
**Open University Student Budget
Accounts Limited**

**Financial Statements
for the year ended 31 July 2018**

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The Directors present their Annual Report and the audited financial statements of the Company for the year ended 31 July 2018.

The Directors' report has been prepared taking advantage of the small companies exemption in accordance with section 415A of the Companies Act 2006.

The Directors have also taken advantage of the exemption available to small companies under section 414B of the Companies Act 2006, and consequently no strategic report has been prepared.

Company Information

Open University Student Budget Accounts Limited ('OUSBA') was incorporated as a Private Limited Company in England on 8 March 1995. It is registered in England at Companies House under number 03030735 and its registered address is PO Box 508, Walton Hall, Milton Keynes, MK7 6HX.

Principal Activities

The Company is engaged in advancing loans to students of The Open University ('the University') for the payment of course fees under instalment credit agreements and undertakes the subsequent collection of repayments.

Review of the Business and Future Outlook

The operating profit for the year ended 31 July 2018 amounted to £78,000 (year ended 31 July 2017: £243,000).

OUSBA continues to play a key role in enabling students who either do not have access to the Student Loans Company or choose to pay via OUSBA to enable them to undertake study with The Open University by allowing them to spread the cost of their studies.

The benefits of the implementation of a new loans management system continue to provide greater efficiencies and this has enabled the number of staff required to operate the Company to be reduced. The benefits of online services have improved customer experience and have enabled greater self-servicing through improved application processing and additional payment flexibility.

The Company will continue to develop its systems and processes to both meet the changing regulators' reporting requirements and to provide enhanced products.

Results and Dividends

The Company has a policy of paying over its profits to The Open University under Gift Aid and the profit of £78,000 will be paid over in respect of the year ended 31 July 2018 (year ended 31 July 2017: £243,000).

No dividends have been paid or are proposed for the year ended 31 July 2018 (year ended 31 July 2017 £Nil).

Statement of Corporate Governance

The Company is wholly owned by the University. The Chair of the Board is the University's Group Finance Director and the remaining places on the Board are filled by a nominee of The Open University Students Association and three nominees of the University's Vice-Chancellor drawn from University staff. All appointments are subject to the consent of the University's Council.

The Company's only customers are students referred to it by the University under an agreement dated 31 July 2006. This agreement sets out the obligations and responsibilities between the Company and the University regulating the operation of the loan facility provided to the University's students. The Board meets at least three times a year and there are no formally constituted committees. The Company has no employees and the Directors have no personal financial interest in the Company.

Administration of the Company is undertaken by staff of the University under a service agreement dated 31 July 2006. The Company therefore benefits from the strong corporate governance arrangements operating within the University.

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, 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 also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

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

The Directors of the Company who served during the year and up to the date of signing the financial statements are as follows:

	Appointed	Resigned
Mr L J Holden (chair)	1 November 2017	
Mr B Cheyne		
Mr M J Kenward		30 November 2017
Mr N Macarte		
Ms R G Tudor		31 July 2018
Mr D M Zuydam (chair)		31 October 2017
Mrs N Simpson	1 August 2018	22 October 2018

Directors' Indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force.

The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Independent Auditors

The Company is deemed to have reappointed its independent auditors in accordance with section 487(2) of the Companies Act 2006. In the absence of a notice proposing that the appointment be terminated, the independent auditors will be deemed to be re-appointed for the next financial year.

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as independent auditors.

By order of the Board on 23 October 2018.



B CHEYNE
Company Secretary

Open University Student Budget Accounts Limited
PO Box 508
Walton Hall
Milton Keynes
MK7 6HX

Report on audit of the Financial Statements

Opinion

In our opinion, Open University Student Budget Accounts Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 July 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Financial Statements (the "Annual Report"), which comprise: the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity; the accounting policies; and the notes to the financial statements.

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, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

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.

Reporting on other information (continued)

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 Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 July 2018 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 Directors' Report.

