

Open University Worldwide Limited

**Financial Statements
for the year ended 31 July 2015**

Open University Worldwide Limited

Financial Statements 2015

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The Directors present their Strategic Report for the year ended 31 July 2015.

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 £1,445,000 (year ended 31 July 2014: £1,803,000) on sales of £7,887,000 (year ended 31 July 2014: £10,043,000). A significant reduction in intragroup services, partially offset by increased licence fee income via existing and new customers, contributed to a £2,156,000 (21%) decrease in sales. Cost of sales reduced in line with sales. Administrative and distribution expenses increased, predominantly due to increasing staff numbers resulting in a 20% decrease in profit.

The Company is financed by long term loans from its parent, The Open University, totalling £3,109,000 (year ended 31 July 2014: £3,109,000). The Company lends back to The Open University any funds not required to finance its operations.

There are no other key performance indicators monitored other than those disclosed above.

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.

By order of the Board on 24 September 2015.

J D BOYLE
Company Secretary

Open University Worldwide Limited
Walton Hall
Milton Keynes
MK7 6AA

The Directors present their report and the audited financial statements of the Company for the year ended 31 July 2015.

Results and Dividends

The Company plans to make a £1,440,000 (year ended 31 July 2014 : £1,000,000) gift aid payment to The Open University.

No dividends have been paid or are proposed (year ended 31 July 2014 : £Nil).

The Company paid interest on loans from The Open University of £65,000 (year ended 31 July 2014: £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.

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 International Student Acquisitions initiative.

Directors' Responsibilities Statement

The Directors are responsible for preparing the Strategic Report, 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; 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 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.

Disclosure of information to Auditors

In accordance with Section 418 of the Companies Act 2006, each Director in office at 24 September 2015 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.

Directors

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

Name	Appointed	Resigned
Mr P J G Horrocks – Chair	11 June 2015	
Mr M G Bean		31 December 2014
Professor T J Blackman	16 December 2014	11 June 2015
Rt Hon C Clarke		
Mr M S Hedges		
Mr S J Hill		
Professor M J A Mihsein		
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 reappointed for the next financial year.

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

By order of the Board on 24 September 2015.

J D BOYLE
Company Secretary

Open University Worldwide Limited
Walton Hall
Milton Keynes
MK7 6AA

Report on the financial statements

Our opinion

In our opinion, Open University Worldwide Limited's Financial Statements ("the Financial Statements"):

- give a true and fair view of the state of the Company's affairs as at 31 July 2015 and of its loss 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.

What we have audited

The Financial Statements, comprise:

- the Statement of Principal Accounting Policies;
- the Profit and Loss Account for the year ended 31 July 2015;
- the Balance Sheet as at 31 July 2015; 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 in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and 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 audit; 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.

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 International Standards on Auditing (UK and Ireland) ("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.

What an audit of financial statements involves

We conducted our audit in accordance with 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.

We primarily focus on our work in these areas by assessing the Directors' judgements against available evidence, forming own judgements, and evaluating the disclosures in the Financial Statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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.

MIKE ROBINSON (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Milton Keynes
24 September 2015

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 and services supplied to customers excluding VAT.

3 Recognition of Income

- a. Income collected as agent on behalf of The Open University, is credited to the balance sheet. Income from the management of these activities is credited to the profit and loss account.
- b. Income from the sale of goods or services is credited to income when the goods or services are supplied to the external customers against the orders received or the terms of the contract have been satisfied.

4 Recognition of Expenditure

- a. Expenditure is recognised in respect of goods and services received when supplied in accordance with contractual terms.
- b. Provision is made when a present obligation exists for a future liability in respect of a past event, 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.
- c. 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.
- d. 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 income and expenditure for the financial year.

7 Taxation

Current tax is recognised in the profit and loss account for the year except to the extent that it is attributable to a gain or loss that is or has been recognised directly in the profit and loss account.

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.

8 Pension Costs

The Company participates in the Universities Superannuation Scheme (USS), a defined benefit scheme. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The Company is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities in full in USS 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 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
Financial Statements 2015

Profit and Loss Account
for the year ended 31 July 2015

	Notes	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
Turnover	1	7,887	10,043
Cost of sales		(3,605)	(6,047)
Gross profit		4,282	3,996
Administrative and distribution expenses		(2,808)	(2,165)
Operating profit	3	1,474	1,831
Interest receivable and similar income	4	36	37
Interest payable and similar charges	4	(65)	(65)
Profit on ordinary activities before taxation		1,445	1,803
Tax on profit on ordinary activities	5	(24)	(208)
Payment under Gift Aid	6	(1,440)	(1,000)
(Loss)/profit for the financial year	11	(19)	595

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

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

The accounting policies on pages 7 and 8 and the notes on pages 11 to 15 form part of these financial statements.

