

OPEN UNIVERSITY WORLDWIDE LIMITED

Company Registration number 1260275

FINANCIAL STATEMENTS

For the year ended 31 July 2012

OPEN UNIVERSITY WORLDWIDE LIMITED

FINANCIAL STATEMENTS for the year ended 31 July 2012

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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 2012.

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 on ordinary activities before taxation of the Company was £1,936,000 (year ended 31 July 2011: £1,550,000) on sales of £8,228,000 (year ended 31 July 2011: £9,513,000). The increase in profit was due to the introduction of a marketing relationship in South Africa and a one off significant increase in student numbers in Botswana via the local partner.

The Company is financed by long term loans from its parent, The Open University, totalling £3,109,000 (year ended 31 July 2011: £3,109,000). 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, subject to the Company retaining distributable reserves of at least £1,000. In respect of the year ended 31 July 2012, the gross Deed of Covenant payable was £1,859,000 (year ended 31 July 2011: £1,513,000). No dividends have been paid or are proposed. The Company paid interest on loans from The Open University of £65,000 (year ended 31 July 2011: £65,000).

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, the strength of international markets and the credit worthiness of customers. Demand for these materials and services is affected by competition in local markets and political and regulatory issues in these markets. The credit worthiness of new customers is reviewed prior to the establishment of a relationship and the payment record of existing customers is monitored carefully.

OPEN UNIVERSITY WORLDWIDE LIMITED

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.

The Company is supporting The Open University's strategic priority to grow international student numbers by providing the sales and marketing input for the Global Direct initiative.

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 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 year. 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.

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 26 September 2012 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.

OPEN UNIVERSITY WORLDWIDE LIMITED

DIRECTORS' REPORT (continued)

Directors

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

Professor J Fleck (to 31 December 2011)
Mr A Gribbon (to 30 September 2011)
Mr M S Hedges
Mr S Hill (from 15 May 2012)
Dr N R Kemp
Professor A W Tait
Mr A F Woodburn

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 26 September 2012.

J D BOYLE
Company Secretary

Open University Worldwide Limited
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 2012 which comprise the Statement of Principal Accounting Policies, the Profit and Loss Account, the Balance Sheet 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 and express an opinion on 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 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.

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. In addition, we read all the financial and non-financial information in the Directors' Report and the financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 July 2012 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.

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.

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

26 September 2012

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

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

2 **Turnover**

Turnover represents the value of goods sold in respect of educational services, royalty income and licence fees 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 a present obligation exists for a future liability in respect of a past event, when it is probable that a transfer of economic benefits will be required to settle the obligation 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 Financial Reporting Standard (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 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 WORLDWIDE LIMITED**PROFIT AND LOSS ACCOUNT for the year ended 31 July 2012**

	<i>Notes</i>	Year Ended 31 July 2012 £000	Year Ended 31 July 2011 £000
Turnover	1	8,228	9,513
Cost of sales		<u>(3,728)</u>	<u>(4,908)</u>
Gross profit		4,500	4,605
Administrative and distribution costs		(2,545)	(3,034)
Operating profit	3	<u>1,955</u>	<u>1,571</u>
Interest receivable and similar income	4	46	44
Interest payable and similar charges	4	(65)	(65)
		<u>1,936</u>	<u>1,550</u>
Profit on ordinary activities before taxation		1,936	1,550
Tax on profit on ordinary activities	5	(101)	(49)
Payable under Deed of Covenant to The Open University	6	<u>(1,859)</u>	<u>(1,513)</u>
Loss for the financial year	11	<u>(24)</u>	<u>(12)</u>

There are no recognised gains or losses in the financial year other than the results disclosed above, which were 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 pages 6 and 7 and the notes on pages 10 to 13 form part of these financial statements.

OPEN UNIVERSITY WORLDWIDE LIMITED

BALANCE SHEET as at 31 July 2012

	<i>Notes</i>	As At 31 July 2012 £000	As At 31 July 2011 £000
CURRENT ASSETS			
Debtors	7	3,614	4,302
Cash at bank and in hand		<u>4,427</u>	<u>4,376</u>
		8,041	8,678
CREDITORS: Amounts falling due within one year	8	<u>(4,671)</u>	<u>(5,284)</u>
NET CURRENT ASSETS		3,370	3,394
CREDITORS: Amounts falling due after more than one year	9	<u>(3,109)</u>	<u>(3,109)</u>
NET ASSETS		<u>261</u>	<u>285</u>
CAPITAL AND RESERVES			
Called up share capital	10	260	260
Profit and loss account	11	<u>1</u>	<u>25</u>
TOTAL SHAREHOLDER'S FUNDS	11	<u>261</u>	<u>285</u>

