

Annual Report of the Local Examinations Syndicate

This is the one hundred and forty-second Annual Report of the Syndicate. It covers the events of the financial year 1998–99.

The LOCAL EXAMINATIONS SYNDICATE beg leave to present the following Annual Report to the Council.

Introduction

The financial year 1998–99 saw the full implementation of major structural and operational changes in all areas of the UCLES Group's activities, which came into effect at the beginning of the period. These changes, which have been under development for several years, have involved the complete restructuring of the organization's operations.

These fundamental changes have been made to allow the Group to provide a better, more targeted, and cost-effective service to customers, and to correct several years of poor financial performance on the part of the UCLES Group as a whole.

At the same time, the external environment in which the UCLES Group operates is increasingly challenging. Many of our traditional markets are still experiencing economic difficulties, and the completion of localization in a number of countries – most notably Zimbabwe – is reducing entry numbers for many examinations. We are also facing increasingly stiff competition, especially in relation to English as a Foreign Language (EFL) examinations, with a growing number of examining bodies offering services which purport to be equivalent to the services offered by the UCLES Group, and a more marketing-oriented approach is being adopted in many countries. The regulatory framework in the UK continues to become stricter, imposing greater costs on the examining bodies, and the continuing need to develop new and revised syllabuses to meet changing curriculum requirements also increases costs and demands a great deal of specialist input.

Despite these difficult conditions, entries are growing in most areas of the UCLES Group's activities, and there are strong indications that many of the new examinations and services being introduced by the three business streams will prove popular with customers.

An important element in the UCLES Group's response to the increasing level of external challenge is the development of increasingly close partnerships with reputable organizations throughout the world, and an increase in the level of in-country support for institutions involved in delivering Cambridge International Examinations (CIE) and UCLES EFL examinations. These partnerships include long-established collaborations with organizations such as the British Council, active participation in organizations such as the Association of Language Testers in Europe (ALTE), and joint ventures with commercial organizations both in the UK and overseas, as well as our extremely close links with thousands of centres and with individual teachers whose work as examiners and examinations officers is fundamental to the examinations system. One of the most important priorities for the Group is to enhance these partnerships to the benefit of all involved.

Underlying the reorganization of the Group's activities is an uncompromising commitment to the organization's educational mission, and an understanding that this mission can only be satisfactorily pursued on the basis of a stable financial position.

Our role is to develop and deliver examinations of the highest possible quality, both in terms of the reliability, validity, and integrity of assessment, and of the educational experiences which the examinations encourage. By providing a model and a standard of excellence, both directly and through participation in collaborative projects and an extensive research programme, we believe that the UCLES Group can continue to play an important role in the development of education throughout the world, as it has been doing for well over a century. As such, the Group plays a significant role in the wider mission of the University, reaching out to an extremely wide and diverse educational community throughout the world.

The UCLES Group has set itself a number of key objectives for the next five years. These include the achievement of:

- financial viability;
- an efficient and effective organization;
- a breadth of services and products;
- sustainable growth;
- a diversified product range;
- a worldwide delivery capability;
- satisfaction for all stakeholders.

The following Report concentrates on the steps that have been, and are being, taken to achieve these objectives.

Finance

As is shown in the attached accounts, which have been prepared in compliance with the 'Statement of Recommended Practice: Accounting by Charities', the UCLES Group incurred a deficit of £4.3m for the financial year 1998–99, after exceptional restructuring costs and transfers (£12.2m in 1997–98). This is largely due to the fact that the Group still provides an excessively large number of different examinations, particularly in the UK, imposing extremely high operating costs. This over-extension is the result of the mergers with other examining bodies which have taken place over the last few years, and will be rectified in conjunction with the implementation of a new suite of AS and A Level syllabuses and a rationalization of provision in international GCE O and A Level. Costs are also increased by heavy investment in marketing and product development; this will continue for the foreseeable future, but should be offset by consequent increases in entries and improved operating efficiency.

Cost savings have been and still are being sought, in all areas of the Group's activity, and this has already had a substantial impact on the organization's financial performance, with the current position substantially more positive than was envisaged in the five-year business plan produced earlier in the year. This process will continue during the next year.

It is expected that the deficit after transfers for the year 1999–2000 will be around £2m, and that the UCLES Group will return a surplus from 2000–01 onwards, validating the assumptions in the Group's business plan.

UCLES invests in Amalgamated Fund Units (AFUs), taking account of forecast working capital

needs. Any remaining cash balances are invested in interest earning accounts selected as appropriate by the University. UCLES holds reserves derived from surpluses made in previous years. These surpluses have been used to absorb the deficits experienced by the Group in the last three years, primarily as a result of the high costs associated with the UK examining market. Resources are also retained in order to fund investment in anticipated systems and procedural changes. Such changes in the future include the Qualifications and Curriculum Authority's (QCA) new requirement for scripts to be returned to UK schools after marking, the development of new Career and Skills Awards by CIE, and a Group-wide need to invest in electronic testing and marking.

