## CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors’ Report</td>
<td>2</td>
</tr>
<tr>
<td>Independent Auditors' Report</td>
<td>4</td>
</tr>
<tr>
<td>Statement of Principal Accounting Policies</td>
<td>5</td>
</tr>
<tr>
<td>Profit and Loss Account</td>
<td>6</td>
</tr>
<tr>
<td>Balance Sheet</td>
<td>7</td>
</tr>
<tr>
<td>Notes to the Accounts</td>
<td>8</td>
</tr>
</tbody>
</table>
The Directors submit the annual report and the audited financial statements of the Company for the year ended 31 July 2008.

The Directors’ report has been prepared in accordance with the special provisions relating to small companies with part VII of the Companies Act 1985.

Principal Activities
The charitable objects of the Company are the advancement of education by the provision of assistance and benefit for the educational purposes of The Open University.

On 31 July 2002 the Company purchased the Michael Young building, Walton Drive, Milton Keynes, and has leased part to Open University Worldwide Limited and allowed The Open University to occupy the remainder of the property at no cost.

Results
The loss on ordinary activities for the year ended 31 July 2008 amounted to £133,666 (year ended July 2007 a loss of £13,391). The Company is able to meet all its liabilities for the foreseeable future as future rental receipts exceed projected payments.

Review of the Business
Following a review of the business it was agreed with the Company’s parent, The Open University, to evaluate the relative merits of continuing to operate as at present or transferring the Company’s assets and liabilities to its parent. The evaluation is now expected to be completed during the year to 31 July 2009 and any transfers that are agreed are expected to take place by that date.

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 regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that 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 1985. 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.
Statement of Directors’ responsibilities in respect of the Financial Statements (continued)

In relation to the Company's financial statements published on The Open University’s website, The Open University's management is responsible to 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.

Directors

The Directors of the Company who served during the year and up to the date of this report are as follows:

- M S Hedges - from 23 October 2007
- R J Hall - from 23 October 2007
- The Open University - to 23 October 2007

Annual General Meeting

In accordance with section 252(1) of the Companies Act 1985, the Company has passed a resolution electing to dispense with the obligation to lay accounts and reports before the Company in a general meeting. In accordance with section 366A(1) of the Companies Act 1985, the Company has passed a resolution electing to dispense with the obligation to hold annual general meetings.

Statement of Disclosure to Auditors

So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware.

The Directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

In accordance with section 386(1) of the Companies Act 1985, the Company has passed a resolution electing to dispense with the obligation to appoint auditors annually.

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

By order of the Board on 8 October 2008.

Secretary R J Hall
Address OU Properties (Walton Drive) Limited
PO Box 77
Walton Hall
Milton Keynes
MK7 6HX
INDEPENDENT AUDITORS' REPORT to the members of OU Properties (Walton Drive) Limited

We have audited the financial statements of OU Properties (Walton Drive) Limited for the year ended 31 July 2008 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors’ responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors’ Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company’s members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors’ Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors’ remuneration and other transactions is not disclosed.

We read the Directors’ Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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:

a. the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company’s affairs as at 31 July 2008 and of its loss for the year then ended;

b. the financial statements have been properly prepared in accordance with the Companies Act 1985; and

c. the information given in the Directors’ Report is consistent with the financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Milton Keynes
8 October 2008
OU PROPERTIES (WALTON DRIVE) LIMITED

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

1. Basis of preparation

   The financial statements have been prepared under the historical cost convention in accordance with the Companies Act 1985 and applicable Accounting Standards.

2. Cash Flow Statement

   The Company is a wholly-owned subsidiary of The Open University and is 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 the Financial Reporting Standard 1 Cash Flow Statements (revised 1996).

   The Company is also exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of The Open University group.

3. Land and buildings

   Land and buildings held at 31 July 2008 are shown at cost.

   Freehold land is not depreciated as it is considered to have an indefinite useful life. Buildings are depreciated over their expected useful lives of 40 years. Where buildings have a major refurbishment to adapt them for another use or extend their original useful life the refurbishment cost is depreciated over their revised expected useful lives, which is a maximum of 40 years from date of the adaptation. Minor refurbishments to buildings are depreciated over the remaining expected useful life of the building, with a maximum period of 10 years.

   The company has not adopted a policy of annual revaluations. However, the carrying values of assets are subject to impairment reviews as set out in Financial Reporting Standard 11, Impairment of Fixed Assets and Goodwill.

4. Maintenance of premises

   Part of the premises are let on a full repairing lease with provision for full reinstatement on termination of the lease in 2023. Consequently no provision has been made in the Company's accounts for future maintenance liabilities.

5. Taxation status

   The Company is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Section 506(1) of the Taxes Act 1988. Accordingly, the Company is potentially exempt in respect of income or capital gains received within categories covered by Section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes.

