

APPENDIX F: CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 30 SEPTEMBER 2002

Statement of Responsibilities

The Chief Executive, through responsibility delegated by the Syndics (who are kept fully informed by the Chief Executive of the financial affairs of the Syndicate and Group) is required to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Syndicate and Group and of the surplus or deficit for that period. In preparing those financial statements the Chief Executive should:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. state whether applicable accounting conventions have been followed, subject to any material departures disclosed and explained in the financial statements;
- d. prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue to operate.

The Chief Executive has assumed responsibility for maintaining proper accounting records. He has also assumed responsibility for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors' Report to the Examinations Syndicate

We have audited the financial statements on pages 19 to 31, which have been prepared on the basis of the accounting policies set out on page 22.

Respective responsibilities of the Chief Executive and the auditors

The Chief Executive is responsible for preparing, as described above, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by our engagement letter dated 26 June 2002 and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with applicable laws and accounting standards.

We also report to you if, in our opinion, the Syndicate has not kept proper accounting records, if we have not received all the information and explanations we require for our audit.

We read the other information accompanying the financial statement and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatement or material inconsistencies with the financial statements.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. 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 Chief Executive 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Syndicate and of the Group as at 30 September 2002 and of the Group's incoming resources and applications of resources in the year then ended.

KPMG LLP
Chartered Accountants
Registered Auditor

19 December 2002

Consolidated Statement of Financial Activities for the year ended 30 September 2002

		<i>Unrestricted Funds 2002 £m</i>	<i>Restricted Funds 2002 £m</i>	<i>Total 2001 £m</i>	<i>2001 £m</i>
Incoming resources	<i>Note</i>				
Activities in furtherance of objects:					
Examination fees	2	117.57	–	117.57	108.67
Other educational and assessment services		11.61	–	11.61	10.17
Realized (loss)/gain on disposals		(0.01)	–	(0.01)	0.13
Investment income	2	3.73	0.57	4.30	4.59
Total incoming resources		<u>132.90</u>	<u>0.57</u>	<u>133.47</u>	<u>123.56</u>
Resources expended					
Charitable expenditure:					
Costs in furtherance of objects	3	105.49	–	105.49	95.74
Management and administration costs	3	21.76	0.51	22.27	21.54
Staff restructuring costs		0.19	–	0.19	0.23
Transfers to other University funds		3.92	–	3.92	3.84
Total resources expended		<u>131.36</u>	<u>0.51</u>	<u>131.87</u>	<u>121.35</u>
Net incoming resources	4	1.54	0.06	1.60	2.21
Share of joint venture operating deficit		(0.02)	–	(0.02)	–
Transfers between funds	11	(0.25)	0.25	–	–
Net incoming resources before revaluation and investment asset disposal		1.27	0.31	1.58	2.21
Other recognized gains and losses:					
Realized loss on disposal of associate		–	–	–	(0.07)
Unrealized loss on investments		(8.72)	(1.58)	(10.30)	(11.30)
Net movement in funds		(7.45)	(1.27)	(8.72)	(9.16)
Funds brought forward	11	110.19	14.01	124.20	133.36
Funds carried forward	11	<u>102.74</u>	<u>12.74</u>	<u>115.48</u>	<u>124.20</u>

All income and expenditure relate to continuing activities.

The net decrease in funds for the period in UCLES was £11.14m (2001: decrease of £2.05m).

There is no difference between the Net Incoming Resources stated above and its historical cost equivalent. The Group has no recognized gains or losses other than those included in the Consolidated Statement of Financial Activities. Therefore no separate statement of recognized gains and losses has been presented.