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 set out on page 3, 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.

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.

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 received 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 the 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.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



Gillian Hinks (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Milton Keynes
23 October 2018

1 Basis of Preparation

These financial statements have been prepared on the going concern basis under the historical cost convention in accordance with the Companies Act 2006 and applicable Accounting Standards in the United Kingdom, including Financial Reporting Standard 102 (FRS 102). The principal accounting policies, which have been applied consistently throughout the year, are set out below, except for change in gift aid accounting as explained in note 12 of these financial statements.

The Company operates with staff and in buildings provided by The Open University under an agreement dated 31 July 2006. The Company makes payments to the University in respect of such services, calculated on the basis of cost recovery. The Company has no fixed assets of its own and all staff are supplied by and employed by The Open University.

2 Recognition of Income

Operating Income

Operating income represents amounts receivable in respect of interest on loans made to students together with service charges payable by The Open University. The interest is accrued on a daily basis and immediately recognised at this point as operating income.

Under the terms of the agreement dated 31 July 2006 The Open University makes a contribution to the Company towards the cost of operating the deferred payment facility for University students.

Interest Receivable

Interest receivable from customers for the period represents charges in accordance with loan terms operating under agreements controlled by the Consumer Credit Act.

Under the terms of the agreement dated 31 July 2006, The Open University makes loan finance available to the Company at a market rate of interest to enable it to carry out its loan activities.

3 FRS 102 Exemptions Taken

The Company is a wholly owned subsidiary of The Open University and as such has taken advantage of the following exemptions under FRS 102, *The Financial Reporting Standard applicable in the UK and Republic of Ireland*,

- The requirement to present a statement of cash flows and related notes. (*FRS 102, section 1.12B*).
- The requirement to disclose related party transactions and balances with its parent undertaking. (*FRS 102, section 1.12E*)
- A reconciliation of the number of shares outstanding at the beginning and end of the period

4 Significant Judgements and Accounting Estimates

Open University Student Budget Accounts Limited prepares its financial statements in accordance with FRS 102 as issued by the UK Financial Reporting Council. The application of which does not require management to make any significant judgements or accounting estimates when formulating the financial position and results for this Company.

5 Functional Currency

The financial statements of the Company are presented in the currency of the primary economic environment in which it operates (its functional currency). Therefore the results and financial position for the Company are presented in Sterling (£).

6 Financial Instruments

Sections 11 and 12 of FRS 102 have been adopted by the Company with the exception of exemptions highlighted in policy note 3.

- Basic financial assets, including trade and other receivables, cash and bank balances, are recognised at transaction price.
- Basic financial liabilities, including trade and other payables, and loans from The Open University are recognised at transaction price.
- Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised at transaction price.
- Current asset investments comprising of funds held on deposit are recognised at the lower of cost or net realisable value.
- Interest is accrued on a daily basis.

7 Cash and Cash equivalents

Cash and cash equivalents include cash in hand, cash at bank.

8 Share Capital

Share capital represents the value of ordinary shares subscribed to by the shareholder, The Open University.

9 Distribution to Equity Shareholders

The company has a deed of covenant in place to pay up its profits by way of Gift Aid to the parent charity. The FRC now considers Gift Aid payments to be a distribution.

**Open University Student Budget Accounts Limited
Financial Statements 2018**

**Statement of
Comprehensive Income**

	Note	Year Ended 31 July 2018 £'000	Year Ended 31 July 2017 £'000 Restated
Other operating income	2	1,206	1,339
Interest receivable and similar income	1	290	330
Interest payable and similar expenses	4	(74)	(72)
Net operating income		1,422	1,597
Other operating charges		(1,344)	(1,354)
Operating profit	5	78	243
Profit for the financial year		78	243
Total Comprehensive Income		78	243

There are no material differences between the profit and result for the financial year stated above and their historical cost equivalents.