Open University Worldwide Limited
Financial Statements 2015

Balance Sheet as at 31 July 2015

	Notes	As At 31 July 2015 £'000	As At 31 July 2014 £'000
Current Assets			
Debtors	7	2,803	3,638
Cash at bank and in hand		3,517	2,077
		6,320	5,715
Creditors : Amounts falling due within one year	8	(2,374)	(1,750)
Net Current Assets		3,946	3,965
Creditors : Amounts falling due after more than one year	9	(3,109)	(3,109)
Net Assets		837	856
Capital and Reserves			
Called up share capital	10	260	260
Profit and loss account	11	577	596
Total Shareholder's Funds	11	837	856

The financial statements on pages 7 to 15 were approved by the Board of Directors on 24 September 2015 and signed on its behalf by:

S J HILL
 Director

M S HEDGES
 Director

Open University Worldwide Limited
 Registered number: 01260275

	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
1 Turnover		
Class of business		
Intragroup services	3,352	6,307
Educational services, royalties and licence fees	4,535	3,736
	7,887	10,043

Geographical Analysis

European Union	4,135	7,454
Rest of Europe	112	45
Far East	792	722
Middle East	1,797	1,201
Africa	465	379
North America	55	32
Other	531	210
	7,887	10,043

	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
2 Staff Costs		
Wages and salaries	2,131	1,610
Social security costs	161	130
Other pension costs	289	230
	2,581	1,970

Monthly average number of employees

	Number	Number
Management and administration	42	35

Directors' emoluments

	£'000	£'000
Aggregate emoluments	15	10

With the exception of the emoluments paid to one director in 2015, the Directors received no emoluments from The Open University and no recharges are made to Open University Worldwide Limited in respect of their services to the Company.

No retirement benefits are accruing to any directors (year ended 31 July 2014: £Nil).

	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
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3 Operating Profit

Operating profit is stated after charging/(crediting) :

Fees payable for the audit	14	14
Bad debt (credit)/charge	(27)	12

	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
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4 Interest

Interest receivable and similar income:

Bank interest	14	15
Interest receivable from The Open University	22	22
	36	37

Interest payable and similar charges:

Interest payable to The Open University	65	65
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5 Tax on Profit on Ordinary Activities

	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
Taxation is based on profit for the financial year and is as follows:		
UK Corporation tax on profits for the financial year	7	59
Double taxation relief	(7)	(59)
Foreign taxes suffered	24	83
Group relief payment to fellow subsidiary undertaking	0	125
	24	208

Factors affecting the tax charge for the current financial year

The tax assessed for the financial year is lower (31 July 2014: lower) than the standard rate of corporation tax in the UK for the year ended 31 July 2015. The tax rate was 20.67% for the year ended 31 July 2015 (year ended 31 July 2014 : 22.33%). The differences are explained below:

Profit on ordinary activities before taxation	1,445	1,803
Current tax rate @ 20.67% (2014: 22.33%)	299	403
Effects of:		
Charges on income	(298)	(223)
Defined benefit pension scheme movements	(1)	(1)
Double taxation relief	(7)	(59)
Foreign taxes suffered	24	83
Expenses not deductible for tax purposes	7	5
Current tax charge for the year	24	208

Change in corporation tax rate

Changes to the UK corporation tax rates were announced in the Chancellor's Budget on 8 July 2015. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 18% from 1 April 2020. As the changes had not been substantively enacted at the balance sheet date their effects are not included in these financial statements.

6 Payment under Gift Aid

The Gift Aid payment to The Open University is £1,440,000 (year ended 31 July 2014: £1,000,000).

	As At 31 July 2015 £'000	As At 31 July 2014 £'000
7 Debtors		
Trade debtors	1,055	1,024
Loan to parent undertaking	1,500	1,500
Amounts owed by group undertaking	0	774
Other debtors	169	164
Prepayments and accrued income	79	176
	2,803	3,638

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.

	As At 31 July 2015 £'000	As At 31 July 2014 £'000
8 Creditors : Amounts falling due within one year		
Trade creditors	70	1,330
Amounts owed to parent undertaking	1,816	0
Amounts owed to group undertakings	0	125
Other creditors including taxation and social security	80	59
Accruals and deferred income	408	236
	2,374	1,750

	As At 31 July 2015 £'000	As At 31 July 2014 £'000
9 Creditors : Amounts falling due after more than one year		
Loans from parent undertaking maturing:		
Between two and five years	3,109	3,109

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. During the year, the loan facility was extended until 31 July 2017. The loan is repayable on receipt of written demand or by 31 July 2017.

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.

	As At 31 July 2015 £'000	As At 31 July 2014 £'000
10 Called up Share Capital		
Authorised share capital of 410,000 (2014 : 410,000) ordinary shares of £1 each	410	410
260,000 (2014: 260,000) ordinary shares of £1 called up, issued and paid	260	260

	Called up Share Capital £'000	Profit and Loss Account £'000	Total Shareholder's Funds £'000
11 Reconciliation of Movements in Shareholder's funds			
As at 1 August 2014	260	596	856
Loss for the financial year	0	(19)	(19)
As at 31 July 2015	260	577	837

12 Pension costs

The Company provides the same pension arrangement 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 £289,000 (year ended 31 July 2014: £230,000). This includes £25,000 (year ended 31 July 2014: £21,000) of 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 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.