Balance Sheet as at 30 September 2002

	Note	Group		UCLES	
		2002 £m	2001 £m	2002 £m	2001 £m
Fixed assets					
Intangible fixed assets	5	3.19	3.80	–	–
Tangible fixed assets	6	28.36	27.16	16.46	16.63
Investments	7	64.60	74.89	78.05	87.99
		<u>96.15</u>	<u>105.85</u>	<u>94.51</u>	<u>104.62</u>
Current assets					
Stock		0.91	0.98	0.55	0.53
Debtors	8	23.79	21.30	29.99	32.05
Short term deposits		24.23	9.97	16.32	4.84
Cash at bank and in hand		1.21	18.11	0.81	2.92
		<u>50.14</u>	<u>50.36</u>	<u>47.67</u>	<u>40.34</u>
Creditors: amounts falling due within one year	9	<u>(29.92)</u>	<u>(30.53)</u>	<u>(35.09)</u>	<u>(26.35)</u>
Net current assets		<u>20.22</u>	<u>19.83</u>	<u>12.58</u>	<u>13.99</u>
Total assets less current liabilities		<u>116.37</u>	<u>125.68</u>	<u>107.09</u>	<u>118.61</u>
Creditors: amounts falling due after one year		–	–	(0.09)	(0.10)
Provisions for liabilities and charges	10	<u>(0.89)</u>	<u>(1.48)</u>	<u>(0.64)</u>	<u>(1.01)</u>
Net assets		<u>115.48</u>	<u>124.20</u>	<u>106.36</u>	<u>117.50</u>
Represented by:					
General Reserve	11	101.89	109.31	92.77	102.61
Designated funds	11	0.85	0.88	0.85	0.88
Restricted funds	11	12.74	14.01	12.74	14.01
		<u>115.48</u>	<u>124.20</u>	<u>106.36</u>	<u>117.50</u>

The analysis for the year ended 30 September 2001 has been re-stated to reflect the re-classification of cash and short-term deposits.

Approved by Syndics on 19 December 2002 and signed on their behalf by:

Professor P. Goddard, *Chairman of the Local Examinations Syndicate*
Mr S. Lebus, *Chief Executive of the Local Examinations Syndicate*

Consolidated Cashflow Statement for the year ended 30 September 2002

		<i>2002</i>		<i>2001</i>	
	<i>Note</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Net cash inflow from operating activities	12a		1.17		7.60
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(3.55)		(1.98)	
Receipts from sales of tangible fixed assets		–		0.31	
Proceeds from sale of fixed asset investments		–		3.71	
Payments to acquire fixed asset investments		(0.03)		(8.00)	
			<u>(3.58)</u>		<u>(5.96)</u>
Cash (outflow)/inflow before use of liquid resources and financing	12b		(2.41)		1.64
Management of liquid resources					
Net movement on money market deposits	12c		(14.26)		13.45
(Decrease)/increase in cash in the period			<u>(16.67)</u>		<u>15.09</u>

The analysis for the year ended 30 September 2001 has been re-stated to reflect the re-classification of cash and short-term deposits.

*Notes to the Financial Statements for the year ended 30 September 2002***1. ACCOUNTING POLICIES****Basis of Accounting**

The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities 2000, applicable Accounting Standards in the United Kingdom and under the historical cost basis.

Basis of Consolidation

The Group accounts incorporate the results of UCLES and its subsidiary and associated companies; associates have been accounted for in accordance with the equity method.

The accounting periods of associated undertakings are not coterminous with that of the parent undertaking but the effect is not material.

In the individual accounts of UCLES, the investments in the subsidiary companies are stated at cost less any permanent diminution in value.

Goodwill

Goodwill arises on consolidation and is based on the fair value of the consideration given for the subsidiary and the fair value of its assets at the date of acquisition. Goodwill relating to investments made by the Group is amortized over ten years on a straight line basis, being its estimated useful economic life. Where there is a permanent diminution in the carrying value of goodwill, the loss is included in the results of the period.

Foreign Currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward exchange contract. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the Statement of Financial Activities.

Results of overseas associates are translated into sterling at the average rate for the period. Gains or losses arising on the translation of the net assets of overseas associates less exchange differences arising on related foreign currency borrowings are taken to reserves.

Leases

Assets acquired under finance leases are included in tangible fixed assets and depreciated over the estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included in creditors.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the Statement of Financial Activities on a straight line basis over the life of the lease.

Pensions

The three principal pension schemes for the Group's staff are funded defined benefit schemes. The Funds are valued every three years by professionally qualified independent actuaries, the rates of contribution payable being determined by the trustees on the advice of the actuaries. Pension costs are accounted for on the basis of charging the cost of providing pensions over the period during which the Group benefits from the employees' services.

Depreciation

Depreciation is charged to write off the cost of fixed assets over their estimated useful lives:

Buildings	
Freehold	2% – 5% per annum on a straight line basis;
Leasehold	over the terms of the lease
Plant and equipment, furniture and fittings	15 – 33% per annum on a straight line basis.

Research and Development Expenditure

Expenditure on research and development is written off in the year in which it is incurred.

