

**Open University Student Budget
Accounts Limited**

Financial Statements

for the year ended 31 July 2016

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The Directors present their Annual Report and the audited financial statements of the Company for the year ended 31 July 2016.

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.

Company Information

Open University Student Budget Accounts Limited ('OUSBA') was incorporated as a Private Limited Company in England on 8 March 1995. It is registered in England at Companies House under number 03030735 and its registered address is PO Box 508, Walton Hall, Milton Keynes, MK7 6HX

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 2016 amounted to £281,000 (year ended 31 July 2015: £141,000).

The volume of loan advances has fallen compared to the previous year, as a large proportion of students of The Open University in England and Wales have chosen the Student Loan Company (SLC) to fund their studies. Despite the fall in advances the Company continues to play a key role in enabling students who either do not have access to the SLC or choose to pay via OUSBA 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 has decided to repay the long term loans from its parent, The Open University, totalling £60,000,000 (year ended 31 July 2015: £60,000,000) and to put in place a revolving drawdown facility of £20,000,000 from The Open University. OUSBA has also increased its share capital from £500,000 to £1,000,000, which is held wholly by The Open University. The revised capital and loan structure is considered sufficient for OUSBA's current business needs and is in accordance with its business plan. OUSBA would agree with the University increases in the funding level of its business if its business (which is derived from the University) increases beyond the expected level.

The Company will continue to develop its systems and processes to both meet the changing regulators reporting requirements and to provide enhanced products, such as joint applications which were introduced in May 2016.

Results and Dividends

The Company has a policy of paying over its profits to The Open University under Gift Aid and the profit of £281,000 will be paid over in respect of the year ended 31 July 2016 (year ended 31 July 2015: £141,000).

No dividends have been paid or are proposed for the year ended 31 July 2016 (year ended 31 July 2015: £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.

Statement of Directors' Responsibilities

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, comprising Financial Reporting Standard 102 'The Financial Reporting Standard Applicable in the UK and Republic of Ireland' ("FRS 102"), 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 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 comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of 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.

Disclosure Information to Auditors

In accordance with Section 418 of the Companies Act 2006, each Director in office at 28 September 2016 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:

| | Appointed | Resigned |
|-----------------------|------------------|-----------------|
| Mr M S Hedges (chair) | | |
| Mr B Cheyne | | |
| Ms M Cantieri | | 31 July 2016 |
| Mr M J Kenward | | |
| Mr N Macarte | | |
| Ms R G Tudor | 1 August 2016 | |

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 28 September 2016.



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 2016 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, included within the Financial Statements (the "Annual Report"), comprise:

- the Balance Sheet as at 31 July 2016;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended;
- the Statement of Principal Accounting Policies; and,
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (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 Statement of Directors' Responsibilities 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 statement of principal 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.



Gillian Hinks (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Milton Keynes
28 September 2016

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, including Financial Reporting Standard 102 (FRS 102). The principal accounting policies, which have been applied consistently throughout the year, are set out below.

This is the first year in which the financial statements have been prepared under FRS102. Refer to note 12 for an explanation of the transition.

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 Recognition of Income

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. The interest is accrued on a daily basis and immediately recognised at this point as operating income.

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

Interest receivable from customers for the period represents charges in accordance with loan terms operating under agreements controlled by the Consumer Credit Act.

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 FRS 102 Exemptions Taken

The Company is a wholly owned subsidiary of The Open University and as such has taken advantage of the following exemptions under FRS 102, *The Financial Reporting Standard applicable in the UK and Republic of Ireland*,

- The requirement to present a statement of cash flows and related notes. (*FRS 102, section 1.12B*).
- The requirement to disclose related party transactions and balances with its parent undertaking. (*FRS 102, section 1.12E*)

4 Significant Judgements and Accounting Estimates

Open University Student Budget Accounts Limited prepares its financial statements in accordance with FRS 102 as issued by the UK Financial Reporting Council. The application of which does not require management to make any significant judgements or accounting estimates when formulating the financial position and results for this Company.