The accounting policies on page 8 and 9, and the notes on pages 13 to 17 form part of these financial statements.

Restatement of the accounts to 31 July 2017 is due to changes in gift aid accounting which is further explained in note 12.

Open University Student Budget Accounts Limited
Financial Statements 2018

Balance Sheet

	Notes	As At 31 July 2018 £'000	As At 31 July 2017 £'000
Current Assets			
Debtors	6	7,603	8,489
Cash at bank and in hand		134	462
Total Current Assets		7,737	8,951
Creditors : Amounts falling due within one year	7	(737)	(1,151)
Net Current Assets		7,000	7,800
Creditors : Amounts falling due after more than one year	8	(6,000)	(6,800)
Net Assets		1,000	1,000
Capital and Reserves			
Called up share capital	9	1,000	1,000
Total Equity		1,000	1,000

The financial statements on pages 10 to 17 were approved by the Board of Directors on 23 October 2018 and signed on its behalf by:


B CHEYNE
 Director

Open University Student Budget Accounts Limited
 Registered number: 03030735

	Called-up share capital	Profit and Loss Account	Total
	£'000	£'000	£'000
At 1 August 2016	1,000	0	1,000
Total Comprehensive Income	0	243	243
Payment under Gift Aid	0	(243)	(243)
At 31 July 2017	1,000	0	1,000
Total Comprehensive Income	0	78	78
Payment under Gift Aid	0	(78)	(78)
At 31 July 2018	1,000	0	1,000

1 Interest Receivable and Similar income

	Year Ended 31 July 2018 £'000	Year Ended 31 July 2017 £'000
Interest receivable from customers	289	329
Interest receivable on bank and cash deposits	1	1
	290	330

2 Other Operating Income

	Year Ended 31 July 2018 £'000	Year Ended 31 July 2017 £'000
Service charges payable by The Open University	1,206	1,339

3 Staff Costs

The Company had no employees during the year (year ended 31 July 2017: nil).

The Directors received no emoluments and no recharges are made by The Open University to Open University Student Budget Accounts Limited in respect of their services to the Company (year ended 31 July 2017: nil).

4 Interest payable and similar expenses

	Year Ended 31 July 2018 £'000	Year Ended 31 July 2017 £'000
Interest payable on loans advanced by The Open University	(74)	(72)

5 Operating Profit

	Year Ended 31 July 2018 £'000	Year Ended 31 July 2017 £'000
Operating profit is stated after charging:		
Fees payable for the audit	4	6
Charges from The Open University for the provision of staff and services to the Company	967	1,000

The risk of bad and doubtful debts is borne by The Open University. During the year ended 31 July 2018 £168,000 (year ended 31 July 2017: £193,000) of debts were sold to The Open University by the Company. The Open University has a provision in place for doubtful debts at year end 31 July 2018 of £478,149 (year ended 31 July 2017: £451,298). The provision will not be recharged to the Company.

6 Debtors

	As at 31 July 2018 £'000	As at 31 July 2017 £'000
Balances outstanding on student loan accounts	7,338	8,296
Amounts owed by parent undertaking in relation to debts written off	168	193
Prepayments and accrued income	97	0
	7,603	8,489

No provision is made in these financial statements for bad and doubtful debts, the risk for which is borne by The Open University.

7 Creditors: Amounts falling due within one year

	As at 31 July 2018 £'000	As at 31 July 2017 £'000
Amounts owed to parent undertaking	673	1,066
Other creditors	64	85
	737	1,151

Intercompany balances are unsecured, and paid on a monthly basis with nil interest charges.

8 Creditors: Amounts falling due after more than one year

	As at 31 July 2018 £'000	As at 31 July 2017 £'000
Loan from parent undertaking maturing:		
Greater than five years	6,000	6,800

The Company received an unsecured loan from The Open University on 31 July 2006 that carried interest at a rate fixed to the Natwest base rate. The loan was then replaced by a loan facility of £20,000,000 during 2015/16 that carries interest at 1% above NatWest base rate, and which expires on 31 July 2027.