Stocks

Stocks are stated at the lower of cost and net realizable value.

Income Recognition and Deferral of Incoming Resources

All income is recognized on a receivable basis. Examination fees receivable in respect of examination sessions taking place in subsequent financial years are deferred to the year in question.

Cost Allocation

Costs (including staff costs) are treated as costs in furtherance of objects where they are used in the operation or support of examination and assessment services. Other costs are treated as management and administration.

Taxation

UCLES is a constituent part of the University of Cambridge, which is an exempt charity. UCLES therefore claims exemption from Corporation Tax under the provisions of section 505 of the Income and Corporation Taxes Act 1988.

Funds

Funds held by UCLES are either:

Unrestricted general funds (General Reserve) – these are funds which can be used at the discretion of the trustees.

Designated funds – these are funds set aside by the trustees out of unrestricted general funds for specific future purposes or projects.

Restricted funds – these are funds that can only be used for particular purpose. Details are given in note 11.

Investments

Investments in the University of Cambridge Amalgamated Fund Units are stated at estimated market value.

Investment properties are valued at market value.

Investments in subsidiaries are stated at cost.

2. INCOMING RESOURCES

(a) Examination fees income represents income from recognizing and certificating educational achievement.

(b) Investment income comprises:

	<i>2002 Group</i> <i>£m</i>	<i>2001 Group</i> <i>£m</i>
Income from University of Cambridge Amalgamated Fund Units	3.46	3.26
Interest receivable	0.84	1.33
	<u>4.30</u>	<u>4.59</u>

3. STAFF COSTS

The average number of persons employed by the Group during the year was 1,508 (2001: 1,424). These were engaged directly on the Group's furtherance of objects, management, support, and administration functions.

Staff costs for the above persons comprise:	<i>2002 Group</i> <i>£m</i>	<i>2001 Group</i> <i>£m</i>
Salaries and wages	30.96	28.51
Social Security costs	2.24	2.07
Other pension costs (note 13)	2.14	1.78
	<u>35.34</u>	<u>32.36</u>

Of the above costs £2.64m (2001: £1.89m) was incurred in respect of temporary staff.

Staff emoluments over £50,000:

	<i>2002 Group</i> <i>No. staff</i>	<i>2001 Group</i> <i>No. staff</i>
£50,001 – £60,000	21	11
£60,001 – £70,000	7	2
£70,001 – £80,000	1	2
£80,001 – £90,000	2	3
£90,001 – £100,000	4	1
£110,001 – £120,000	–	1
£150,001 – £160,000	1	–

Of the above staff 33 (2001: 17) are members of defined benefit pension schemes, 2 (2001: 2) were members of a defined contribution scheme. Total contributions in the year to the defined contribution scheme amount to £0.02m (2001: £0.02m).

Information concerning payments to Syndics is given in note 15.

4. NET INCOMING RESOURCES

Net Incoming Resources is stated after charging:	<i>2002 Group</i>	<i>2001 Group</i>
	<i>£m</i>	<i>£m</i>
Auditors' remuneration – Audit fee	0.08	0.08
– Consultancy	0.22	0.65
Internal Audit Fee	0.08	0.03
Depreciation	2.14	2.51
Amortization of goodwill	0.61	0.60
Operating leases – Land and buildings	0.58	0.36
– Plant, machinery, and equipment	0.17	0.28

5. INTANGIBLE FIXED ASSETS

	<i>Group</i>
	<i>£m</i>
GOODWILL	
COST	
At 1 October 2001	6.08
At 30 September 2002	<u>6.08</u>
AMORTIZATION	
At 1 October 2001	2.28
Charge for year	0.61
At 30 September 2002	<u>2.89</u>
NET BOOK VALUE	
At 30 September 2002	<u>3.19</u>
At 1 October 2001	<u>3.80</u>

6. TANGIBLE FIXED ASSETS
GROUP

	<i>Land and buildings</i>			<i>Plant and equipment, furniture and fittings</i>	<i>Total</i>
	<i>Freehold</i>	<i>Long leasehold</i>	<i>Short leasehold</i>		
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
COST					
At 1 October 2001	23.31	4.81	0.35	19.74	48.21
Additions	0.46	1.42	0.04	1.43	3.35
Disposals	–	–	(0.01)	(0.32)	(0.33)
At 30 September 2002	23.77	6.23	0.38	20.85	51.23
DEPRECIATION					
At 1 October 2001	2.84	1.07	0.15	16.99	21.05
Disposals	–	–	(0.01)	(0.31)	(0.32)
Charge for year	0.58	0.10	0.04	1.42	2.14
At 30 September 2002	3.42	1.17	0.18	18.10	22.87
NET BOOK VALUE					
At 30 September 2002	20.35	5.06	0.20	2.75	28.36
At 1 October 2001	20.47	3.74	0.20	2.75	27.16

