

OPEN UNIVERSITY WORLDWIDE LIMITED

Company Registration number 1260275

FINANCIAL STATEMENTS

For the Year ended 31 July 2009

OPEN UNIVERSITY WORLDWIDE LIMITED

FINANCIAL STATEMENTS for the year ended 31 July 2009

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OPEN UNIVERSITY WORLDWIDE LIMITED

DIRECTORS' REPORT

The Directors present their Annual Report and the audited financial statements of the Company for the year ended 31 July 2009.

Principal Activities

The main business activity of the Company is to provide a commercial framework for achieving the Company's mission, which has been defined as:

'To meet the supported open learning needs of students and educational or training organisations worldwide by helping The Open University to become the leading quality provider of learning opportunities, distance teaching methodologies, materials and intellectual property.'

Review of the Business

The profit before taxation of the Company was £2,131,000 (year ended 31 July 2008: £870,000) on sales of £9,826,000 (year ended 31 July 2008: £6,561,000). The increase in profit was due to additional sales derived from existing international partnerships, most notably in the Middle East. In addition, the English in Action project in Bangladesh, in its first full year, provided increased sales revenue.

The Company is financed by long term loans from its parent, The Open University, totalling £3,120,000 (year ended 31 July 2008: £3,294,000). The Company lends back to The Open University any funds not required to finance its operations.

Results and Dividends

The Company for many years has, under Deed of Covenant, paid over its profits computed for taxation purposes to The Open University. The Deed of Covenant dated 24 July 1998 enables the Company to retain profit to be used to help with finance for development needs. Under the Deed of Covenant, the Company pays the University the greater of 85% of taxable profits or 100% of taxable profits less a maximum retention of £50,000 and in respect of the year ended 31 July 2009, the gross amount payable was £2,094,000 (year ended 31 July 2008: £828,000). No dividends have been paid or are proposed. The Company paid interest on loans from The Open University of £112,000 (year ended 31 July 2008: £207,000).

Research and Development

The Company's business relies on the sale of materials and services emanating from The Open University and so the Company does not undertake its own research and development, other than the assessment of potential international markets for those materials and services.

Principal Risks and Uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks.

The key business risks affecting the Company relate to the availability of materials and services from The Open University for delivery in the UK and international markets. Demand for these materials and services will be affected by competition in local markets and political and regulatory issues in these markets.

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DIRECTORS' REPORT (continued)

Future Outlook

General planning objectives for the Company are both to seek further opportunities to develop the sales of the wide range of services and materials used by The Open University for its teaching purposes and to act as the trading vehicle for other commercial initiatives promoting the interests of The Open University. Turnover from other business streams is expected to at least match those achieved this year.

Directors' Responsibilities Statement

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 elected to prepare 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 those 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.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In accordance with Section 418, each Director in office at 30 September 2009 confirms that:

- (a) so far as the Director is aware, there is no relevant 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 the information.

OPEN UNIVERSITY WORLDWIDE LIMITED

DIRECTORS' REPORT (continued)

Directors

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

Professor D M Vincent – Chair
Professor J Fleck
Mr A Gribbon
Mr M S Hedges
Dr N R Kemp
Professor A W Tait
Mr A F Woodburn

Directors' Interests

None of the Directors has any interest in the shares of the Company.

Auditors

The Company is deemed to have reappointed its 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 auditors will be deemed to be re-appointed for the next financial year.

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

By Order of the Board on 30 September 2009.

**J D Boyle
Secretary**

The Michael Young Building
Walton Hall
Milton Keynes
MK7 6AA

INDEPENDENT AUDITORS' REPORT to the Members of Open University Worldwide Limited

We have audited the financial statements of Open University Worldwide Limited for the year ended 31 July 2009 which comprise the profit and loss account, the balance sheet, the statement of principal accounting policies and the related notes. 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).

Respective Responsibilities of Directors and Auditors

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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and 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 Section 495 and 496 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.

Scope of the audit of the financial statements

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.

Opinion on financial statements

In our opinion the financial statements:

- a. give a true and fair view of the state of the Company's affairs as at 31 July 2009 and of its profit for the year then ended;
- b. have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- c. have been prepared in accordance with the requirements of the Companies Act 2006.

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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Roy Tandy (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands

30 September 2009

OPEN UNIVERSITY WORLDWIDE LIMITED

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

(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. As the Company is a wholly owned subsidiary of its parent undertaking, the accounts comprise only the Company and none of its associates.