6. Turnover

   Turnover represents rental income receivable. The rental operating lease income is accounted for on a straight line basis with any rental increases recognised during the period to which they relate.
OU PROPERTIES (WALTON DRIVE) LIMITED

PROFIT AND LOSS ACCOUNT for the year ended 31 July 2008

<table>
<thead>
<tr>
<th>Note</th>
<th>Year Ended 31 July 2008</th>
<th>Year Ended 31 July 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td><strong>Turnover</strong></td>
<td>108,058</td>
<td>95,969</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(244,891)</td>
<td>(244,891)</td>
</tr>
<tr>
<td><strong>Gross loss</strong></td>
<td>(136,833)</td>
<td>(148,922)</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>1 (18,093)</td>
<td>121,011</td>
</tr>
<tr>
<td><strong>Operating loss for the financial year</strong></td>
<td>2 (154,926)</td>
<td>(27,911)</td>
</tr>
<tr>
<td>Interest receivable</td>
<td>3 21,260</td>
<td>14,520</td>
</tr>
<tr>
<td><strong>Loss for the financial year</strong></td>
<td>8 (133,666)</td>
<td>(13,391)</td>
</tr>
</tbody>
</table>

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

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

The accounting policies on page 5 and the notes on pages 8 and 9 form part of these financial statements.
OU PROPERTIES (WALTON DRIVE) LIMITED

BALANCE SHEET as at 31 July 2008

<table>
<thead>
<tr>
<th>Note</th>
<th>As at 31 July 2008 £</th>
<th>As at 31 July 2007 £</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FIXED ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tangible assets</td>
<td>4</td>
<td>8,210,654</td>
</tr>
<tr>
<td><strong>CURRENT ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debtors</td>
<td>5</td>
<td>341,411</td>
</tr>
<tr>
<td>Cash at bank and in hand</td>
<td></td>
<td>377,743</td>
</tr>
<tr>
<td><strong>CURRENT LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Creditors: amounts falling due within one year</td>
<td>6</td>
<td>(94,091)</td>
</tr>
<tr>
<td><strong>NET CURRENT ASSETS</strong></td>
<td></td>
<td>625,063</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS LESS CURRENT LIABILITIES</strong></td>
<td></td>
<td>8,835,717</td>
</tr>
<tr>
<td><strong>CAPITAL AND RESERVES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Called up share capital</td>
<td>7</td>
<td>9,680,000</td>
</tr>
<tr>
<td>Profit and loss account</td>
<td>8</td>
<td>(844,283)</td>
</tr>
<tr>
<td><strong>Equity shareholder’s funds</strong></td>
<td>8</td>
<td>8,835,717</td>
</tr>
</tbody>
</table>

The financial statements on pages 6 to 9 were approved by the Directors on 8 October 2008 and signed on its behalf by:

M.S. HEDGES
Director

The notes on pages 8 and 9 form part of these financial statements.
### Administrative expenses

<table>
<thead>
<tr>
<th>Item</th>
<th>Year Ended 31 July 2008</th>
<th>Year Ended 31 July 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal costs</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>Bank charges</td>
<td>1</td>
<td>28</td>
</tr>
<tr>
<td>Other</td>
<td>18,077</td>
<td>(121,054)</td>
</tr>
<tr>
<td></td>
<td><strong>18,093</strong></td>
<td><strong>(121,011)</strong></td>
</tr>
</tbody>
</table>

After review, and having taken appropriate professional advice, the Company's parent refunded previous payments in respect of notional VAT relating to the leasing arrangements for the building, which are reflected in the category of other administrative expenses in the comparative.

### Operating loss

Operating loss is stated after charging/crediting:

- Auditors' remuneration: 950 / 900
- Rental receivable under operating leases: (93,877) / (80,069)
- Depreciation: 244,891 / 244,891

There were no employees of the Company during the year. The directors (who are listed on page 3) received neither remuneration nor expenses during the year.

### Interest receivable

<table>
<thead>
<tr>
<th>Item</th>
<th>Year Ended 31 July 2008</th>
<th>Year Ended 31 July 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank Interest</td>
<td>21,260</td>
<td>14,520</td>
</tr>
</tbody>
</table>

### Tangible assets

#### Cost: Land and Buildings

<table>
<thead>
<tr>
<th>Description</th>
<th>Year Ended 31 July 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 August 2007 and at 31 July 2008</td>
<td>9,680,000</td>
</tr>
<tr>
<td>Depreciation</td>
<td></td>
</tr>
<tr>
<td>At 1 August 2007</td>
<td>1,224,455</td>
</tr>
<tr>
<td>Charge for the year</td>
<td>244,891</td>
</tr>
<tr>
<td>At 31 July 2008</td>
<td>1,469,346</td>
</tr>
<tr>
<td>Net book amount at 31 July 2008</td>
<td>8,210,654</td>
</tr>
<tr>
<td>Net book amount at 31 July 2007</td>
<td>8,455,545</td>
</tr>
</tbody>
</table>
5 Debtors - amounts falling due within one year
   Amounts due from group undertakings  339,706  336,886
   Other debtors  1,705  49
   341,411  336,935

6 Creditors - amounts falling due within one year
   Amounts due to group undertakings  76,789  104,712
   VAT payable  13,475  18,375
   Other creditors  3,827  3,678
   94,091  126,765

7 Called up share capital
   Authorised share capital of ordinary shares of £1 each.  10,000,000  10,000,000
   Ordinary shares of £1 called up, issued and fully paid.  9,680,000  9,680,000

8 Reconciliation of movement in shareholder's funds

<table>
<thead>
<tr>
<th>Share Capital</th>
<th>Profit and Loss Account</th>
<th>Shareholder's Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>£</td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>At 1 August 2007  9,680,000  (710,617)  8,969,383</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss for the year  --  (133,666)  (133,666)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 31 July 2008  9,680,000  (844,283)  8,835,717</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

9 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.

10 Parent undertaking

The 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.