TANGIBLE FIXED ASSETS
UCLES

	<i>Land and buildings</i>			<i>Plant and equipment, furniture and fittings</i>	<i>Total</i>
	<i>Freehold</i>	<i>Long leasehold</i>	<i>Short leasehold</i>		
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
COST					
At 1 October 2001	16.60	–	0.30	15.87	32.77
Additions	0.27	–	–	1.21	1.48
Disposals	–	–	(0.01)	(0.30)	(0.31)
At 30 September 2002	16.87	–	0.29	16.78	33.94
DEPRECIATION					
At 1 October 2001	2.39	–	0.15	13.60	16.14
Disposals	–	–	(0.01)	(0.29)	(0.30)
Charge for year	0.44	–	0.04	1.16	1.64
At 30 September 2002	2.83	–	0.18	14.47	17.48
NET BOOK VALUE					
At 30 September 2002	14.04	–	0.11	2.31	16.46
At 1 October 2001	14.21	–	0.15	2.27	16.63

All tangible fixed assets are held for direct charitable purposes.

7. FIXED ASSET INVESTMENTS**GROUP**

	<i>At 1 October 2001 £m</i>	<i>Additions £m</i>	<i>Disposals £m</i>	<i>Decrease in market value £m</i>	<i>At 30 September 2002 £m</i>
Investments at market value	73.38	–	–	(10.30)	63.08
Investments at cost	0.01	–	–	–	0.01
Investment properties	1.50	–	–	–	1.50
Joint venture:					
Share of gross assets	–	0.01	–	–	0.01
Less share of gross liabilities	–	(0.03)	–	–	(0.03)
Total share of joint venture	–	(0.02)	–	–	(0.02)
Loan to joint venture	–	0.03	–	–	0.03
Total	74.89	0.01	–	(10.30)	64.60

Investments at market value comprise Cambridge University Amalgamated Fund Units. The market value at 30 September 2002 is based on the estimated valuation as at that date provided by the University Finance Division.

The Syndics have reviewed the value of the Investment Properties as at 30 September, and consider that the book value reflected the current market value of the properties.

FIXED ASSET INVESTMENTS**UCLES**

	<i>At 1 October 2001 £m</i>	<i>Additions £m</i>	<i>Disposals £m</i>	<i>Decrease in market value £m</i>	<i>At 30 September 2002 £m</i>
Investments at market value	71.43	–	–	(10.02)	61.41
Investments at cost	0.01	–	–	–	0.01
Investment properties	1.50	–	–	–	1.50
Loan Group undertaking	15.00	0.08	–	–	15.08
Investment in subsidiary undertakings	0.05	–	–	–	0.05
Total	87.99	0.08	–	(10.02)	78.05

The loans to OCR and OCIAS Limited are unsecured and have no fixed repayment date. No interest has been charged in the year to 30 September 2002. The future interest rate on the OCR loan has yet to be determined.

8. DEBTORS

	<i>Group</i>		<i>UCLES</i>	
	<i>2002 £m</i>	<i>2001 £m</i>	<i>2002 £m</i>	<i>2001 £m</i>
Fee debtors	16.22	12.71	13.63	10.04
Amounts owed by Group undertakings	–	–	10.72	15.50
Other debtors	1.01	2.86	0.85	2.63
Prepayments	6.56	5.63	4.79	3.88
Accrued income	–	0.10	–	–
	23.79	21.30	29.99	32.05

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<i>Group</i>		<i>UCLES</i>	
	<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Bank loans and overdrafts	–	0.23	–	0.65
Trade creditors	2.56	2.62	1.82	1.97
Amounts due to Group undertakings	–	–	11.43	0.93
Other taxes and social security	4.27	4.04	1.26	1.07
Other creditors	1.66	0.33	1.40	0.30
Accruals and deferred income	21.43	23.31	19.18	21.43
	<u>29.92</u>	<u>30.53</u>	<u>35.09</u>	<u>26.35</u>

