

CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 30 SEPTEMBER 2005

Corporate Governance and Internal Control Statement

The following corporate governance statement provides information about the Local Examinations Syndicate's governance and legal structure.

The Syndicate is a constituent part of the University of Cambridge established under the Ordinances of the University.

The members of the Syndicate (the Syndics) comprise six members of the Regent House and six external members, along with a Chairman appointed by the Vice-Chancellor and the Acting Treasurer (or duly appointed deputy). Members from the Regent House are appointed by the Council, while external members are appointed by the Council on the nomination of the Syndicate.

The Syndics are responsible for the oversight of the work of the University of Cambridge Local Examinations Syndicate and its subsidiary undertakings (the Group), for its system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve the Syndicate's objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Syndics are of the view that there is an ongoing process for identifying, evaluating and managing the significant risks to which the Syndicate is exposed.

The Syndics meet about six times during the year, and are advised in carrying out their duties by a number of committees, including a Corporate Board, an Audit Committee, and a Remuneration Committee.

The Audit Committee is chaired by an external member of the Syndicate. It meets at least four times during the year with the Syndicate's senior officers and the external and internal auditors in attendance as required. Its principal role is to review the adequacy and effectiveness of the Group's systems of internal financial control, financial reporting and risk management in consultation with internal and external auditors. Its review of the system of internal control is informed by the work of the internal auditors, who also make a report to the University Audit Committee.

The Group Remuneration Committee meets three times during the year to review the remuneration of the Group's senior executives and to consider matters of general remuneration policy. The salary of the Group Chief Executive is determined by the full Syndicate.

The Syndicate has in place an agreed statement of the powers delegated to the Group Chief Executive. The day-to-day management of the Group is the responsibility of the Group Chief Executive and the Corporate Board, whose other members comprise the Chief Executives of the three business streams, the Director-General of Assessment, and the Group Directors of Finance, Infrastructure Services and Human Resources

Responsibilities of the Syndics of the Local Examinations Syndicate for the preparation of the financial statements

For the year ended 30 September 2005

Statute F, II, 4 of the University of Cambridge provides that the accounts of the Local Examinations Syndicate shall be audited annually by one or more qualified accountants appointed by the Council. In order to give a true and fair view of the state of affairs of the Local Examinations Syndicate and of the income and expenditure for that period, the Syndics have decided that the financial statements will be presented in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education. In preparing those financial statements the Syndics are required to:

1. select suitable accounting policies and then apply them consistently
2. make judgements and estimates that are reasonable and prudent
3. state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
4. prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Local Examinations Syndicate will continue in business
5. ensure that the Local Examinations Syndicate has complied with the University's Statutes and Ordinances.

The Syndics are responsible for keeping proper accounting records which disclose with reasonable accuracy the financial position at any time of the Local Examinations Syndicate. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Local Examinations Syndicate and to prevent and detect fraud and other irregularities.

Report of the Independent Auditors to the University of Cambridge Local Examinations Syndicate ('Local Examinations Syndicate')

We have audited the financial statements on pages 21 to 35.

This report is made solely to the Local Examinations Syndicate, as a body of Syndics, in accordance with the Statutes of the University of Cambridge. Our audit work has been undertaken so that we might state to the Local Examinations Syndicate those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Local Examinations Syndicate and the Syndics as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Syndics and the auditors

As described above, the Syndics are responsible for preparing the financial statements in accordance with applicable United Kingdom accounting standards. Our responsibilities as independent auditors are established in the United Kingdom by our engagement letter dated 26 June 2002, the Auditing Practices Board and 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 the Statement of Recommended Practice: Accounting for Further and Higher Education. We also report to you if, in our opinion, we have not received all the information and explanations we require for our audit.

We read the other information accompanying the financial statements (including the Annual Report and the Corporate Governance Statement) and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit 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 Syndics 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 that 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 Local Examinations Syndicate and of the Group as at 30 September 2005 and of the Group's surplus of income over expenditure, for the year then ended and are properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education.

