370,173
In more than five years	314,251	182,122
	1,178,066	675,111

Instalment repayments by year are assessed by reference to the underlying loan agreements and expected date of graduation of each student in the first instance given that repayment is due to commence in the April following graduation. However, the Education (Student Loans) Regulations provide for borrowers in repayment to apply for deferment of repayment on an annual basis depending on their level of income, and the effects of the regulations have been taken into account in the timing of the amounts due to be repaid.

Interest is applied to the student loans receivable at 31 March 1995 in accordance with the terms and conditions stated in the loan agreements. The loans made to students bear interest at such rates prescribed by the Secretary of State as being necessary to maintain the value of the loans in real terms. The rate of interest charged on loans from 1 September 1993 to 31 August 1994 was such as to give an annual percentage rate of 1.2 per cent. From 1 September 1994 the rate of interest charged has been such as to give an annual percentage rate of 2.3 per cent. Subject to the provision for deferment in the Education (Student Loans) Regulations, borrowers repay loans in monthly instalments over a fixed period. At present, that fixed period is either five or seven years, depending on the number of academic years over which loans are advanced. Borrowers may repay their loans early if they wish. The company calculates the amount of repayments due under the scheme annually.

Of the loan repayments receivable and interest earned as at 31 March 1995, £305,146,000 (1994: £185,717,000) of individual student loans will be wholly repayable to the funding bodies within five years, with the balance of £872,920,000 (1994: £489,394,000) not being wholly repayable within five years.

In the year ended 31 March 1995, an amount of £270,000 (1994: £153,000) representing the balances of 2,473 borrowers (1994: 10,098 borrowers) was written off in accordance with the regulations of the Student Loans Scheme and the company's financial memorandum with the funding bodies.

Student Loans Company Limited

Notes (continued)

2 Accounting policies

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

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. The company has implemented the requirements of Financial Reporting Standard 5, 'Reporting the Substance of Transactions' in these financial statements. As a result, prior year comparative figures have been restated so as to exclude from the financial statements the student loans and related payment obligations described in note 1.

Basis of preparation

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

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

Depreciation

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

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

During the financial year the depreciation policy of the company was amended. In previous years the basis of the calculation for those categories affected was as follows:

Computer equipment	-	over 5 years
Motor vehicles	-	over 4 years

Deferred capital receipts

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

Operating leases

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

Pensions

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

Student Loans Company Limited

Notes (continued)

3 Turnover

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

4 Interest receivable

	1995 £000	1994 £000 As restated
Bank interest	16	13
Other interest	35	-
	—	—
	51	13
	==	==

5 Result on ordinary activities before taxation

	1995 £000	1994 £000
(a) <i>This is stated after charging or (crediting):</i>		
Depreciation	946	474
Additional depreciation on disposal of fixed assets	-	16
Deferred capital receipts	(946)	(490)
Directors' remuneration (see below)	226	111
Auditors' remuneration, including expenses:		
Audit services	25	36
Other services	15	15
Operating lease rentals:		
Land and buildings	920	920
Hire of plant and machinery	133	64
	==	==

Student Loans Company Limited

Notes (continued)

5 Result on ordinary activities before taxation (continued)

	1995 £000	1994 £000
(b) Directors' remuneration		
Fees	35	28
Executive remuneration (including benefits in kind)	176	71
Pension contributions	15	12
	<u>226</u>	<u>111</u>

Emoluments of the:

	1995		1994	
	Including pension contributions £000	Excluding pension contributions £000	Including pension contributions £000	Excluding pension contributions £000
Chairman	12	12	12	12
Highest paid director	86	77	83	71
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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

	Number of directors	
	1995	1994
£Nil - £5,000	3	3
£5,001 - £10,000	2	2
£10,001 - £15,000	1	1
£15,001 - £20,000	1	-
£40,001 - £45,000	2	-
£70,001 - £75,000	-	1
£75,001 - £80,000	1	-
	<u> </u>	<u> </u>

Student Loans Company Limited

Notes (continued)

6 Staff numbers and costs

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

	1995	1994
Number of employees	301	237
	<u> </u>	<u> </u>

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

The aggregate payroll costs of these persons were as follows:

	1995 £000	1994 £000
Wages and salaries	3,844	2,917
Social security costs	303	222
Other pension costs	214	196
	<u> </u>	<u> </u>
	4,361	3,335
	<u> </u>	<u> </u>

7 Tax on result on ordinary activities

	1995 £000	1994 £000
Based on the result for the year:		
Corporation tax @ 25%	13	3
	<u> </u>	<u> </u>