(2) **Turnover**

Turnover represents the value of goods sold, royalty income and licence fees receivable, and credit card commission receivable, excluding VAT.

(3) **Recognition of income**

Income for specific purposes, such purposes being designated under a specific agreement or contract, and which can only be applied for those specific purposes is credited to the profit and loss account over the life of the agreement or contract when the conditions attaching to its receipt have been met, such as incurring the appropriate expenditure, including expenditure on indirect costs.

(4) **Recognition of expenditure**

Expenditure is recognised in respect of goods and services received when supplied in accordance with contractual terms.

Provision is made when an obligation exists for a future liability in respect of a past event and where the amount of the obligation can be reliably estimated.

Restructuring costs are recognised in respect of the direct expenditure of a reorganisation where plans are sufficiently detailed and well advanced and where appropriate communication to those affected has been undertaken at the balance sheet date.

Loan interest is charged to the profit and loss account on a daily basis.

(5) **Film Masters, Rights and Permissions**

Expenditure on film masters, rights and permissions is written off as incurred.

(6) **Foreign Currencies**

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling either at year end rates or, where there are related forward foreign exchange contracts, at contract rates. The resulting exchange differences are dealt with in the determination of the profit and loss for the financial year.

(7) **Deferred Taxation**

Deferred taxation has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation, or a right to pay less taxation, in future. An asset is not recognised to the extent that the transfer of economic benefits in future is uncertain. Deferred tax assets and liabilities recognised have not been discounted.

OPEN UNIVERSITY WORLDWIDE LIMITED

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

(8) Pensions

The Company participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is externally funded and contracted out of the State Second Pension. The assets of the scheme are held in a separate trustee-administered fund. It is not possible to identify each participating employer's share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 *Retirement Benefits*, the Company accounts for USS as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account for the accounting period represents the contributions payable to the scheme in respect of the accounting period.

(9) Cash Flow Statement

The Company is a wholly owned subsidiary of The Open University whose 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 Financial Reporting Standard 1 (revised 1996).

OPEN UNIVERSITY WORLDWIDE LIMITED

PROFIT AND LOSS ACCOUNT for the year ended 31 July 2009

	Notes	Year Ended 31 July 2009		Year Ended 31 July 2008	
		£000	£000	£000	£000
Turnover	1		9,826		6,561
Cost of Sales			(4,609)		(2,742)
Gross Profit			5,217		3,819
Selling and Distribution Costs			(138)		(168)
Administrative Expenses			(2,939)		(2,800)
			(3,077)		(2,968)
Operating Profit on Ordinary Activities before Interest and Taxation	3		2,140		851
Interest Receivable	4		103		226
Interest Payable	4		(112)		(207)
			(9)		19
Profit on Ordinary Activities before Taxation			2,131		870
Taxation on Profit on Ordinary Activities	5		(27)		(61)
Payable under Deed of Covenant to The Open University	6		(2,094)		(828)
			(2,121)		(889)
Retained Profit/(Loss) for the Financial Year	11		10		(19)

There were no recognised gains or losses other than the results for the periods disclosed above, which were all in respect of continuing operations.

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

The accounting policies on pages 6 and 7 and notes on pages 10 to 13 form part of these financial statements.

OPEN UNIVERSITY WORLDWIDE LIMITED

BALANCE SHEET as at 31 July 2009

	Notes	As At 31 July 2009 £000	As At 31 July 2008 £000
CURRENT ASSETS			
Debtors	7	5,315	4,406
Cash at Bank and in hand		<u>3,152</u>	<u>2,723</u>
		8,467	7,129
CREDITORS: Amounts falling due within one year			
	8	<u>(4,992)</u>	<u>(3,490)</u>
NET CURRENT ASSETS			
		<u>3,475</u>	<u>3,639</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		3,475	3,639
CREDITORS: Amounts falling due after more than one year			
	9	<u>(3,120)</u>	<u>(3,294)</u>
NET ASSETS			
		<u>355</u>	<u>345</u>
CAPITAL AND RESERVES			
Called Up Share Capital	10	260	260
Profit and Loss Account	11	<u>95</u>	<u>85</u>
TOTAL SHAREHOLDER'S FUNDS			
	11	<u>355</u>	<u>345</u>

The financial statements on pages 6 to 13 were approved by the Board of Directors on 30 September 2009 and signed on their behalf by:

D M VINCENT
Director

M S HEDGES
Director

OPEN UNIVERSITY WORLDWIDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

	Year Ended 31 July 2009 £000	Year Ended 31 July 2008 £000
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(1) ANALYSIS OF TURNOVER

Analysis of turnover by major geographical area:

European Union	5,082	3,015
Rest of Europe	841	629
Far East	1,000	1,119
Middle East	2,195	1,207
Africa	346	422
North America	211	88
Other	151	81
	<u>9,826</u>	<u>6,561</u>

(2) STAFF COSTS

Wages and salaries	1,636	1,528
Social security costs	92	99
Other pension costs	164	173
Total staff costs	<u>1,892</u>	<u>1,800</u>

Staff costs includes £379,000 (year ended 31 July 2008: £275,000) in respect of agency costs.