KPMG LLP

Chartered Accountants and Registered Auditor

37 Hills Road

Cambridge

Consolidated Income and Expenditure Account for the year ended 30 September 2005

	<i>Note</i>	<i>2005 £m</i>	<i>2004 £m Re-stated</i>
Income			
Examination fees		147.7	138.6
Other educational & assessment services		15.4	12.6
Endowment and investment income	2	4.0	4.1
Total income		167.1	155.3
Expenditure			
Staff costs	3	50.0	45.9
Other operating expenses	4	107.1	95.7
Depreciation	4	3.2	5.7
Transfer to University	19	14.5	8.0
Total expenditure		174.8	155.3
(Deficit) after depreciation of tangible fixed assets at valuation		(7.7)	–
Surplus on disposal of tangible fixed assets		–	0.1
Surplus on disposal of fixed asset investments	8	1.7	–
(Deficit)/ surplus for the year after depreciation of tangible fixed assets at valuation and disposal of assets	5	(6.0)	0.1
Transfer from accumulated income within specific endowments	14	2.4	0.1
(Deficit)/ surplus for the year retained within general reserves		(3.6)	0.2

All income and expenditure relate to continuing activities.

Statement of total recognised gains and losses for the year ended 30 September 2005

		<i>2005 £m</i>	<i>2004 £m Re-stated</i>
(Deficit)/ surplus for the year		(6.0)	0.1
Appreciation in investment assets		12.1	5.9
Actuarial (loss)/ gain on defined benefit pension scheme	17	(0.1)	0.3
		6.0	6.3
Reconciliation			
Opening reserves and endowments		134.1	127.8
Total recognised gains for the year		6.0	6.3
Closing reserves and endowments		140.1	134.1

Statement of historical cost surpluses and deficits for the year ended 30 September 2005

		<i>2005 £m</i>	<i>2004 £m Re-stated</i>
(Deficit)/ surplus for the year		(6.0)	0.1
Realisation of investment revaluation gains of previous years	15	5.0	–
Historical Cost (deficit)/ surplus for the year		(1.0)	0.1

Balance sheet as at 30 September 2005

	<i>Note</i>	<i>Group</i>		<i>UCLES</i>	
		<i>2005</i>	<i>2004</i> <i>Re-stated</i>	<i>2005</i>	<i>2004</i> <i>Re-stated</i>
		<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Fixed assets					
Intangible fixed assets	6	1.4	2.0	–	–
Tangible fixed assets	7	40.1	35.5	31.1	26.8
Investments	8	70.6	73.3	83.3	86.4
		112.1	110.8	114.4	113.2
Endowment assets	9	17.2	14.7	17.2	14.7
Current assets					
Stock		0.9	1.2	0.6	0.8
Debtors	10	39.2	27.1	30.5	21.1
Short term deposits		10.9	19.4	2.2	9.4
Cash at bank and in hand		1.7	2.1	1.3	1.9
		52.7	49.8	34.6	33.2
Creditors: amounts falling due within one year	11	(39.3)	(38.0)	(31.7)	(29.5)
Net current assets		13.4	11.8	2.9	3.7
Total assets less current liabilities		142.7	137.3	134.5	131.6
Creditors: amounts falling due after one year	12	–	–	(10.6)	(10.6)
Provisions for liabilities and charges	13	(0.7)	(1.2)	(0.6)	(1.0)
Net assets excl. pension scheme liability		142.0	136.1	123.3	120.0
Pension scheme liability	17	(1.9)	(2.0)	–	–
Net assets including pension scheme liability		140.1	134.1	123.3	120.0
Specific Endowments	14	17.2	14.7	17.2	14.7
Reserves					
Revaluation reserve	15	25.9	20.7	25.6	20.8
Investment Property Revaluation Reserve	15	0.5	0.5	0.5	0.5
General Reserve	15	98.4	100.2	80.0	84.0
Total reserves excluding pension liability		124.8	121.4	106.1	105.3
Pension Reserve	15	(1.9)	(2.0)	–	–
Total reserves including pension liability		122.9	119.4	106.1	105.3
		140.1	134.1	123.3	120.0

The financial statements on pages 21 to 35 were approved by the Syndics on 26 January 2006 and were signed on their behalf by:

Dr K. B. PRETTY

*Member of the Local
Examinations Syndicate*

Mr S. LEBUS

*Chief Executive of the Local
Examinations Syndicate*

Consolidated Cashflow Statement for the year ended 30 September 2005

		2005		2004	
	<i>Note</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Net cash (outflow)/ inflow from operating activities	16a		(4.6)	2.7	
Returns on investments and servicing of finance					
Investment income		3.4		3.0	
Interest received		0.7		1.0	
			4.1		4.0
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(7.8)		(3.9)	
Receipts from sale of tangible fixed assets		–		0.1	
Payments to acquire fixed asset investments		–		(10.0)	
			(7.8)		(13.8)
Management of liquid resources					
Net movement on money market deposits	16c		7.9		8.1
(Decrease)/ Increase in cash in the period	16b		(0.4)		1.0

1. ACCOUNTING POLICIES

Basis of Preparation

The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education issued in July 2003, and in accordance with applicable Accounting Standards in the United Kingdom. The University of Cambridge (the ultimate parent undertaking) presents its accounts using this statement of recommended practice and it was agreed by the Syndics that it was appropriate for the University of Cambridge Local Examinations Syndicate (UCLES) to adopt the same presentation. As UCLES accounts were previously presented using the Charities SORP this change of presentation required a prior year adjustment for the creation of a revaluation reserve for the appreciation in value of investment assets, see note 15. There has been no change to the net assets of UCLES.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to Syndicate's financial statements except as noted below.

