

# **Open University Student Budget Accounts Limited**

Company Report

Independent Auditor's Report

Statement of Financial Accounting Policies

Profit and Loss Account

Balance Sheet

## **Financial Statements**

### **for the year ended 31 July 2014**

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The Directors present their Annual Report and the audited financial statements of the Company for the year ended 31 July 2014.

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.

## **Principal Activities**

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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.

## **Results and Dividends**

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The operating profit for the financial year ended 31 July 2014 amounted to £214,000 (2013: £141,000). The Company has a policy of paying over its profits to The Open University under Gift Aid and the profit of £214,000 will be paid over in respect of the year ended 31 July 2014 (2013: £141,000). No dividends have been paid or are proposed.

## **Future Developments**

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The new loans management system has been in operation since July 2012 processing loans for modules in presentation from 2012/13 onwards. The new system has enabled greater self-servicing through improved application processing and additional payment flexibility. Although some enhancements are still to be implemented the system is operating more effectively and efficiently than the previous loan management system.

## **Statement of Corporate Governance**

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The Company is wholly owned by the University. The Chair of the Board is the University's Finance Director and the remaining places on the Board are filled by a nominee of The Open University Students Association and two nominees of the University's Vice-Chancellor drawn from University staff (one position is currently vacant following the departure of the Director, Student Recruitment & Financial Support, in May 2013). 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.

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## **Directors' Responsibilities Statement**

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The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In relation to the Company's financial statements published on The Open University's website, The Open University's management is responsible to its Council for the maintenance and integrity of The Open University website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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## **Disclosure Information to Auditors**

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In accordance with Section 418 of the Companies Act 2006, each Director in office at 23 September 2014 confirms that:

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



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## **Directors**

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

M S Hedges (chair)  
M J Kenward  
R Evans (to 01 August 2014)  
M Cantieri (from 01 August 2014)

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## **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.

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## **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 September 2014.



B CHEYNE  
Company Secretary

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

## **Report on the financial statements**

### **Our Opinion**

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the Company's affairs as at 31 July 2014 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

### **What we have audited**

The financial statements, which are prepared by Open University Student Budget Accounts Limited, comprise:

- the Profit and Loss Account for the year ended 31 July 2014;
- the Balance Sheet as at 31 July 2014;
- the Statement of Principal Accounting policies; and
- the Notes to the Financial Statements, which include other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

### **What an audit of financial statements involves**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on other matters prescribed by the Companies Act 2006**

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

## **Other matters on which we are required to report by exception**

### **Adequacy of accounting records and information and explanations received**

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 auditor; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. 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: prepare financial statements in accordance with the small companies regime; take advantage of the small companies exemption in preparing the Directors' Report; and take advantage of the small companies exemption from preparing a strategic report.

We have no exceptions to report arising from this responsibility.

## **Responsibilities for the financial statements and the audit**

### **Our responsibilities and those of the Directors**

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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



MIKE ROBINSON (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Milton Keynes

23 September 2014

## **1 Basis of Preparation**

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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. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

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 Net Operating Income**

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Operating income represents amounts receivable in respect of interest on loans made to students together with service charges payable by The Open University.

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

Amounts payable to The Open University in respect of interest on loans advanced to the Company are netted off against operating income.

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 Cash Flow Statement**

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The Company is a wholly owned subsidiary of The Open University and its results and cash flows are included in the consolidated financial statements of The Open University, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1, *Cash Flow Statements (Revised 1996)*.

**Open University Student Budget Accounts Limited**  
**Financial Statements 2014**

**Profit and Loss Account**  
**for the year ended 31 July 2014**

	Notes	Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000
Interest receivable and similar income	1	735	802
Other operating income	2	1,500	1,700
Interest payable and similar charges	5	(287)	(272)
<b>Net operating income</b>		<b>1,948</b>	2,230
Other operating charges		(1,734)	(2,089)
<b>Operating profit</b>	4	<b>214</b>	141
Donation to The Open University		(214)	(141)
<b>Result for the financial year</b>	10	<b>0</b>	0

There are no recognised gains or losses in the financial year other than the results disclosed above, which are all in respect of continuing operations.

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

The accounting policies on page 7 and the notes on pages 10 to 12 form part of these financial statements.