Deferred income (see page 22) is analysed as:

At 1 October 2001	17.31	15.21	16.94	14.60
Deferred in current year	17.19	17.31	16.64	16.94
Released from previous year	(17.31)	(15.21)	(16.94)	(14.60)
	<u>17.19</u>	<u>17.31</u>	<u>16.64</u>	<u>16.94</u>
At 30 September 2002	<u>17.19</u>	<u>17.31</u>	<u>16.64</u>	<u>16.94</u>

10. PROVISIONS FOR LIABILITIES AND CHARGES**GROUP**

	<i>Staffing</i>	<i>Rebates or Discounts</i>	<i>Other</i>	<i>Total</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
At 1 October 2001	0.35	0.31	0.82	1.48
Charges in the year	0.12	0.09	0.07	0.28
Utilized in the year	(0.16)	(0.23)	(0.39)	(0.78)
Transfer to reserves	–	(0.01)	(0.08)	(0.09)
	<u>0.31</u>	<u>0.16</u>	<u>0.42</u>	<u>0.89</u>
At 30 September 2002	<u>0.31</u>	<u>0.16</u>	<u>0.42</u>	<u>0.89</u>

UCLES

	<i>Staffing</i>	<i>Rebates or Discounts</i>	<i>Other</i>	<i>Total</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
At 1 October 2001	0.16	0.07	0.78	1.01
Charges in the year	–	–	0.08	0.08
Utilized in the year	(0.02)	–	(0.38)	(0.40)
Transfer to reserves	–	–	(0.05)	(0.05)
	<u>0.14</u>	<u>0.07</u>	<u>0.43</u>	<u>0.64</u>
At 30 September 2002	<u>0.14</u>	<u>0.07</u>	<u>0.43</u>	<u>0.64</u>

Provisions were made in respect of building work, property related claims and legal fees, payments regarding employment matters, contractual disputes, and rebates and discounts.

11. FUNDS

GROUP	<i>At 1 October 2001 £m</i>	<i>Financial activities £m</i>	<i>Transfers £m</i>	<i>At 30 September 2002 £m</i>
Unrestricted Funds:				
General Reserve	109.31	(7.17)	(0.25)	101.89
Designated Funds:				
China Fund	0.60	–	–	0.60
Benevolent Fund	0.28	(0.03)	–	0.25
	0.88	(0.03)	–	0.85
Total Unrestricted Funds	110.19	(7.20)	(0.25)	102.74
Restricted Funds:				
EMREB Fund	4.96	(0.69)	–	4.27
Scholarship Funds	0.06	–	–	0.06
WMEB Fund	8.99	(0.83)	0.25	8.41
	14.01	(1.52)	0.25	12.74
Total	124.20	(8.72)	–	115.48
 UCLES	 <i>At 1 October 2001 £m</i>	 <i>Financial activities £m</i>	 <i>Transfers £m</i>	 <i>At 30 September 2002 £m</i>
Unrestricted Funds				
General Reserve	102.61	(9.84)	–	92.77
Designated Funds:				
China Fund	0.60	–	–	0.60
Benevolent Fund	0.28	(0.03)	–	0.25
	0.88	(0.03)	–	0.85
Total Unrestricted Funds	103.49	(9.87)	–	93.62
Restricted Funds:				
EMREB Fund	4.96	(0.69)	–	4.27
Scholarship Funds	0.06	–	–	0.06
WMEB Funds	8.99	(0.83)	0.25	8.41
	14.01	(1.52)	0.25	12.74
Total	117.50	(11.39)	0.25	106.36

Restricted Funds

The restricted funds are invested in University of Cambridge Amalgamated Fund Units and in interest bearing deposit accounts.

The EMREB Fund is a trust fund created from assets transferred from the East Midlands Regional Examinations Board (EMREB).

The WMEB Fund is a trust fund created from assets transferred from The West Midlands Examination Board (TWMEB).

The restrictions for the funds are set out in the *Statutes and Ordinances* of the University of Cambridge.

All allocations made from WMEB/EMREB Funds to OCR were under the terms of the Funds.

Sufficient resources are held in an appropriate form to enable each fund to be applied in accordance with any restrictions.

Designated Funds

The China Fund is a designated fund intended to cover commitments made by the Group regarding the construction of a building in China.