Basis of Accounting

The financial statements have been prepared in accordance with the historical cost convention as modified by the revaluation of certain fixed assets.

Basis of Consolidation

The Group accounts incorporate the results of UCLES and its subsidiary companies and Joint Ventures on a line by line basis.

Joint Venture companies have been accounted for in accordance with the gross equity method. The accounting periods of Joint Venture 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.

Recognition of Income and Deferral of Incoming Resources

All income is recognised on a receivable basis. Examination fees and other services receivable in respect of examination sessions or courses taking place in subsequent financial years are deferred to the year in question.

Pension Schemes

The Syndicate has fully adopted FRS 17 'Retirement benefits'. The Syndicate participates in three pension schemes providing benefits based on final pensionable pay. The assets of the schemes are held separately from those of the Syndicate.

For two of the schemes, CPS and USS, the Syndicate is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17, accounts for these schemes as if they were defined contribution schemes. As a result, the amount charged to the Statement of Financial Activities represents the contributions payable to each scheme in respect of the accounting period.

The RSAEB scheme has two employers, UCLES and OCR. As both are within the UCLES Group, the scheme is accounted for as a defined benefit scheme in accordance with FRS 17 in the Group accounts with the consequence that any surplus or deficit in the scheme is recognised as an asset or liability in the balance sheet. In the individual accounts of UCLES and OCR, the scheme is accounted for as a defined contribution scheme in the same way as the USS and CPS schemes above.

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 term of the lease
Plant and equipment, furniture and fittings	15 – 25% per annum on a straight line basis.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the Statement of Financial Activities on a straight line basis over the period of the lease.

Investments

Investments in Cambridge University Endowment Fund (Amalgamated Fund) units are stated at estimated market value.

Investment properties are valued at market value.

Investments in subsidiaries are stated at cost.

Stocks

Stocks are of finished goods and are stated at the lower of cost and net realisable value. Where necessary provision is made for obsolete, slow moving and defective stocks.

Foreign Currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains and losses on translation are included in the Income and Expenditure Account.

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. Subsidiary companies have policies to gift aid any profits to UCLES. Consequently in those companies there are no corporation tax charges.

UCLES receives no similar exemption in respect of Value Added Tax.

Recognition of Liabilities

Provisions are recognised under FRS 12 and are not discounted.

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 amortised over 10 years on a straight line basis, being its estimated useful economic life.

Research and Development Expenditure

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

2. ENDOWMENT AND INVESTMENT INCOME

	<i>2005 Group</i>	<i>2004 Group</i>
	<i>£m</i>	<i>£m</i>
Income from specific endowment asset investments	0.7	0.6
Other investment income	2.8	2.6
Other interest receivable	0.5	0.9
	<u>4.0</u>	<u>4.1</u>

3. STAFF COSTS

The average number of persons employed by the Group during the year, expressed as full-time equivalents, was:

	<i>2005</i>	<i>2004</i>
	<i>Group</i>	<i>Group</i>
	<i>Number</i>	<i>Number</i>
Examination services	1,277	1,199
Administration and central services	424	406
Premises	83	74
	<u>1,784</u>	<u>1,679</u>

Staff costs for the above persons comprise:

	<i>2005</i>	<i>2004</i>
	<i>Group</i>	<i>Group</i>
	<i>£m</i>	<i>£m</i>
Salaries and wages	41.4	37.1
Social Security costs	3.4	3.0
Other pension costs (note 17)	5.2	5.8
	<u>50.0</u>	<u>45.9</u>

	<i>2005</i>	<i>2004</i>
	<i>Group</i>	<i>Group</i>
	<i>£m</i>	<i>£m</i>
Examination services	34.2	31.3
Administration and central services	13.9	13.0
Premises	1.9	1.6
	<u>50.0</u>	<u>45.9</u>

Staff emoluments over £70,000:

	<i>2005 Group No. staff</i>	<i>2004 Group No. staff</i>
£70,001 – £80,000	9	2
£80,001 – £90,000	2	1
£90,001 – £100,000	1	3
£100,001 – £110,000	1	3
£110,001 – £120,000	4	–
£130,001 – £140,000	1	–
£170,001 – £180,000	1	–
£210,001 – £220,000	1	–

