

25 22 0 33

THE OPEN LEARNING FOUNDATION LIMITED

CONSOLIDATED ACCOUNTS

YEAR ENDED 30 JUNE 1999

PANNELL KERR FORS
Chartered Accountants



ED3
COMPANIES HOUSE

E46G2R41

0051
06/06/00

NEW
COMPANIES HOUSE

0498
24/05/00

THE OPEN LEARNING FOUNDATION LIMITED
(Registered Company Number 2522833)
(Registered Charity Number 1000055)
ANNUAL REPORT AND
FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 1999

CONTENTS

ADVISORS AND REGISTERED OFFICE	1
DIRECTORS' REPORT	2
STATEMENT OF DIRECTORS' RESPONSIBILITIES	5
AUDITORS' REPORT	6
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES	7
CONSOLIDATED AND COMPANY BALANCE SHEETS	8
CASH FLOW STATEMENT	9
NOTES TO THE FINANCIAL STATEMENTS	10

2522833

THE OPEN LEARNING FOUNDATION LIMITED
ADVISORS AND REGISTERED OFFICE

Bankers:

Midland Bank PLC
4 Old Town Street
Plymouth
Devon
PL1 1DD

Auditors:

Pannell Kerr Forster
New Garden House
78 Hatton Garden
London
EC1N 8JA

Solicitors:

Eversheds
London Scottish House
24 Mount Street
Manchester
M2 3DB

Registered Office:

3 Devonshire Street
London
W1N 2BA

Registered Charity Number

1000055

THE OPEN LEARNING FOUNDATION LIMITED DIRECTORS REPORT

The Directors submit their report and the audited financial statements for the year ended 30th June 1999.

PRINCIPAL ACTIVITY

The Open Learning Foundation is a charitable company limited by guarantee, with a trading subsidiary, Open Learning Foundation Enterprises Limited.

The main areas of work continue to be the development of quality teaching and learning materials, guidance on new approaches to teaching and learning, and acting as a forum for members to exchange, test and share new teaching and learning ideas.

REVIEW OF THE YEAR

Membership

This was maintained at 40. Although three members were lost during the course of the year, three new ones were gained, with discussions with other potential members underway.

Learning and Teaching materials

An increasing number of member universities have launched full courses using OLF developed materials – some 16 institutions in all. The courses include:

- MBA through open learning
- BA (Hons) Business Studies
- BBA
- HND/C Business Studies
- Diploma in Social Work
- BSc (Hons) Nursing
- DipHE Nursing
- Diploma/Masters courses linked to health and social services management

In addition individual members have launched many continual professional development and updating courses using modules or units of OLF material. These are also increasingly being used in corporate training. This is facilitated through versions available to members on CD-Rom, which enables staff to draw down and modify material as appropriate.

A total of 1030 study hours of materials were developed with a further 600 under development.

Some 20,000 workbooks were sold during the year and it was again estimated by the membership that some 100,000 students were using OLF materials during the course of 1998-99.

The Foundation became a qualified supplier and developer of open learning materials for the University for Industry.

During the year, the outcomes of the study on the Sustainable Development of Open Learning Materials in Higher Education commissioned by the Department for Education and Employment were taken forward. This has resulted in developments referred to in a separate paper concerning the future development of the Foundation. The proposals have been worked up with the involvement not only of the Department for Education and Employment and the Department of Health but also the Quality Assurance Agency and the support of Lords Dearing and Putnam.

25 228 5-5

THE OPEN LEARNING FOUNDATION LIMITED
DIRECTORS REPORT
(Continued)

Implementation

To develop and disseminate good practice and support new learning environments the Foundation ran 24 meetings of its academic networks; 6 social work promotional seminars attended by some 200 people; and 3 workshops relating to specific publications. Key areas have been:

- direct work with individual members through validation support and workshops;
- further work on communications and information technology;
- development of the Multi Palio staff development packs;
- work with the Quality Assurance Agency which has attended meetings of contacts;
- working closely with DfEE, Department of Health, Department of International Development, British Council, and having a seat at the table for the European Commission's Advisory Group on open and distance learning.