12. NOTES TO CONSOLIDATED CASHFLOW STATEMENT**(a) Reconciliation of changes in resources to net cash inflow/(outflow) from operating activities**

	<i>2002</i>	<i>2001</i>
	<i>£m</i>	<i>£m</i>
Net incoming resources before revaluation and investment asset disposals	1.58	2.21
Depreciation of tangible fixed assets	2.14	2.51
Amortization of goodwill	0.61	0.60
Deficit/(surplus) on disposal of tangible fixed assets	0.01	(0.13)
Movements in provisions	(0.59)	0.72
(Decrease)/increase in creditors	(0.18)	4.77
Increase in debtors	(2.49)	(2.98)
Decrease/(increase) in stock	0.07	(0.10)
Share of joint venture loss	0.02	–
	<hr/>	<hr/>
Net cash inflow from operating activities	1.17	7.60
	<hr/>	<hr/>

(b) Reconciliation of net cash flow to movement in net funds

	<i>2002</i>	<i>2001</i>
	<i>£m</i>	<i>£m</i>
(Decrease)/increase in cash in the year	(16.67)	1.09
Cash outflow/(inflow) from increase/(decrease) in money market deposits	14.26	(13.45)
	<hr/>	<hr/>
Change in net funds resulting from cashflows	(2.41)	1.64
Loan from associate written off	–	0.08
	<hr/>	<hr/>
(Decrease)/increase in net funds in the year	(2.41)	1.72
Net funds at 1 October 2001	27.85	26.13
	<hr/>	<hr/>
Net funds at 30 September 2002	25.44	27.85
	<hr/>	<hr/>

(c) Analysis of change in net funds

	<i>At 1 October</i>	<i>Cash</i>	<i>At 30 September</i>
	<i>2001</i>	<i>Flows</i>	<i>2002</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>
Cash at bank and in hand	18.11	(16.90)	1.21
Overdrafts	(0.23)	0.23	–
	<hr/>	<hr/>	<hr/>
	17.88	(16.67)	1.21
Money market deposits	9.97	14.2	24.23
	<hr/>	<hr/>	<hr/>
Total	27.85	(2.41)	25.44
	<hr/>	<hr/>	<hr/>

The analysis for the year ended 30 September 2001 has been re-stated to reflect the re-classification of cash and short-term deposits.

13. PENSION COSTS

The Group participates in three defined benefit pension schemes. The assets of the schemes are held in separate trustee-administered funds. The pension costs are assessed using the projected unit method.

Each scheme is valued every three years by professionally qualified independent actuaries who are not employees or officers of the Group. The CPS and USS schemes are not closed, nor is the age profile of their active membership rising significantly. The RSAEB scheme is a closed scheme which has 35 active members. The rates of contribution payable are determined by the trustees on the advice of the actuaries. Surpluses or deficits which arise at future valuations may impact on the Group's future contribution commitments.

The Group's contribution to the CPS and USS schemes are affected by a surplus or deficit in these schemes. The Group is unable to identify its share of the underlying assets on a consistent and reasonable basis because there are multiple employers in the schemes. The RSAEB scheme is not considered to be material and therefore no disclosure of surplus or deficit has been made. The Group therefore accounts for its contributions to pension schemes as if they were defined contribution schemes.

The assumptions and other data which have the most significant effect on the results of the valuation are as follows, together with the current contribution rates:

	<i>USS</i>	<i>CPS</i>	<i>RSAEB</i>
Latest actuarial valuations	March 1999	July 2000	October 2000
Investment returns per annum	8.5%	9.0%	7.0%
Salary scale increases per annum	6.5%	7.0%	4.0%
Pension increases per annum	5.0%	6.0%	3.0%
Market value of assets at date of last valuation	£18,815m	£265m	£4.5m
Funding level	108%	135%	102%
Employer's contribution rate	14%	1%	17.6%

The total pension cost for the Group was £2.14m (2001 £1.78m).

14. OPERATING LEASES

At 30 September 2002 the Group had annual commitments under non-cancellable operating leases as follows:

	<i>Group</i>		<i>UCLES</i>	
	<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Amounts payable under operating leases which fall due in the next financial year:				
Land and buildings, commitments expiring:				
In 1 year	0.10	0.06	0.06	0.05
Between 2 and 5 years	0.12	0.20	–	0.07
After 5 years	0.27	0.28	0.27	0.23
Plant, machinery, and equipment commitments expiring:				
In 1 year	0.07	0.10	0.03	0.01
Between 2 and 5 years	0.14	0.12	0.06	0.01
After 5 years	–	0.01	–	0.01
	<u>0.70</u>	<u>0.77</u>	<u>0.42</u>	<u>0.38</u>

15. RELATED PARTY TRANSACTIONS

The Group has taken advantage of the exemption in Financial Reporting Standard 8 not to disclose transactions or balances with entities which form part of the Group (or investees of the Group qualifying as related parties).