4. OTHER OPERATING EXPENSES

	<i>2005 Group £m</i>	<i>2004 Group £m</i>
Examination services	83.1	78.8
Administration and central services	18.5	12.4
Premises	5.5	4.5
	<u>107.1</u>	<u>95.7</u>

Other operating expenses include:

	<i>2005 Group £m</i>	<i>2004 Group £m</i>
Auditors' remuneration – Audit fee	0.1	0.1
Internal Audit Fee	0.1	0.1
Depreciation	3.2	5.7
Amortisation of goodwill	0.6	0.6
Operating leases – Land and buildings	1.1	0.8
– Plant, machinery and equipment	0.5	0.6
Foreign Exchange losses	–	0.2

5. (DEFICIT)/SURPLUS ON CONTINUING OPERATIONS FOR THE YEAR

	<i>2005 £m</i>	<i>2004 £m</i>
UCLES (deficit) for the year	(11.4)	(2.0)
Group level adjustments re transfer to WMEB fund	3.0	–
Group level adjustments re defined benefit schemes	0.2	0.2
Surplus retained in subsidiary undertakings	2.2	1.9
	<u>(6.0)</u>	<u>0.1</u>

6. INTANGIBLE FIXED ASSETS

	<i>Group £m</i>
GOODWILL	
COST	
At 1 October 2004	6.1
At 30 September 2005	<u>6.1</u>
AMORTISATION	
At 1 October 2004	4.1
Charge for year	0.6
At 30 September 2005	<u>4.7</u>
NET BOOK VALUE	
At 30 September 2005	1.4
At 30 September 2004	<u>2.0</u>

The Goodwill arose on acquisition of the RSA Examinations Board by OCR, being the difference between the purchase consideration and the fair value of the net assets acquired.

**7. TANGIBLE FIXED ASSETS
GROUP**

	<i>Land and buildings</i>			<i>Plant and equipment, furniture and fittings</i>	<i>Assets under construction</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>	<i>£m</i>
COST						
At 1 October 2004	33.6	6.3	0.6	19.1	1.1	60.7
Additions	1.1	0.4	0.6	3.5	2.2	7.8
Transfer	3.3	–	–	–	(3.3)	–
Disposals	–	–	–	(0.3)	–	(0.3)
At 30 September 2005	<u>38.0</u>	<u>6.7</u>	<u>1.2</u>	<u>22.3</u>	<u>–</u>	<u>68.2</u>
DEPRECIATION						
At 1 October 2004	7.8	1.4	0.2	15.8	–	25.2
Disposals	–	–	–	(0.3)	–	(0.3)
Charge for the year	0.8	0.1	0.2	2.1	–	3.2
At 30 September 2005	<u>8.6</u>	<u>1.5</u>	<u>0.4</u>	<u>17.6</u>	<u>–</u>	<u>28.1</u>
NET BOOK VALUE						
At 30 September 2005	<u>29.4</u>	<u>5.2</u>	<u>0.8</u>	<u>4.7</u>	<u>–</u>	<u>40.1</u>
At 30 September 2004	<u>25.8</u>	<u>4.9</u>	<u>0.4</u>	<u>3.3</u>	<u>1.1</u>	<u>35.5</u>

UCLES

	<i>Land and buildings</i>			<i>Plant and equipment, furniture and fittings</i>	<i>Assets under construction</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>	<i>£m</i>
COST						
At 1 October 2004	26.7	–	0.1	16.0	1.1	43.9
Additions	1.1	–	0.5	3.3	2.2	7.1
Transfer	3.3	–	–	–	(3.3)	–
Disposals	–	–	–	(0.3)	–	(0.3)
At 30 September 2005	<u>31.1</u>	<u>–</u>	<u>0.6</u>	<u>19.0</u>	<u>–</u>	<u>50.7</u>
DEPRECIATION						
At 1 October 2004	4.1	–	0.1	12.9	–	17.1
Disposals	–	–	–	(0.3)	–	(0.3)
Charge for the year	0.8	–	–	2.0	–	2.8
At 30 September 2005	<u>4.9</u>	<u>–</u>	<u>0.1</u>	<u>14.6</u>	<u>–</u>	<u>19.6</u>
NET BOOK VALUE						
At 30 September 2005	<u>26.2</u>	<u>–</u>	<u>0.5</u>	<u>4.4</u>	<u>–</u>	<u>31.1</u>
At 30 September 2004	<u>22.6</u>	<u>–</u>	<u>–</u>	<u>3.1</u>	<u>1.1</u>	<u>26.8</u>