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

Student Loans Company Limited

Notes (continued)

8 Tangible fixed assets

	Leasehold improvements	Computer equipment	Furniture, fixtures & fittings	Motor vehicles	Total
	£000	£000	£000	£000	£000
<i>Cost</i>					
At beginning of year	580	1,898	759	147	3,384
Additions	47	446	96	61	650
Disposals	-	(4)	(2)	(66)	(72)
	—	—	—	—	—
At end of year	627	2,340	853	142	3,962
	—	—	—	—	—
<i>Depreciation</i>					
At beginning of year	65	880	240	48	1,233
Charge for year	26	763	102	55	946
On disposals	-	(4)	(1)	(38)	(43)
	—	—	—	—	—
At end of year	91	1,639	341	65	2,136
	—	—	—	—	—
<i>Net book value</i>					
At 31 March 1995	536	701	512	77	1,826
	==	==	==	==	==
At 31 March 1994	515	1,018	519	99	2,151
	==	==	==	==	==

9 Debtors

	1995 £000	1994 £000 As restated
Management fees receivable	713	716
Other debtors	40	15
Prepayments and accrued income	444	461
	—	—
	1,197	1,192
	==	==

Student Loans Company Limited

Notes (continued)

10 Cash at bank and in hand

	1995 £000	1994 £000
Cash held in:		
Commercial bank accounts	471	172
HM Paymaster General office accounts	20,664	24,946
Cash in hand	1	1
	<u>21,136</u>	<u>25,119</u>

11 Creditors: amounts due within one year

	1995 £000	1994 £000 As restated
Loan funding received from the funding bodies not yet issued as student loans	18,134	24,903
Loan repayments received from students repayable to the funding bodies	2,671	167
Trade creditors	503	243
Corporation tax	4	3
Other creditors	27	6
Taxation and social security	720	643
Accruals and deferred income	274	346
	<u>22,333</u>	<u>26,311</u>

12 Deferred capital receipts

	1995 £000	1994 £000
At 1 April	2,151	2,130
Receivable for the year	621	511
Credited to profit and loss account	(946)	(490)
	<u>1,826</u>	<u>2,151</u>
At 31 March		

Student Loans Company Limited

Notes (continued)

13 Called up share capital

	1995 £	1994 £
<i>Authorised</i>		
Ordinary shares of £1 each	100	100
	==	==
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	10	10
	==	==

14 Movement in shareholders' funds

As the opening and closing reserves are £Nil and there have been no share issues during the year there has been no movement in shareholders' funds during the year (1994: no movements).

15 Cash flows

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

	1995 £000	1994 £000
Result on ordinary activities before taxation and net interest receivable	(38)	(10)
Additional depreciation on disposal of fixed assets	-	16
Depreciation	946	474
Deferred capital receipts	(946)	(490)
	==	==
	(38)	(10)
Increase in debtors, excluding interest receivable	(5)	(346)
Increase in creditors	287	44
	==	==
Net cash inflow/(outflow) from administration activities	244	(312)
Net increase in loans provided to students	(486,726)	(278,123)
Net increase in loan funding received from the funding bodies	479,957	303,785
Movement on loan repayments received from borrowers not yet remitted to the funding bodies	2,504	(656)
	==	==
Net cash (outflow)/inflow from operating activities	(4,021)	24,694
	==	==

Student Loans Company Limited

Notes (continued)

15 Cash flows (continued)

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

	1995 £000	1994 £000
Balance at 1 April	25,119	418
Net cash (outflow)/inflow (note 15(c))	(3,983)	24,701
Balance at 31 March	21,136	25,119

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

	1995 £000	1994 £000	Change in year £000
Cash at bank and in hand	21,136	25,119	(3,983)

16 Financial commitments

At 31 March 1995 and 1994 the company had an annual commitment under a non-cancellable operating lease as set out below:

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

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

At 31 March 1995 the company had contracts for the supply of computing services in respect of its loan administration system. Under the terms of the contracts the company has a commitment of £1,515,000 (1994: £2,740,000) in respect of the year to 31 March 1996.

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

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Notes (continued)

17 Pensions

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

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

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

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

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

During the year under review, the pensions charge in the profit and loss account of £186,000 (1994: £173,000) was equivalent to the contributions due to the scheme between 1 April 1994 and 31 March 1995. In addition the company made pension contributions of £28,000 (1994: £23,000) to the personal pension plans of certain employees of the company.