

**Open University Student Budget  
Accounts Limited**

**Financial Statements**

**for the year ended 31 July 2015**

---

<b>Contents</b>	<b>Page</b>
<b>Directors' Report</b>	2
<b>Independent Auditors' Report</b>	5
<b>Statement of Principal Accounting Policies</b>	7
<b>Profit and Loss Account</b>	8
<b>Balance Sheet</b>	9
<b>Notes to the Financial Statements</b>	10

---

---

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

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**

---

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.

## **Review of the Business and Future Outlook**

---

The operating profit for the year ended 31 July 2015 amounted to £141,000 (year ended 31 July 2014: £214,000).

The volume of loan advances has fallen compared to the previous year, as the proportion of students using the Student Loan Company to fund their studies has increased. Despite the fall in advances the company continues to play a key role in enabling some students to undertake study with The Open University.

The benefits of the new loans management system continues to enable greater efficiencies and this has led to a reduction in the number of staff required to operate the company. The benefits of online services have improved customer experience and have enabled greater self-servicing through improved application processing and additional payment flexibility.

The Company is financed by long term loans from its parent, The Open University, totalling £60,000,000 (year ended 31 July 2014: £60,00,000). The Company lends back to The Open University any funds not required to finance its operations.

The Company will continue to develop its systems and processes to both meet the changing regulators reporting requirements and to provide enhanced products, including offering joint applications.

## **Results and Dividends**

---

The Company has a policy of paying over its profits to The Open University under Gift Aid and the profit of £141,000 will be paid over in respect of the year ended 31 July 2015 (year ended 31 July 2014: £214,000).

No dividends have been paid or are proposed for the year ended 31 July 2015 (year ended 31 July 2014 £Nil).

## **Statement of Corporate Governance**

---

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 three nominees of the University's Vice-Chancellor drawn from University staff. 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.

---

## **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; 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.

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.

---

## **Disclosure Information to Auditors**

---

In accordance with Section 418 of the Companies Act 2006, each Director in office at 25 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:

	<b>Appointed</b>	<b>Resigned</b>
Mr M S Hedges (chair)		
Mr B Cheyne	27 January 2015	
Ms M Cantieri	1 August 2014	
Ms R Evans		1 August 2014
Mr M J Kenward		
Mr N Macarte	27 January 2015	

## **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 25 September 2015.



**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, Open University Student Budget Accounts 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 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.

### **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 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.

### **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 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 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 our 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

25 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.

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**

---

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**

---

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)*.



	Notes	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
Interest receivable and similar income	1	683	735
Other operating income	2	1,549	1,500
Interest payable and similar charges	5	(300)	(287)
<b>Net operating income</b>		<b>1,932</b>	1,948
Other operating charges		(1,791)	(1,734)
<b>Operating profit</b>	4	<b>141</b>	214
<b>Profit on ordinary activities</b>		<b>141</b>	214
Payment under Gift Aid		(141)	(214)
<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 13 form part of these financial statements.

**Open University Student Budget Accounts Limited**  
**Financial Statements 2015**

**Balance Sheet**  
**as at 31 July 2015**

	Notes	As At 31 July 2015 £'000	As At 31 July 2014 £'000
<b>Current Assets</b>			
Debtors	6	61,127	62,525
Cash at bank and in hand		260	345
<b>Total Current Assets</b>		<b>61,387</b>	62,870
Creditors : Amounts falling due within one year	7	(887)	(2,370)
<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 Shareholder's Funds</b>	10	<b>500</b>	500

The financial statements on pages 7 to 13 were approved by the Board of Directors on 25 September 2015 and signed on its behalf by:

  
**M S HEDGES**  
 Director

  
**B CHEYNE**  
 Director

Open University Student Budget Accounts Limited  
 Registered number : 3030735

	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
<b>1 Interest Receivable and Similar income</b>		
Interest receivable from customers	427	528
Interest receivable on bank and cash deposits	3	2
Interest receivable from parent undertaking	253	205
	<b>683</b>	735

	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
<b>2 Other Operating Income</b>		
Service charges payable by The Open University	<b>1,549</b>	1,500

### **3 Staff Costs**

The Company had no employees during the year (year ended 31 July 2014 : 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.

	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
<b>4 Operating Profit</b>		
Operating profit is stated after charging:		
Fees payable for the audit	<b>4</b>	4
Charges from The Open University for the provision of staff and services to the company	<b>1,330</b>	1,300

	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
<b>5 Interest payable and similar charges</b>		
Interest payable on loans advanced by The Open University	<b>300</b>	287

	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
<b>6 Debtors</b>		
Balances outstanding on student loan accounts	<b>10,380</b>	12,103
Loan to parent undertaking	<b>50,100</b>	44,100
Amounts owed by parent undertaking in relation to debts written off	<b>647</b>	6,322
	<b>61,127</b>	62,525

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.

	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
<b>7 Creditors: Amounts falling due within one year</b>		
Amounts owed to parent undertaking	<b>828</b>	2,344
Other creditors	<b>59</b>	26
	<b>887</b>	2,370

	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
<b>8 Creditors: Amounts falling due after more than one year</b>		

Loan from parent undertaking maturing:

Between two and five years	<b>60,000</b>	60,000
----------------------------	---------------	--------

The Company received an unsecured loan from The Open University on 31 July 2006 that carries interest at a rate fixed to the Natwest base rate. Interest is calculated daily and charged quarterly. 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 loan within the next 12 months.

	Year Ended 31 July 2015 £'000	Year Ended 31 July 2014 £'000
<b>9 Called up share capital</b>		
Authorised share capital of 500,000 (2014 : 500,000) ordinary shares of £1 each	<b>500</b>	500
500,000 (2014 : 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 Shareholder's Funds £'000
<b>10 Reconciliation of movements in Shareholder's funds</b>			
As at 1 August 2014	500	0	500
Result for the financial year	0	0	0
<b>As at 31 July 2015</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 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.