8. FIXED ASSET INVESTMENTS

	<i>Group</i>		<i>UCLES</i>	
	<i>2005</i> <i>£m</i>	<i>2004</i> <i>£m</i>	<i>2005</i> <i>£m</i>	<i>2004</i> <i>£m</i>
Balance at 1 October 2004	73.3	58.1	86.4	71.4
Additions	–	10.0	–	10.0
Disposals	(12.9)	–	(12.9)	–
Appreciation in investment assets	10.2	5.2	9.8	5.0
Balance at 30 September 2005	70.6	73.3	83.3	86.4
Represented by:				
University Endowment Fund units	68.8	71.5	66.5	69.6
Investment properties	1.7	1.7	1.7	1.7
Investment in Subsidiary Undertakings	–	–	0.1	0.1
Loans to Group Undertakings	–	–	15.0	15.0
Loan to Joint Venture	0.1	0.1	–	–
	70.6	73.3	83.3	86.4

Investments at market value comprise Cambridge University Endowment Fund (Amalgamated Fund) units. The market value at 30 September 2005 is based on the estimated valuation as at that date provided by the University Finance Division.

The loans to Group undertakings are unsecured and have no fixed repayment date. No interest has been charged in the year to 30 September 2005. Loans to Group Undertakings includes a £15.0m loan to OCR, the future interest rate on which has yet to be determined.

Subsidiary Undertakings

<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	4
Mill Wharf Ltd	England	Ordinary	100%	Not trading	4
OCR Nationals	England	Member	100%	Dormant	3
Progress House Printers Ltd	England	Ordinary	100%	Dormant	4
CUAPTS Limited	Hong Kong	Ordinary	100%	Dormant	4
World Class Tests Ltd	England	Ordinary	100%	Dormant	4
OCIAS Limited	England	Ordinary	100%	Assessment services	4
Cambridge Examinations Inc	US	Member	100%	Examination services	5
Quick Placement Tests Ltd	England	Ordinary	100%	Dormant	4
Cambridge Assessment	England	Member	100%	Dormant	3

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

Joint Ventures:

IELTS Inc	US	Member	33%	Examination services	5
QualDat	England	Member	33%	General education	2

IELTS Inc is a joint venture between OCIAS Limited, the British Council and IDP Australia to promote the IELTS examination in the US.

Note

- 1 Companies limited by guarantee and exempt charities.
- 2 Company limited by guarantee and a registered charity.
- 3 Company limited by guarantee.
- 4 Companies having share capital.
- 5 US non-stock non-profit corporation.

9. ENDOWMENT ASSETS

	<i>Group</i>		<i>UCLES</i>	
	<i>2005</i>	<i>2004</i> <i>Re-stated</i>	<i>2005</i>	<i>2004</i> <i>Re-stated</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Balance at 1 October 2004	14.7	14.0	14.7	14.0
Appreciation in value of University Endowment Fund units	1.9	0.8	1.9	0.8
Increase/(decrease) in short term deposit balances	0.6	(0.1)	0.6	(0.1)
Balance at 30 September 2005	<u>17.2</u>	<u>14.7</u>	<u>17.2</u>	<u>14.7</u>
Represented by:				
University Endowment Fund units	13.0	11.1	13.0	11.1
Short term deposits	4.2	3.6	4.2	3.6
	<u>17.2</u>	<u>14.7</u>	<u>17.2</u>	<u>14.7</u>

10. DEBTORS

	<i>Group</i>		<i>UCLES</i>	
	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Fee debtors	29.3	19.0	24.2	15.1
Amounts owed by Group undertakings	—	—	0.3	0.2
Other debtors	2.3	1.1	0.7	1.0
Prepayments and accrued income	7.6	7.0	5.3	4.8
	<u>39.2</u>	<u>27.1</u>	<u>30.5</u>	<u>21.1</u>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<i>Group</i>		<i>UCLES</i>	
	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Trade creditors	3.5	3.8	2.9	3.1
Amounts due to Group undertakings	—	—	1.1	0.4
Other taxes and social security	5.6	5.1	1.6	1.5
Other creditors	1.4	1.8	1.1	1.5
Accruals and deferred income	28.8	27.3	25.0	23.0
	<u>39.3</u>	<u>38.0</u>	<u>31.7</u>	<u>29.5</u>
Deferred income (see page 24) is analysed as:				
At 1 October 2004	21.1	19.5	19.7	18.1
Deferred in current year	21.8	21.1	20.5	19.7
Released from previous year	(21.1)	(19.5)	(19.7)	(18.1)
At 30 September 2005	<u>21.8</u>	<u>21.1</u>	<u>20.5</u>	<u>19.7</u>

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<i>Group</i>		<i>UCLES</i>	
	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Loan from RSAEB	–	–	10.5	10.5
Loan from CUAPTS	–	–	0.1	0.1
	<u>–</u>	<u>–</u>	<u>10.6</u>	<u>10.6</u>

The loans are unsecured and have no fixed repayment date. No interest was charged in the year to 30 September 2005 (2004: nil).