During the year we have been visited by Charles Clark (when Parliamentary Under Secretary of State at DfEE), in support of our Sustainability report and its future progress, Lord Puttnam (in support of our Sustainability report and its future progress), Lord Dearing (in support of our Sustainability report and its future progress), Lord Gregson (in support of our Sustainability report and its future progress).

During the course of the year the Chief Executive was made President of the European Association of Distance Teaching Universities and Vice President (Europe) of the International Council for Open and Distance Education.

Future Developments

From its inception, the Trustees of the Foundation have wished to increase the ability of the organisation to generate working capital to finance more and better study materials. The Trustees believe that the Foundation and its wholly owned trading subsidiary have reached the limits of what is possible under present funding arrangements. They therefore intend from 1 October 1999 to:

- help form a new trading company, 20% owned by the charity. This will be a vehicle to secure significant private sector as well as public sector funding. Its main role will be the development of quality open learning materials and their exploitation with Foundation members.
- secure the future role of the Foundation, funded primarily through its membership subscriptions, as a deliverer of the implementation and representational services it has always provided but on an enhanced basis.

The Trustees are satisfied that the subscription levels are adequate to secure the future of the Foundation. The new trading company will not be supported financially by the Foundation.

RESERVES POLICY

The directors are aware of the need to establish a future reserves policy. They will be working on devising an appropriate policy for implementation in the forthcoming year.

DIRECTORS

The Directors, who are also the Trustees, of The Open Learning Foundation Limited who served during the year were:

Professor Colin Harrison (Chairman)	
Professor John Bull	(retired 17 December 1998)
Professor Leslie Hobson	
Professor Michael Thorne	
Mr Kirk Ramsay	
Mrs Suzanne Robertson	
Professor D Bloy	(appointed 17 December 1998)

THE OPEN LEARNING FOUNDATION LIMITED
DIRECTORS REPORT
(Continued)

YEAR 2000

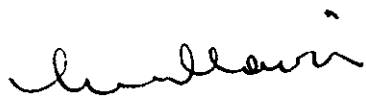
The Directors are considering the potential impact and extent of the Year 2000 problem and will ensure that the relevant business assets will be modified as necessary to be Year 2000 compliant.

TRUSTEES INDEMNITY INSURANCE

The Foundation has purchased indemnity insurance cover for the Trustees.

AUDITORS

A resolution to re appoint the auditors Pannell Kerr Forster will be proposed at the Annual General Meeting.



C Harrison



M Thorne

Directors of the Company

23 22 0 33

**THE OPEN LEARNING FOUNDATION LIMITED
STATEMENT OF DIRECTORS RESPONSIBILITIES
YEAR ENDED 30 JUNE 1999**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit of the company for that period. In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently:
- Make judgements and estimates that are reasonable and prudent:
- State whether applicable 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

23 22 883

**AUDITORS' REPORT TO THE MEMBERS OF
THE OPEN LEARNING FOUNDATION LIMITED**

We have audited the financial statements on pages 7 to 15 which have been prepared under the accounting policies set out on page 10 and 11.

Respective responsibilities of directors and auditors

As described on page 5 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

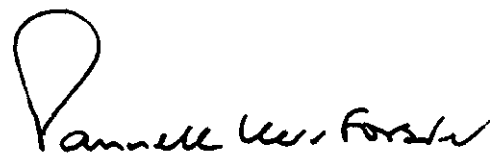
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Fundamental uncertainty

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the Foundation's ability to continue as a going concern. As described in Note 1 (b), the financial statements have been prepared on a going concern basis on the assumption that the Foundation will receive the necessary financial support to enable it to continue its operations. The validity of this assumption is dependent on the proposed agreement with Open Learning Company Limited as described in Note 15 being satisfactorily concluded. The agreement has not been concluded at the date of this audit report but the directors of the Foundation are confident that it will be concluded on 28 January 2000. In the event that the agreement with Open Learning Company Limited is not satisfactorily concluded, adjustments may be necessary to the values attributed to the Foundation's assets and liabilities. Our audit opinion is not qualified in respect of this fundamental uncertainty.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the charity and of the group as at 30 June 1999 and the net movement of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PANNELL KERR FORSTER
Chartered Accountants
Registered Auditors