5 Functional Currency

The financial statements of the Company are presented in the currency of the primary economic environment in which it operates (its functional currency). Therefore the results and financial position for the Company are presented in Sterling (£).

6 Financial Instruments

Sections 11 and 12 of FRS 102 have been adopted by the Company with the exception of exemptions highlighted in policy note 3.

- Basic financial assets, including trade and other receivables, cash and bank balances, are recognised at transaction price.
- Basic financial liabilities, including trade and other payables, and loans from The Open University are recognised at transaction price.
- Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised at transaction price.
- Current asset investments comprising of funds held on deposit are recognised at the lower of cost or net realisable value.
- Interest is accrued on a daily basis.

Open University Student Budget Accounts Limited Statement of Comprehensive Income
Financial Statements 2016 for the year ended 31 July 2016

| | Notes | Year Ended 31 July 2016 £'000 | Year Ended 31 July 2015 £'000 |
|--|-------|-------------------------------------|-------------------------------------|
| Interest receivable and similar income | 1 | 610 | 683 |
| Other operating income | 2 | 1,483 | 1,549 |
| Interest payable and similar charges | 5 | (298) | (300) |
| Net operating income | | 1,795 | 1,932 |
| Other operating charges | | (1,514) | (1,791) |
| Operating profit | 4 | 281 | 141 |
| Profit on ordinary activities | | 281 | 141 |
| Payment under Gift Aid | | (281) | (141) |
| Result for the financial year | 11 | 0 | 0 |
| Total Comprehensive Income | | 0 | 0 |

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 8, and the notes on pages 12 to 15 form part of these financial statements.

Open University Student Budget Accounts Limited
Financial Statements 2016

Balance Sheet
as at 31 July 2016

| | Notes | As At 31 July 2016 £'000 | As At 31 July 2015 £'000 |
|--|-------|--------------------------------|--------------------------------|
| Current Assets | | | |
| Debtors | 6 | 10,017 | 61,127 |
| Cash at bank and in hand | | 783 | 260 |
| Total Current Assets | | 10,800 | 61,387 |
| Creditors : Amounts falling due within one year | 7 | (1,050) | (887) |
| Net Current Assets | | 9,750 | 60,500 |
| Creditors : Amounts falling due after more than one year | 8 | (8,750) | (60,000) |
| Net Assets | | 1,000 | 500 |
| Capital and Reserves | | | |
| Called up share capital | 9 | 1,000 | 500 |
| Total Equity | | 1,000 | 500 |

The financial statements on pages 7 to 15 were approved by the Board of Directors on 28 September 2016 and signed on its behalf by:



M S HEDGES
 Director



B CHEYNE
 Director

Open University Student Budget Accounts Limited
 Registered number : 3030735

| | Called-up share capital | Profit and Loss Account | Total |
|------------------------|----------------------------|----------------------------|--------------|
| | £'000 | £'000 | £'000 |
| At 1 August 2014 | 500 | 0 | 500 |
| Issue of shares | 0 | 0 | 0 |
| At 31 July 2015 | 500 | 0 | 500 |
| Issue of shares | 500 | 0 | 500 |
| At 31 July 2016 | 1,000 | 0 | 1,000 |

1 Interest Receivable and Similar income

| | Year Ended 31 July 2016 £'000 | Year Ended 31 July 2015 £'000 |
|---|-------------------------------------|-------------------------------------|
| Interest receivable from customers | 342 | 427 |
| Interest receivable on bank and cash deposits | 2 | 3 |
| Interest receivable from parent undertaking | 266 | 253 |
| | 610 | 683 |

2 Other Operating Income

| | Year Ended 31 July 2016 £'000 | Year Ended 31 July 2015 £'000 |
|--|-------------------------------------|-------------------------------------|
| Service charges payable by The Open University | 1,483 | 1,549 |

3 Staff Costs

The Company had no employees during the year (year ended 31 July 2015 : 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.