13. 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 2004	0.2	0.1	0.9	1.2
Charges in the year	0.2	–	0.6	0.8
Utilised in the year	(0.1)	–	(1.1)	(1.2)
Released during the year	(0.1)	–	–	(0.1)
	<u>0.2</u>	<u>0.1</u>	<u>0.4</u>	<u>0.7</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 2004	–	0.1	0.9	1.0
Charges in the year	0.1	–	0.6	0.7
Utilised in the year	–	–	(1.1)	(1.1)
	<u>0.1</u>	<u>0.1</u>	<u>0.4</u>	<u>0.6</u>

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

14. SPECIFIC ENDOWMENTS***GROUP and UCLES***

	<i>2005</i>
	<i>£m</i>
Balance at 1 October 2004	14.7
Income from endowment asset investments	0.7
Expenditure	(3.1)
	<u>(2.4)</u>
Transfer from TWMEB reserves	3.0
Appreciation in investment assets	1.9
	<u>17.2</u>
Balance at 30 September 2005	<u>17.2</u>
Representing	
EMREB Fund	4.9
WMEB Fund	12.2
Scholarship Funds	0.1
	<u>17.2</u>

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'). Scholarship funds are amounts of money left to the Syndicate to give to students for prizes or awards.

15. RESERVES

GROUP	<i>General reserves</i> £m	<i>Revaluation reserve</i> £m	<i>Investment property revaluation</i> £m	<i>excl. pension</i> £m	<i>Total Pension reserve</i> £m	<i>Total</i> £m
Balance at 1 October 2004:						
As previously stated	120.9	–	0.5	121.4	(2.0)	119.4
Prior year adjustment	(20.7)	20.7	–	–	–	–
As re-stated	100.2	20.7	0.5	121.4	(2.0)	119.4
(Deficit)/ surplus	(3.8)	–	–	(3.8)	0.2	(3.6)
Transfer to WMEB fund	(3.0)	–	–	(3.0)	–	(3.0)
Appreciation in investments	–	10.2	–	10.2	–	10.2
Realisation of gains	5.0	(5.0)	–	–	–	–
Actuarial loss	–	–	–	–	(0.1)	(0.1)
At 30 September 2005	98.4	25.9	0.5	124.8	(1.9)	122.9

UCLES

	<i>General reserves</i> £m	<i>Revaluation reserve</i> £m	<i>Investment property revaluation</i> £m	<i>Total</i> £m
Balance at 1 October 2004:				
As previously stated	104.8	–	0.5	105.3
Prior year adjustment	(20.8)	20.8	–	–
As re-stated	84.0	20.8	0.5	105.3
(Deficit)	(9.0)	–	–	(9.0)
Appreciation in investments	–	9.8	–	9.8
Realisation of gains	5.0	(5.0)	–	–
At 30 September 2005	80.0	25.6	0.5	106.1

Under the Accounting for Further and Higher Education SORP, appreciation in investment assets is taken to a revaluation reserve. The prior year adjustment represents the transfer of accumulated appreciation to the revaluation reserve.

16. NOTES TO CONSOLIDATED CASHFLOW STATEMENT**(a) Reconciliation of operating (deficit)/ surplus to net cash inflow(outflow) from operating activities**

	2005 £m	2004 £m
(Deficit)/ surplus on continuing operations	(6.0)	0.1
Investment income	(4.0)	(4.1)
Depreciation of tangible fixed assets	3.2	3.0
Impairment loss on property	–	2.8
Amortisation of goodwill	0.6	0.6
(Surplus) on disposal of investments/ tangible fixed assets	(1.7)	(0.1)
Movements in provisions	(0.5)	0.4
Increase in creditors	1.3	4.4
(Increase) in debtors	(12.1)	(4.1)
Decrease/ (increase) in stock	0.3	(0.2)
Transfer to University (non cash)	14.5	–
Pension costs (FRS17)	(0.2)	(0.1)
Net cash (outflow)/ inflow from operating activities	(4.6)	2.7