London

24 January 2000

(8)

THE OPEN LEARNING FOUNDATION LTD
STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 30 JUNE 1999

	<u>1999</u> £	<u>1998</u> £
INCOMING RESOURCES		
The Charity:-		
Bank Interest Receivable	<u>5780.36</u>	<u>6546.98</u>
TOTAL INCOMING RESOURCES	<u>5780.36</u>	<u>6546.98</u>
LESS: RESOURCES EXPENDED		
The Charity:-		
Management and Administration	<u>361.09</u>	<u>204.00</u>
TOTAL RESOURCES EXPENDED	<u>361.09</u>	<u>204.00</u>
NET OUTGOING RESOURCES	<u>5419.27</u>	<u>6342.98</u>
NET MOVEMENT OF FUNDS	<u>5419.27</u>	<u>6342.98</u>
FUNDS BOUGHT FORWARD		
As previously stated	<u>125867.73</u>	<u>119524.75</u>
FUNDS CARRIED FORWARD	<u><u>131287.00</u></u>	<u><u>125867.73</u></u>

2522855

THE OPEN LEARNING FOUNDATION LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 30 JUNE 1999

	<u>Note</u>	<u>1999</u> £	<u>1998</u> £
INCOMING RESOURCES			
The Charity:-			
Bank Interest Receivable		5,780	6,546
Trading Subsidiary:-			
Subscriptions		445,287	231,782
Trading Income		279,807	377,879
		<u>725,094</u>	<u>609,661</u>
TOTAL INCOMING RESOURCES		<u>730,874</u>	<u>616,207</u>
LESS: RESOURCES EXPENDED			
The Charity:-			
Management and Administration		361	204
Trading Subsidiary:-			
Cost of sales		245,512	281,400
Management and Administration		440,060	421,248
		<u>685,572</u>	<u>702,648</u>
TOTAL RESOURCES EXPENDED		<u>685,933</u>	<u>702,852</u>
NET INCOMING/(OUTGOING) RESOURCES	2	44,941	(86,645)
Unrealised gain on revaluation of intangible assets	5	10,000	130,000
NET MOVEMENT OF FUNDS		<u>54,941</u>	<u>43,355</u>
FUNDS BROUGHT FORWARD		<u>92,559</u>	<u>49,204</u>
FUNDS CARRIED FORWARD		<u>147,500</u>	<u>92,559</u>

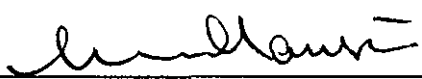
All amounts relate to continuing operations. The Statement of Financial Activities reflects all recognised gains or losses for the year. All funds are regarded as being unrestricted.


25 22833

**THE OPEN LEARNING FOUNDATION LIMITED
AND ITS SUBSIDIARY COMPANY
BALANCE SHEETS
AS AT 30 JUNE**

		<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
		£	£	£	£
	<u>Notes</u>	<u>Group</u>		<u>Company</u>	
FIXED ASSETS					
Tangible Assets	4	4,758	8,228	-	-
Intangible Assets	5	140,000	130,000	-	-
Investment in subsidiary	6	-	-	2	2
		<u>144,758</u>	<u>138,228</u>	<u>2</u>	<u>2</u>
CURRENT ASSETS					
Stocks - consumables		8,500	8,500	-	-
Debtors	7	407,955	278,927	34,913	13,332
Cash at bank		119,245	112,542	119,243	112,533
		<u>535,700</u>	<u>399,969</u>	<u>154,156</u>	<u>125,865</u>
LESS					
CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR	8	532,958	445,638	32,872	-
NET CURRENT ASSETS/(LIABILITIES)		<u>2,742</u>	<u>(45,669)</u>	<u>121,284</u>	<u>125,865</u>
TOTAL NET ASSETS		<u>147,500</u>	<u>92,559</u>	<u>121,286</u>	<u>125,867</u>
FUNDS					
Profit and loss account		7,500	(37,441)	121,286	125,867
Revaluation Reserve		140,000	130,000	-	-
TOTAL FUNDS	13	<u>147,500</u>	<u>92,559</u>	<u>121,286</u>	<u>125,867</u>