The Directors have received confirmation from The Open University that there is no intention to request a repayment of the loan within the next 12 months.

9 Called up share capital

	As at 31 July 2018 £'000	As at 31 July 2017 £'000
Authorised share capital of 1,000,000 (2017 : 1,000,000) ordinary shares of £1 each	1,000	1,000
1,000,000 (2017 : 1,000,000) ordinary share of £1 called up, issued and paid	1,000	1,000

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

10 Financial Instruments

	As At 31 July 2018 £'000	As At 31 July 2017 £'000
Financial assets that are debt instruments measured at amortised cost	7,640	8,489
Financial liabilities measured at amortised cost	(6,737)	(7,951)

11 Parent undertaking

The Company's immediate and ultimate parent undertaking and controlling party is The Open University, which is incorporated by Royal Charter in Great Britain. This is the parent of the smallest and largest group for which consolidated financial statements are prepared. Copies of The Open University's financial statements can be obtained from The Open University, PO Box 77, Walton Hall, Milton Keynes, MK7 6BT.

12 FRS 102 March 2018 - Gift aid payments

Following the amendments set out in the FRC's Triennial Review documents effective for accounting periods beginning on or after 1 January 2019 (i.e. for year ending 31 July 2020), the Company has opted for early application of the amendment relating to Gift Aid payment as permitted by the guidance documents for FRS 102 March 2018 edition.

These are the first financial statements prepared following the FRS 102 March 2018 edition. Gift Aid payment to a charitable parent should now be disclosed through Statement of Changes in Equity, not in the Statement of Comprehensive Income.

In preparing the current year's financial statements, the Company has adjusted amounts reported previously in financial statement prepared in accordance with the old FRS 102 (March 2013 edition). An explanation of how the adjustment has affected the financial performance is set out in the following pages.

The Company has put in place a Deed of Covenant that was passed and authorised during the board meeting on 25 July 2018, to pay the smaller of its Profits or Taxable Profits, through gift aid to the Parent Company within nine months of the close of the Company's financial year ending 31 July 2018.

As a result the Company can recognise the Gift Aid payment relating to the current year's profits in the current year's financial statements.

12 FRS 102 March 2018 – Gift aid payments (continued)

Reconciliation of Statement of Comprehensive Income

	Year Ended 31 July 2017		
	FRS102 March 2013 £'000	Effect of Gift Aid £,000	FRS102 March 2018 £'000 Restated
Other operating income	1,339	0	1,339
Interest receivable and similar income	330	0	330
Interest payable and similar expenses	(72)	0	(72)
Net operating income	1,597	0	1,597
Other operating charges	(1,354)	0	(1,354)
Operating profit	243	0	243
Profit for the financial year	243	0	243
Payment under Gift Aid	(243)	243	0
Profit for the financial year	0	243	243
Total Comprehensive Income	0	243	243

Reconciliation of Statement of Changes in Equity

	Year Ended 31 July 2017		
	FRS102 March 2013 £'000	Effect of Gift Aid £'000	FRS102 March 2018 £'000 Restated
At 1 August 2016	1,000	0	1,000
Total Comprehensive Income	0	243	243
Payment under Gift Aid	0	(243)	(243)
At 31 July 2017	1,000	0	1,000

Notes to the Reconciliation of Statement of Comprehensive Income and Statement of Changes in Equity

Section B29.13 of FRS 102 (March 2018) requires the gift aid payment to be accounted for as distribution to owners:

- "Payment under Gift Aid" line has been moved from SOCI to Statement of Changes in Equity resulting to a restated Total Comprehensive Income of £243k (FRS102 (March 2013): £nil)
- The net effect on the Statement of Changes in Equity is nil, and the closing balance for Total Equity remains the same.