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

	2005 £m	2004 £m
(Decrease)/ increase in cash in the year	(0.4)	1.0
Cashflow from (decrease) in money market deposits	(7.9)	(8.1)
	<hr/>	<hr/>
Change in net funds resulting from cashflows	(8.3)	(7.1)
Net funds at 1 October 2004	25.1	32.2
	<hr/>	<hr/>
Net funds at 30 September 2005	16.8	25.1
	<hr/>	<hr/>

(c) Analysis of change in net funds

	At 1 Oct 2004 £m	Cash flows £m	At 30 Sept 2005 £m
Cash at bank and in hand	2.1	(0.4)	1.7
Money market deposits	23.0	(7.9)	15.1
	<hr/>	<hr/>	<hr/>
Total	25.1	(8.3)	16.8
	<hr/>	<hr/>	<hr/>

17. PENSION COSTS

The Group participates in three defined benefit pension schemes. Each scheme is valued every three years by professionally qualified independent actuaries who are not employees or officers of the Group. The pension costs are assessed using the projected unit method. The information in respect of the USS revaluation as at March 2005 is not yet available.

The CPS and USS schemes are not closed. The RSAEB scheme is a closed scheme which has 20 (2004: 21) active members. The rates of contribution payable are determined by the trustees on the advice of the actuaries.

The Group's contributions to the CPS and USS schemes are affected by a surplus or deficit in these schemes. It is not possible to identify the Group's share of underlying assets and liabilities of the schemes and therefore contributions are accounted for as if they were defined contribution schemes in accordance with FRS 17. The assumptions and other data that have the most significant effect on the determination of contribution levels are as follows:

	USS Mar 2002	CPS Jul 2004
Latest actuarial valuations		
Investment returns per annum	5.0%	7.0%
Salary scale increases per annum	3.7%	4.5%
Pension increases per annum	2.7%	3.5%
Market value of assets at date of last valuation	£19,938m	£216m
Funding level	101%	92%
Employer's contribution rate	14%	16.5%

The employer's contribution rate for the CPS scheme was increased to 19.7% from 1 August 2005.

RSAEB Pension Scheme

A full actuarial valuation of the scheme was carried out at 1 October 2003, in accordance with the requirements under FRS 17 and updated to 30 September 2005 by a qualified independent actuary.

It has been agreed that an employer contribution rate of 24.6% of pensionable pay will apply in future years.

The major assumptions used by the actuary were:

	At 30 Sept 2005	At 30 Sept 2004	At 30 Sept 2003
Discount rate	5.0%	5.5%	5.3%
Retail price inflation	2.7%	2.8%	2.5%
Salary increase rate	4.7%	4.8%	4.5%
Pensions increases (at Limited Price Indexation)	3.2%	3.2%	3.2%
Deferred pension revaluation	2.7%	2.8%	2.5%

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

Scheme Assets

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

<i>Assets</i>	<i>Assets at 30 Sept 2005 (£m)</i>	<i>Assets at 30 Sept 2004 (£m)</i>	<i>Assets at 30 Sept 2003 (£m)</i>
Equities	3.1	3.1	2.7
Bonds	2.3	0.4	0.4
Cash/other	0.1	0.9	0.6
Total assets	5.5	4.4	3.7
Scheme liabilities	(7.4)	(6.4)	(6.2)
Net pension deficit	(1.9)	(2.0)	(2.5)
	<i>Expected return from 30 Sept 2005</i>	<i>Expected return from 30 Sept 2004</i>	<i>Expected return from 30 Sept 2003</i>
Equities	7.3%	7.9%	8.2%
Bonds	4.4%	5.0%	4.8%
Cash/other	4.5%	5.0%	4.8%

Movement in Deficit during the year

	<i>Year to 30 Sept 2005 (£m)</i>	<i>Year to 30 Sept 2004 (£m)</i>
Deficit at beginning of the year	(2.0)	(2.5)
Movement in year:		
Current service cost	(0.2)	(0.2)
Contributions	0.4	0.4
Actuarial (loss)/gain	(0.1)	0.3
Deficit at end of the year	(1.9)	(2.0)

Analysis of amount recognised in Statement of Total Recognised Gains and Losses:

	<i>Year to 30 Sept 2005 (£m)</i>	<i>Year to 30 Sept 2004 (£m)</i>
Actual return less expected return on pension scheme assets	0.6	0.1
Experience (losses)/ gains on the liabilities	(0.1)	0.4
Change in assumptions underlying the present value of the scheme liabilities	(0.6)	(0.2)
Actuarial (loss)/ gain	(0.1)	0.3