**Open University Student Budget Accounts Limited**  
**Financial Statements 2014**

**Balance Sheet**  
**as at 31 July 2014**

	Notes	As At 31 July 2014 £'000	As At 31 July 2013 £'000
<b>Current Assets</b>			
Debtors	6	62,525	62,080
Cash at bank and in hand		345	575
		<b>62,870</b>	62,655
Creditors : Amounts falling due within one year	7	(2,370)	(2,155)
<b>Net Current Assets</b>		<b>60,500</b>	60,500
Creditors : Amounts falling due after more than one year	8	(60,000)	(60,000)
<b>Net Assets</b>		<b>500</b>	500
<b>Capital and Reserves</b>			
Called up share capital	9	500	500
<b>Total Shareholders' Funds</b>	10	<b>500</b>	500

The financial statements on pages 8 to 12 were approved by the Board of Directors on 23 September 2014 and signed on its behalf by:



**M S HEDGES**  
 Director



**M J KENWARD**  
 Director

Open University Student Budget Accounts Limited  
 Registered Number: 03030735

<b>1 Interest Receivable and Similar income</b>	<b>Year Ended 31 July 2014 £'000</b>	<b>Year Ended 31 July 2013 £'000</b>
Interest receivable from customers	528	608
Interest receivable on bank and cash deposits	2	5
Other income	0	17
Interest receivable from parent undertaking	205	172
	<b>735</b>	<b>802</b>

<b>2 Other Operating Income</b>	<b>Year Ended 31 July 2014 £'000</b>	<b>Year Ended 31 July 2013 £'000</b>
Service charges payable by The Open University	<b>1,500</b>	1,700

### **3 Staff Costs**

The Company had no employees during the year (2013 : 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.

<b>4 Operating Profit</b>	<b>Year Ended 31 July 2014 £'000</b>	<b>Year Ended 31 July 2013 £'000</b>
Operating profit is stated after charging/(crediting):		
Fees payable for the audit	<b>4</b>	6
Charges from The Open University for the provision of staff and services to the company	<b>1,300</b>	1,616

<b>5 Interest payable and similar charges</b>	Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000
Interest payable on loans advanced by The Open University	<b>287</b>	272

<b>6 Debtors</b>	Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000
Balances outstanding on student loan accounts	12,103	22,024
Amounts owed by parent undertaking in relation to debts written off	6,322	6
Loan to parent undertaking	44,100	40,050
	<b>62,525</b>	62,080

No provision is made in these financial statements for bad and doubtful debts, the risk for which is borne by The Open University. The loan to the parent undertaking is unsecured and carries interest at a rate fixed to the Natwest Bank base rate.

<b>7 Creditors: Amounts falling due within one year</b>	Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000
Amounts owed to parent undertaking arising in the course of trade	2,344	1,970
Other creditors	26	185
	<b>2,370</b>	2,155

<b>8 Creditors: Amounts falling due after more than one year</b>	Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000
Loan from parent undertaking	<b>60,000</b>	60,000

The Company received an unsecured loan from The Open University on 31 July 2006 due for repayment in 2016 that carries interest at a rate fixed to Natwest base rate. Interest is calculated daily and charged quarterly. The directors have received confirmation from The Open University that there is no intention to call for repayment in the next 12 months.



<b>9 Called up share capital</b>	Year Ended 31 July 2014 £'000	Year Ended 31 July 2013 £'000
Authorised share capital of 500,000 ordinary shares of £1 each	<b>500</b>	500
500,000 ordinary share of £1 called up, issued and paid	<b>500</b>	500

	Called up Share Capital £'000	Profit and Loss Account £'000	Total Shareholders' Funds £'000
<b>10 Reconciliation of movements in shareholders' funds</b>			
As at 1 August 2013	500	0	500
Result for the financial year	0	0	0
<b>As at 31 July 2014</b>	<b>500</b>	<b>0</b>	<b>500</b>

### **11 Related party transactions**

The Company has taken advantage of the exemption in FRS 8, *Related Party Transactions*, and has not disclosed transactions and balances with its parent undertaking.

### **12 Parent undertaking**

The Company's immediate and ultimate parent undertaking 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.