The financial statements on pages 6 to 13 were approved by the Board of Directors on 26 September 2012 and signed on its behalf by:

S HILL
Director

M S HEDGES
Director

Open University Worldwide Limited
Registered number: 1260275

OPEN UNIVERSITY WORLDWIDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

	Year Ended 31 July 2012 £000	Year Ended 31 July 2011 £000
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1 TURNOVER

Analysis of turnover by major geographical area:

European Union	3,193	5,221
Rest of Europe	687	587
Far East	910	749
Middle East	1,045	1,110
Africa	1,697	1,000
North America	270	345
Other	426	501
	<u>8,228</u>	<u>9,513</u>

2 STAFF COSTS

Wages and salaries	1,095	1,494
Social security costs	91	116
Pension costs	176	219
	<u>1,362</u>	<u>1,829</u>

	Number	Number
Average number of employees		
- Management and administration	30	37
	£000	£000
Directors' emoluments:		
Aggregate emoluments	17	106
Contributions to defined benefit pension scheme	3	16

Emoluments are paid and no retirement benefits are accruing to any directors (year ended 31 July 2011: 1 director) under a defined benefit scheme.

3 OPERATING PROFIT

Operating profit is stated after charging/(crediting):

Fees payable for the audit	15	14
Provision for bad debts	(14)	35

OPEN UNIVERSITY WORLDWIDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

	Year Ended 31 July 2012 £000	Year Ended 31 July 2011 £000
4 INTEREST		
Interest receivable and similar income:		
Bank interest	24	22
Interest receivable from The Open University	22	22
	<u>46</u>	<u>44</u>
Interest payable and similar charges:		
Interest payable to The Open University	65	65

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

Taxation is based on profit for the financial year and is as follows:

UK Corporation tax on profits for the financial year	20	10
Double taxation relief	(20)	(10)
Foreign taxes suffered	101	49
	<u>101</u>	<u>49</u>

Factors affecting the tax charge for the current financial year

The tax assessed for the financial year is lower (31 July 2011: lower) than the standard rate of corporation tax in the UK for the year ended 31 July 2012. The tax rate was 26% for the period 1 August 2011 to 31 March 2012 and 24% for the period 1 April 2012 to 31 July 2012. The differences are explained below:

Profit on ordinary activities before tax	1,936	1,550
Current tax rate @ 22.16% (2011 : 20.65%)	429	320
<i>Effects of:</i>		
Charges on income	(412)	(313)
Defined benefit pension scheme movements	(1)	-
Double taxation relief	(20)	(10)
Foreign taxes suffered	101	49
Expenses not deductible for tax purposes	4	3
Current tax charge for the year	<u>101</u>	<u>49</u>

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, subject to the Company retaining distributable reserves of at least £1,000. The amount payable was £1,859,00 (year ended 31 July 2011: £1,513,000).

OPEN UNIVERSITY WORLDWIDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

	As At 31 July 2012 £000	As At 31 July 2011 £000
7 DEBTORS		
Trade debtors	1,887	2,506
Loan to parent undertaking	1,500	1,500
Prepayments and accrued income	227	296
	<u>3,614</u>	<u>4,302</u>

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	158	64
Amounts owed to parent undertaking	3,550	3,760
Accruals and deferred income	757	1,205
Other creditors	206	255
	<u>4,671</u>	<u>5,284</u>

9 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

Loans from parent undertaking	<u>3,109</u>	<u>3,109</u>
Loans maturing:		
Between two and five years	2,889	-
In more than five years	220	3,109
	<u>3,109</u>	<u>3,109</u>

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 incurs 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

Authorised share capital of 410,000 ordinary shares of £1 each	<u>410</u>	<u>410</u>
260,000 ordinary shares of £1 called up, issued and paid	<u>260</u>	<u>260</u>

OPEN UNIVERSITY WORLDWIDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

11 RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS

	Called up Share Capital £000	Profit and Loss Account £000	Total Shareholder's Funds £000
As at 1 August 2011	260	25	285
Loss for the financial year	-	(24)	(24)
As at 31 July 2012	260	1	261

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 £176,000 (year ended 31 July 2011: £219,000). This includes £14,000 (year ended 31 July 2011: £18,000) outstanding contributions.

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 FRS 8, *Related Party Transactions*, and has not disclosed transactions and balances with its parent undertaking.

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.