Analysis of the amount charged to Income and Expenditure Account:

	<i>Year to 30 Sept 2005 (£m)</i>	<i>Year to 30 Sept 2004 (£m)</i>
Staff costs:		
Current service cost	0.2	0.2
Pension finance costs:		
Expected return on pension scheme assets	0.3	0.3
Interest on pension scheme liabilities	(0.3)	(0.3)
	–	–

History of experience gains and losses

	<i>Year to 30 Sept 2005 (£m)</i>	<i>Year to 30 Sept 2004 (£m)</i>	<i>Year to 30 Sept 2003 (£m)</i>
Difference between the actual and expected return on scheme assets	0.6	0.1	0.2
– as % of scheme assets	10%	2%	6%
Experience gains/losses on scheme liabilities	(0.1)	0.4	–
– as % of present value of scheme liabilities	(1%)	7%	0%
Total amount recognised in Statement of Total Recognised gains and losses	(0.1)	0.3	0.1
– as % of present value of scheme liabilities	(2%)	4%	1%

Total Group Pension Cost for the Year

	<i>2005 £m</i>	<i>2004 £m</i>
USS	2.7	2.4
CPS	2.3	3.2
RSAEB	0.2	0.2
	<hr/>	<hr/>
	5.2	5.8

Included in 2004 was £2.7m for an additional payment to the CPS scheme for one year's employer's and employee costs.

18. OPERATING LEASES

At 30 September 2005 the Group had annual commitments under non-cancellable operating leases as follows:

	<i>Group</i>		<i>UCLES</i>	
	<i>2005 £m</i>	<i>2004 £m</i>	<i>2005 £m</i>	<i>2004 £m</i>
Amounts payable under operating leases which fall due in the next financial year:				
Land and Buildings, commitments expiring:				
In 1 year	–	0.1	–	0.1
Between 2 and 5 years	1.2	0.7	1.3	0.4
After 5 years	0.2	0.1	0.2	0.1
Plant, machinery and equipment, commitments expiring:				
In 1 year	0.1	0.1	–	0.1
Between 2 and 5 years	0.2	0.3	0.1	0.1
	<hr/>	<hr/>	<hr/>	<hr/>
	1.7	1.3	1.6	0.8

19. 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 the following transactions with related parties:

Transactions with Cambridge University Press ('CUP'), another Syndicate of the University of Cambridge, were as follows: purchase of printing services £8.28m (2004: £9.24m), purchase of other services £0.35m (2004: £0.03m), receipt of royalties £0.25m (2004: £0.29m), sale of services to CUP £0.23m (2004: £0.16m). At 30 September 2005 a balance of £0.61m (2004: £1.03m) was due to CUP.

The group transferred £14.61m (2004: £8.02m) to the University of Cambridge, including £0.15m in respect of 2005–06 (2004: nil advance payment). In addition the group paid £0.28m (2004: £0.36m) to the University in respect of rentals, computer software and other services. Examination fees of £0.02m (2004: £0.01m) were charged to the University. At 30 September 2005 a balance of £0.09m (2004: nil) was due from the University.

A total of £0.36m (2004: £0.10m) was paid to Colleges of the University in respect of venue hire and scholarships. Property rental of £0.05m (2004: £0.05m) was receivable from Downing College. At 30 September 2005 £0.01m (2004: £0.01m) was due from Colleges.

£0.08m (2004: £0.09m) was paid to the Cambridge Overseas Trust in respect of scholarships.

No remuneration was paid to Syndics or to any connected persons (2004: nil). Total travel expenses of £2,041 (2004: £3,472) were reimbursed during the year to 5 (2004: 7) Syndics.

A loan was made to IELTS Inc of US \$30,000 (2004: US \$60,000).

20. FORWARD CURRENCY CONTRACTS

As at 30 September 2005 the Syndicate had forward exchange contracts for the sale of €8.0m (2004: €16.5m) and US\$3.6m (2004: US \$1.5m).

21. CAPITAL COMMITMENTS

There were £1.22m (2004: £nil) capital commitments as at 30 September 2005 in respect of building work.

22. CONTINGENT LIABILITIES

There were no (2004: £nil) contingent liabilities as at 30 September 2005.

25. ULTIMATE PARENT UNDERTAKING

UCLES is a Syndicate of the University of Cambridge. It is governed by the Statutes and Ordinances of the University. The results of UCLES are consolidated into the accounts of the University of Cambridge, which may be obtained from the Cambridge University Press Bookshop, 1 Trinity Street, Cambridge, CB2 1SZ.