Approved by the Board on 18 January 2000 and signed on its behalf by:


C Harrison


M Thorne

Directors

2322883

THE OPEN LEARNING FOUNDATION LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 1999

	<u>1999</u> £	<u>1998</u> £
NET CASH OUTFLOWS FROM OPERATING ACTIVITIES (See (a) below)	(21,643)	(47,592)
RETURNS ON INVESTMENTS Interest Received	5,780	6,546
CAPITAL EXPENDITURE		
Purchase of Fixed Assets	(1,681)	(2,213)
DECREASE IN CASH (See (b) below)	<u>(17,544)</u>	<u>(43,259)</u>

(a) Net cash outflows from operating activities

	<u>1999</u> £	<u>1998</u> £
Operating profit	44,941	(86,645)
Bank interest received	(5,780)	(6,546)
Net outgoing resources	<u>39,161</u>	<u>(93,191)</u>
Depreciation	5,151	5,179
Increase in Stocks	-	(6,665)
(Increase)/Decrease in Debtors	(129,028)	(4,278)
Increase in Creditors	63,073	51,363
	<u>(21,643)</u>	<u>(47,592)</u>

(b) Decrease in cash

	<u>1999</u> £	<u>1998</u> £	<u>Change in Year</u>
Cash at Bank	119,245	112,542	6,703
Overdrafts	(107,930)	(83,683)	(24,247)
	<u>11,315</u>	<u>28,859</u>	<u>(17,544)</u>

25 22833

THE OPEN LEARNING FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 1999

1 ACCOUNTING POLICIES

(a) Accounting convention

The financial statements are prepared under the historical cost convention, except for intangible assets which are included at directors' valuation, and in accordance with applicable accounting standards and The Statement of Recommended Practice "Accounting for Charities" issued by the Charities Commission in 1995. The Group financial statements include those of the charity and of its subsidiary made up to the end of the financial year.

(b) Going concern

The directors have considered operating and cash flow forecasts. The directors are satisfied that the level of overdraft facility available from the bank together with the financial support from Open Learning Company Limited described in Note 15 will enable the Group to continue its operations and that it is appropriate, therefore, to prepare the accounts on a going concern basis.

(c) Development Costs

The development costs of teaching and learning materials intended for general sale are written-off to the profit and loss account in the year in which they were incurred.

Where teaching and learning materials are developed under contract for a specific customer costs incurred are matched to income received. Income received in advance of expenditure being incurred is shown as deferred revenue. Where such contracts cover more than one financial year any profits are taken as the work is carried out if the final outcome can be assessed with reasonable certainty.

(d) Intangible assets

The directors continually review the external market for internally developed course materials and, where contracts have been entered into with third parties for the use of the company's course materials, a value is attributed to the course materials by reference to expected future revenues. The value attributed to course materials is reviewed in detail at the financial year end.

(e) Subscriptions and trading income

Subscriptions and trading income, representing the value of goods and services provided net of Value Added Tax, are credited to the Profit and Loss account on a receivable basis.

Subscriptions for the year ended 30 June 1999 include additional contributions amounting to £192,574 invoiced to members in June 1999.

(f) Operating leases

Operating lease rentals are charged to the Profit and Loss Account, as incurred.

(g) Depreciation

Tangible fixed assets are depreciated on a straight line basis over their estimated useful lives. For this purpose the estimated useful lives of fixed assets are:-

Office equipment	-	four years
Leasehold Improvements	-	the term of the lease
Project Assets	-	four years

(h) Foreign Currencies

Transactions in other currencies are translated into sterling at the rates ruling at the date of the transaction. Assets and liabilities in other currencies at the Balance Sheet date have been translated into sterling at the rates ruling on that date.