During the year the Group entered into transactions with CUP, another Syndicate of the University of Cambridge, as follows: purchase of printing services £9.45m (2001: £9.61m), purchase of other services £nil (2001: £0.03m), receipt of royalties £0.20m (2001: £0.17m), sale of services to CUP £0.47m (2001: £0.55m). At 30 September 2001 a balance of £0.44m (2001: £0.77m) was due to CUP.

In addition to the £3.92m (£3.84m) transfer to other University Funds shown on Page 4, the group paid £0.19m (£0.08m) to the University of Cambridge in respect of rentals, computer software, and other services. £0.04m (£0.02m) was due to the University at 30 September 2002.

During the year 1 Syndic (2001: 2) was paid fees totalling £165 (2001: £503) in respect of meeting fees/examination services. Total travel expenses of £3,361 (2001: £1,968) were paid during the year to 9 (2001: 4) Syndics.

16. ASSOCIATED COMPANIES

<i>Name of subsidiary undertaking</i>	<i>Country of registration and operation</i>	<i>Class of share</i>	<i>Proportion held</i>	<i>Nature of business</i>	<i>Note</i>
OCR	England	Member	100%	Examination and assessment services	1
RSA Examinations Board	England	Member	100%	Assessment services	1
The West Midlands Examinations Board	England	Member	100%	Examination services	2
Sandonian Properties Ltd	England	Ordinary	100%	Property Holding	3
Mill Wharf Ltd	England	Ordinary	100%	Training and Consultancy	3
OCR Nationals	England	Member	100%	Dormant	2
Progress House Printers Ltd	England	Ordinary	100%	Dormant	3
CUAPTS Limited	Hong Kong	Ordinary	100%	Dormant	3
World Class Tests Ltd	England	Ordinary	100%	Dormant	3
OCIAS Limited	England	Ordinary	100%	Assessment services	3
Cambridge Examinations Inc	US	Member	100%	Examination services	4

All of the subsidiary undertakings have been included in the consolidation.

Joint Ventures:

IELTS Inc	US	Member	33%	Examination services	4
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IELTS Inc is a joint venture between OCIAS Limited, the British Council and IDP Australia to promote the IELTS examination in the US.

The OCR group has a 33% interest in a joint venture company, QualDat, a company limited by guarantee and registered in England. The joint venture company has not traded since its incorporation.

Note

- 1 Companies Limited by Guarantee and Exempt Charities.
- 2 Company Limited by Guarantee and a Registered Charity.
- 3 Companies having Share Capital.
- 4 US Non stock Non profit Corporation.

17. CAPITAL COMMITMENTS

As at 30 September 2002 the Group has agreed to purchase South Cambridgeshire Hall and House for £8.4m subject to various conditions. On 18 November 2002 UCLES completed the purchase.

18. CONTINGENT LIABILITIES

As at 30 September 2002 UCLES had a contingent liability to pay to the Cambridge Overseas Trust, China Fund £2m, subject to receiving evidence that the terms of the donation had been complied with and any necessary University approvals had been obtained.

The Group is at risk of potential claims arising from the A Level grading for Summer 2002. The Syndics are unable to quantify the amount.

19. ULTIMATE PARENT UNDERTAKING

UCLES is a Syndicate of the University of Cambridge. It is governed by the Statutes and Ordinances of the University.

The *Cambridge University Reporter* appears each Wednesday during Term. Special Numbers are also published from time to time.

Editorial

Notices for publication in the *Reporter* should be sent to Rachael Tuley, Editor, Cambridge University Reporter, Secretariat, The Old Schools, Cambridge, CB2 1TN (tel. 01223 332305; fax 01223 332332; e-mail: rt23@admin.cam.ac.uk). Copy should be sent as early as possible in the week before publication; short notices will be accepted up to **4 p.m. on Thursday** for publication the following Wednesday. Inclusion is subject to availability of space.

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