Corporate Structure

The restructuring of the UCLES Group into three business streams was formally implemented at the start of the financial year, with staff being transferred to business streams with effect from 1 October. This transition was achieved cleanly and efficiently, and with a minimum of disruption. The commitment of the organization's staff to minimizing inconvenience to customers was particularly impressive, especially as it coincided with an inevitably stressful transition to new roles and working practices for many members of staff.

The UCLES Group now comprises three externally trading business streams:

- Cambridge International Examinations (CIE), with responsibility for international school examinations and a new range of international vocational awards;
- Oxford, Cambridge and RSA examinations (OCR), with responsibility for examinations and other assessment activity in the UK;
- UCLES EFL Division, with responsibility for examinations in English as a Foreign Language and qualifications for language teachers, throughout the world.

These business streams are supported by UCLES Corporate Services, which provides a variety of services to all three business streams, including IT, research and evaluation, premises, and printing and distribution. The business streams are re-charged for the services provided by the corporate areas.

The three business streams have moved rapidly to consolidate their operations and to address the particular needs of the markets in which each of them operates. It is notable that although each has adopted a very different structure and set of priorities according to external conditions, all three streams have emphasized as priorities the need for greater professional accountability, a more systematic and rigorous business planning process, and increased attention to product development, marketing, and customer service. Although these are still early days, it is clear that the division into business streams has been successful and provides the UCLES Group with the flexibility and concentration of expertise needed to meet increasingly diverse assessment needs throughout the world.

Cambridge International Examinations

Of the three business streams, the most ambitious transition has been that affecting Cambridge International Examinations. Amongst the issues that had to be addressed were the dramatic reduction of the

established customer base for international school examinations as a result of localization of examinations in many countries; a continuing over-provision in many subject areas; and evidence of an enormous and largely untapped demand for the provision of internationally recognized vocational and professional assessment services. Furthermore, the establishment of CIE allowed for the creation of a highly focused staffing structure to provide a service more closely tailored to the needs of international customers, for whom the administrative and support arrangements which apply to institutions using the more homogenous systems required for examinations in the UK are increasingly inappropriate.

The first year of CIE's operation has been successful, and operational activity has been consolidated to the point where CIE can be confident of providing an unprecedentedly high level of service to customers in the near future. At the same time, a far reaching programme of product development and promotion has produced an innovative and dynamic range of new assessment services which have attracted a great deal of interest throughout the world and which should begin to bear fruit over the next year.

Financially, CIE took over a relatively small operating deficit, coupled with a need to invest heavily in product development and promotion. Careful attention to costs made it possible for CIE to improve on the financial predictions for its first year in operation, and CIE's activities broke even for the year 1998-99, compared with a predicted deficit of around £400,000, providing an encouraging basis for the future.

CIE has launched a comprehensive review of its existing syllabus provision, which includes over 600 syllabuses, mainly in the areas of international GCE O and A Level, the International General Certificate of Secondary Education (IGCSE), and the Advanced International Certificate of Education (AICE). Some of these syllabuses are out of date or not viable in terms of the entry they attract, and rationalization of these examinations will provide significant cost-savings over the next few years. CIE is sensitive, however, to the needs of existing customers, and to the fact that in some cases syllabuses which attract a relatively small entry meet educational needs that are not otherwise catered for, and in planning the rationalization of syllabuses, care will be taken to minimize disruption for existing users.

The Group's established international examinations remain strong, with continuing growth in entries for the International General Certificate of Secondary Education (IGCSE) and a large entry for International GCE O and A Level examinations, although the entry for O Level in particular is shrinking as a result of localization of examinations in several key countries. The Advanced International Certificate of Education (AICE) – the post-IGCSE qualification introduced in 1996 – is becoming established in a growing number of centres, and the new Checkpoint scheme for assessing learners in the two years before they embark on courses leading to IGCSE or other post-16 qualifications has attracted a high level of interest from many centres.

The most important development in CIE's activity is the introduction of the portfolio of Career Skills and Career Awards. Building on the success of a number of career-oriented schemes developed by UCLES and by the RSA Examinations Board (RSAEB), especially in the area of information and communications

technology, this portfolio will offer a wide-ranging and flexible range of assessment solutions which can be used 'off the shelf' or tailored to the needs of particular groups of customers. Currently, the portfolio includes awards in the following areas:

- Cambridge Thinking Skills;
- Business and Business Management Awards;
- Information and Communications Technology;
- Risk Management;
- Secretarial and Administration;
- Travel and Tourism;
- Health Care;
- Project Management.