(i) Stock

Stock is stated at the lower of cost or net realisable value.

(j) Pensions

The company contributes to defined benefit pension schemes on behalf of certain of its employees. Amounts are charged to the Profit and Loss account as incurred.

25 22833

THE OPEN LEARNING FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 1999

(k) **Funds**

The retained reserves are unrestricted and are for the general purpose of achieving the charity's objectives.

2 NET OUTGOING RESOURCES

Net outgoing resources is stated after charging:-

	<u>1999</u> £	<u>1998</u> £
Auditors Remuneration		
- for audit work	3,500	3,500
- for non audit work	22,489	18,016
Operating Lease Rentals		
- land and buildings	40,000	40,000
- office equipment	3,124	2,750
Depreciation	5,151	5,179
Bank interest payable, overdraft	4,978	3,138
	<u> </u>	<u> </u>

3 EMPLOYEES

Staff costs were as follows:

	<u>1999</u> £	<u>1998</u> £
Wages and Salaries	187,478	185,419
Social Security Costs	16,708	16,014
Pension Costs	9,949	9,516
	<u> </u>	<u> </u>
	214,135	210,949
	<u> </u>	<u> </u>

The average number of persons who were employed by the group during the year was 6 (1998: 6).

None of the directors received any remuneration in respect of their services during the year (1998: £Nil).

None of the directors were reimbursed for expenses incurred.

The number of staff receiving remuneration in excess of £40,000 was as follows:

	Number	Number
£40,000 - £49,999	1	1
£60,000 - £69,999	-	1
£70,000 - 79,999	1	-
	<u> </u>	<u> </u>

During the year the Foundation made a loan of £17,000 to a director of the subsidiary company in connection with the purchase of a motor car.

25 228 33

THE OPEN LEARNING FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 1999

4 FIXED ASSETS

	<u>Fixtures & Fittings</u> £	<u>Leasehold Improvements</u> £	<u>Project Assets</u> £	<u>Total</u> £
Cost				
At 1 July 1998	34,398	1,185	7,689	43,272
Assets acquired during the year	1,681	-	-	1,681
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 1999	36,079	1,185	7,689	44,953
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 July 1998	28,892	313	5,839	35,044
Charge for the year	3,222	79	1,849	5,151
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 1999	32,114	392	7,689	40,195
	<hr/>	<hr/>	<hr/>	<hr/>
Net Book Value at 30 June 1999	3,765	793	-	4,758
	<hr/>	<hr/>	<hr/>	<hr/>
Net Book Value at 30 June 1998	4,966	872	2,390	8,228
	<hr/>	<hr/>	<hr/>	<hr/>

There were no capital commitments at 30th June 1999 (1998: £Nil)

5 INTANGIBLE ASSETS

	<u>1999</u> £	<u>1998</u> £
Value attributed to course materials by the directors, in accordance with accounting policy 1(d)	140,000	130,000
	<hr/>	<hr/>

6 INVESTMENT IN SUBSIDIARY

The company holds two ordinary shares of £1 each in Open Learning Foundation Enterprises Limited, being the whole of the issued share capital of that company.

The subsidiary undertaking engages in the development of quality teaching and learning materials, guidance on new approaches to teaching and learning and acting as a forum for Foundation members to exchange, test and share new teaching and learning ideas.

THE OPEN LEARNING FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 1999

7 DEBTORS

	<u>1999</u> £	<u>1998</u> £	<u>1999</u> £	<u>1998</u> £
	<u>Group</u>		<u>Company</u>	
Trade debtors	234,424	106,042	-	
Amounts recoverable on contracts	104,135	133,139	-	
Recoverable VAT	-	2,173	-	
Loan to subsidiary	-	-	-	10,000
Other Loans	22,694	3,460	17,000	-
Prepayments & accrued income	46,702	34,113	17,913	3,332
	<u>407,955</u>	<u>278,927</u>	<u>34,913</u>	<u>13,332</u>

Amounts falling due after more than one year and included in debtors above are:

	<u>1999</u> £	<u>1998</u> £	<u>1999</u> £	<u>1998</u> £
	<u>Group</u>		<u>Company</u>	
Other loans	-	-	12,750	
Amounts due from subsidiary	-	-	-	10,000
	<u>-</u>	<u>-</u>	<u>12,750</u>	<u>10,000</u>

At the financial year end a provision of £10,000 was made against the loan due from the subsidiary undertaking.