Average number of employees	37	40
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	£000	£000
Directors' emoluments:		
Aggregate emoluments	97	94
Contributions to defined benefit pension scheme	14	13

Retirement benefits are accruing to 1 (year ended 31 July 2008:1) director under a defined benefit scheme.

OPEN UNIVERSITY WORLDWIDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

	Year Ended 31 July 2009 £000	Year Ended 31 July 2008 £000
(3) OPERATING PROFIT		
Operating profit is stated after charging:		
Fees payable for the audit	14	14
Provision for bad debts	-	12
	<u> </u>	<u> </u>
(4) INTEREST		
Interest receivable:		
Bank interest	56	130
Interest receivable from The Open University	47	96
	<u>103</u>	<u>226</u>
Interest payable:		
Interest payable to The Open University	112	207
	<u> </u>	<u> </u>
(5) TAXATION ON PROFIT ON ORDINARY ACTIVITIES		
Taxation is based on profit for the year and is as follows:		
UK Corporation tax on profits for the year	11	10
Double taxation relief	(11)	(10)
Foreign taxes suffered	27	61
	<u>27</u>	<u>61</u>

The small companies tax rate in the UK is 21% with effect from 1 April 2008.

(6) PAYMENT UNDER DEED OF COVENANT

Under the terms of the Deed of Covenant dated 24 July 1998 the Company undertook to pay over to The Open University, the greater of 85% of taxable profits or 100% of taxable profits less a maximum retention of £50,000.

OPEN UNIVERSITY WORLDWIDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

	As At 31 July 2009 £000	As At 31 July 2008 £000
(7) DEBTORS		
Trade debtors	3,124	1,905
Other debtors	118	134
Prepayments and accrued income	567	602
Loan to parent undertaking	1,506	1,688
Amounts due from group undertakings	-	77
	5,315	4,406

The loan to the parent undertaking is unsecured and carries interest at a rate of 1% above base rate. It is repayable on demand in the event that the funds are required by the Company.

(8) CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

Trade creditors	110	131
Accruals and deferred income	1,175	971
Amounts due to parent	3,707	2,281
Amounts due to group undertakings	-	107
	4,992	3,490

(9) CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

Loans maturing:		
In more than five years	220	220
Between two and five years	2,900	3,074
	3,120	3,294

The loan balance relates to unsecured loans from The Open University to finance working capital requirements.

£220,000 of the loan balance bears interest at the fixed rate of 10%. The remainder of the loan balance accumulates interest at 1% above base rate; it is repayable on receipt of written demand or by 31 July 2016.

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

(10) CALLED UP SHARE CAPITAL

The authorised share capital of the Company is 410,000 ordinary shares of £1 each. At 31 July 2009 there were 260,000 (31 July 2008: 260,000) ordinary shares of £1 fully paid, which were owned entirely by The Open University.

OPEN UNIVERSITY WORLDWIDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

(11) RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS

	Share Capital £000	Profit and Loss Account £000	Shareholder's Funds £000
At 1 August 2008	260	85	345
Profit for the year	-	10	10
At 31 July 2009	260	95	355

(12) PENSION COSTS

The Company provides the same pension arrangements for its staff as for staff of The Open University and participates in the same defined benefit scheme. The Company's contributions to this scheme in the year totalled £164,000 (year ended 31 July 2008: £173,000).

The Universities Superannuation Scheme (USS) provides benefits for academic and related staff in many UK universities. The scheme is administered by trustees with assets independent of the University. The contributions to the scheme are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The Company is unable to identify its share of the underlying assets and liabilities and the Company accounts for its contributions to the scheme as if they were to a defined contribution scheme.

Details of significant assumptions used and other relevant data relating to the pension scheme are disclosed in The Open University's financial statements.

(13) RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption in Financial Reporting Standard 8 - *Related Party Transactions* - and has not disclosed transactions and balances with The Open University Group.

(14) 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.