4 Operating Profit

| | Year Ended 31 July 2016 £'000 | Year Ended 31 July 2015 £'000 |
|---|-------------------------------------|-------------------------------------|
| Operating profit is stated after charging: | | |
| Fees payable for the audit | 5 | 4 |
| Charges from The Open University for the provision of staff and services to the Company | 1,160 | 1,330 |

The risk of bad and doubtful debts is borne by The Open University. During the year ended 31 July 2016 £293,206 (year ended 31 July 2015: £782,411) of debts were sold to The Open University by the Company. The Open University has a provision in place for doubtful debts at year end 31 July 2016 of £349,736, (year ended 31 July 2015: £464,490). The provision will not be recharged to the Company.

5 Interest payable and similar charges

| | Year Ended 31 July 2016 £'000 | Year Ended 31 July 2015 £'000 |
|---|-------------------------------------|-------------------------------------|
| Interest payable on loans advanced by The Open University | 298 | 300 |

6 Debtors

| | Year Ended 31 July 2016 £'000 | Year Ended 31 July 2015 £'000 |
|---|-------------------------------------|-------------------------------------|
| Balances outstanding on student loan accounts | 9,724 | 10,380 |
| Loan to parent undertaking | 0 | 50,100 |
| Amounts owed by parent undertaking in relation to debts written off | 293 | 647 |
| | 10,017 | 61,127 |

No provision is made in these financial statements for bad and doubtful debts, the risk for which is borne by The Open University.

7 Creditors: Amounts falling due within one year

| | Year Ended 31 July 2016 £'000 | Year Ended 31 July 2015 £'000 |
|------------------------------------|-------------------------------------|-------------------------------------|
| Amounts owed to parent undertaking | 965 | 828 |
| Other creditors | 85 | 59 |
| | 1,050 | 887 |

Intercompany balances are unsecured, and paid on a monthly basis with nil interest charges.

8 Creditors: Amounts falling due after more than one year

| | Year Ended 31 July 2016 £'000 | Year Ended 31 July 2015 £'000 |
|--|-------------------------------------|-------------------------------------|
| Loan from parent undertaking maturing: | | |
| Between two and five years | 0 | 60,000 |
| Greater than five years | 8,750 | 0 |

The Company received an unsecured loan from The Open University on 31 July 2006 that carried interest at a rate fixed to the Natwest base rate. Interest is calculated daily and charged quarterly. The loan facility was extended until 31 July 2017 during the previous year. The loan was then replaced by a loan facility of £20,000,000 during the year that carries interest at 1% above NatWest base rate, and which expires on 31 July 2027.

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.

9 Called up share capital

| | Year Ended 31 July 2016 £'000 | Year Ended 31 July 2015 £'000 |
|---|-------------------------------------|-------------------------------------|
| Authorised share capital of 1,000,000 (2015 : 500,000) ordinary shares of £1 each | 1,000 | 500 |
| 1,000,000 (2015 : 500,000) ordinary share of £1 called up, issued and paid | 1,000 | 500 |

On 28 July 2016 500,000 ordinary shares were issued for £1 each. No expenses were incurred on issue of the shares. There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

10 Financial Instruments

| | As At 31 July 2016 £'000 | As At 31 July 2015 £'000 |
|---|--------------------------------|--------------------------------|
| Financial assets that are debt instruments measured at amortised cost | 10,017 | 61,127 |
| Financial liabilities measured at amortised cost | (9,800) | (60,887) |

11 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.

12 Transition to FRS 102

These are the first financial statements prepared in accordance with FRS 102. The start date of the transition is 1 August 2014. The accounting policies set out on pages 7 to 8 have been applied in preparing the financial statements for the year ended 31 July 2016 and the comparative information presented for the year ended 31 July 2015. In preparing its FRS 102 based statements, the Company can confirm that amounts reported previously in financial statements prepared in accordance with its old bases of accounting (UK GAAP) does comply with FRS 102 and no changes were required.