8 CREDITORS

	<u>1999</u> £	<u>1998</u> £	<u>1999</u> £	<u>1998</u> £
	<u>Group</u>		<u>Company</u>	
Bank overdraft (Secured)	107,930	83,683	372	-
Trade creditors	228,975	239,506	-	-
Amounts due to subsidiary undertaking	-	-	17,000	-
Other creditors	70,470	24,110	-	-
Accruals	122,284	67,733	15,500	-
Deferred revenue	3,299	30,606	-	-
	<u>532,958</u>	<u>445,638</u>	<u>32,872</u>	<u>-</u>

THE OPEN LEARNING FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 1999

9 GUARANTEES AND OTHER FINANCIAL COMMITMENTS

The minimum annual rentals under operating leases are as follows:

Operating leases which expire:

	Land and Buildings		Other	
	1999	1998	1999	1998
	£	£	£	£
Within 2-5 Years	-	-	3,124	2,750
Over 5 Years	82,500	40,000	-	-
	<u>82,500</u>	<u>40,000</u>	<u>-</u>	<u>-</u>

10 PENSION FUND

One member of staff is a member of the Teachers' Pensions Agency Superannuation Scheme. Three members of staff are members of the London Pensions Fund Authority. These are defined benefit schemes and both the employees and the Open Learning Foundation make contributions to the schemes. The Teachers' Pensions Agency and the London Pensions Fund Authority operate national funds for their schemes and the financial position of the funds and their income and expenditure are disclosed in audited financial statements. The rate of employers contributions is reviewed periodically on the basis of actuarial valuations. The Open Learning Foundation has no liability for pensions or pension increases for past employees in this scheme.

11 TAXATION

The Foundation is a registered charity and is not liable for tax on its charitable activities.

The trading subsidiary incurred a profit for the year but has significant losses to be offset against future trading profits.

12 SHARE CAPITAL

The company is limited by guarantee and has no share capital. The liability of the Members of the company is limited to £1 each.

13 MOVEMENT ON FUNDS

	Group £	Company £
At 1 July 1998	92,559	125,867
Net incoming resources	44,941	5,419
Provision against amount owing by trading subsidiary	-	(10,000)
Revaluation of intangible assets	10,000	-
	<u>147,500</u>	<u>121,286</u>
At 30 June 1999	147,500	121,286

THE OPEN LEARNING FOUNDATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 1999

14 CONTINGENCIES

At 30 June 1999 the subsidiary undertaking's bank overdraft of £107,930 (1998: £83,683) was guaranteed by The Open Learning Foundation Limited.

15 POST BALANCE SHEET EVENT

On 28 January 2000 the directors of the Foundation will enter into an agreement with Open Learning Company Limited under which that company will licence, with effect from 1 October 1999, the intellectual property rights to all of the open learning materials which had been developed by the Foundation and its wholly-owned subsidiary, Open Learning Foundation Enterprises Limited. As consideration for the licence of the intellectual property rights, the Foundation will receive a 20% equity shareholding in Open Learning Company Limited.

Under the terms of the agreement the members of the Foundation will have a continuing right of access not only to all of the open learning material existing at the date of the agreement but also to all materials to be developed by Open Learning Company Limited in the future.

Following the licensing of the intellectual property rights, the Foundation and its subsidiary will continue to provide information and representational services to the members.

Open Learning Company Limited has confirmed that it will assume responsibility for payment, on behalf of the Foundation, of the increased rental of the Foundation premises indicated in Note 9 to the accounts.