The Information Technology awards include an innovative on-line Computing test, which UCLES has licensed from the National Computing Centre.

These awards are available at four levels – foundation, standard, advanced, and professional. The awards have attracted a great deal of interest in many areas of the world and will be vigorously promoted during the next year. It is expected that all of these awards will be generating substantial revenue by 2002.

As well as developing and consolidating the range of products it offers, CIE is paying attention to the administrative systems which support the examinations. This includes a project to introduce a 'unitization' of AS and A Level provision which will provide a simplified and more economical approach to administering these complex examinations. CIE is also seeking to exploit new technologies in order to administer examinations more effectively. For example, a project has been established to pilot electronic transfer of script images, to obviate the need for candidates' scripts to be sent back to Cambridge, so saving time and money.

CIE is also embracing internet technologies with a major project to develop a sophisticated web-based communications system for centres and other examination users.

CIE has taken a positive approach to staff development, with the support of management consultants from KPMG, to develop strategic planning skills, especially on the part of the Regional Managers – a team of experienced examinations specialists who are responsible for developing relationships and communications in the key regions where CIE operates. This is accompanied by a formalized quality management policy, based on the Crosby Quality Programme, which has involved comprehensive training for all CIE staff.

Recognizing the importance of excellent customer service in all areas of its activity, CIE has set up a dedicated Customer Service team, through which all communications with customers and potential customers are channelled.

One important question which remains to be addressed is whether CIE will continue actively to seek consultancy work. Nevertheless, CIE has undertaken two high-profile consultancy projects in Singapore, one for the Public Service Board (which was successfully delivered during the year), and one to support the complete revision of Singapore's A Level curriculum as part of the Ministry of Education's Singapore 2000 project.

English as a Foreign Language

Of the three business streams, the activities of the EFL Division have been least affected by the restructuring,

because the Division has been closely focused on the needs of a distinct and specialized group of customers for over a decade. Nevertheless, the restructuring has provided the opportunity to add dedicated support functions to the Division's resources, including administration, marketing, and customer support functions, which allow for a much higher level of support in these areas and a strengthening of the distinctive approach to this important area of the UCLES Group's activity.

The EFL Division is also fortunate in that it has consistently returned a financial surplus, a trend which is predicted to continue into the year 1999–2000. Nevertheless, the Division faces major challenges from competitors based in this country and the United States as well as continuing difficult economic conditions in many key markets, and an increasing demand for on-demand assessment of language skills. These challenges are being met by a combination of intensified marketing activity, dedication of greater resources to the development of computer-based testing, and an increasingly systematic approach to supporting the development of activity in key markets, including a much enhanced level of in-country support. The EFL Division is well positioned for long-term growth and close attention to operating costs will also contribute to the UCLES Group's financial viability.

The EFL Division's activity remains particularly strong in Greece, Western Europe, and Latin America, despite growing competition in many countries. A key element in the Division's strategy is to provide increased support for the promotion of the examinations in these areas, with in-country Local Support Officers in the most important countries and increased provision of promotional materials in local languages, attendance at a wide range of educational conferences and exhibitions, and close, systematic attention to feedback from customers in these regions. A particularly important development is the reformulation of the role of Local Consultative Groups which bring together particularly active Local Secretaries in many countries. These Groups are now being encouraged to take on a promotional role in their home regions, with a higher level of support from Cambridge. This approach is being piloted in France and Italy and is expected to be introduced in other countries in the near future.

At the same time, entries for UCLES' EFL examinations, particularly in the areas of young learners and business English, are growing strongly in many Asian countries and there is evidence of untapped demand for the examinations in Taiwan and Korea, which EFL Division is seeking to address by means of local agreements and support arrangements.

Throughout the world, the Local Secretaries who administer examination centres on the UCLES Group's behalf play an essential role in the promotion, as well as the administration, of the examinations, and developing and enhancing this role is a key element in the EFL Division's strategy.

The Main Suite of EFL examinations – the Key English Test (KET), Preliminary English Test (PET), First Certificate in English (FCE), Certificate in Advanced English (CAE), and Certificate of Proficiency in English (CPE) – still account for the majority of the EFL Division's candidature and revenue, a position which will continue for the foreseeable future. Entries for the Main Suite continue to grow, and are likely to be stimulated by the

introduction of PET and KET in Greece and increasing recognition of these lower-level examinations within the Italian state school system. During the past year, a major priority has been the revision of CPE – the longest established and highest level of the examinations – in order to bring the structure of the examination into line with the rest of the Main Suite, and to take account of recent developments in language teaching and assessment. The revised format CPE, which will be examined for the first time in December 2002 is expected to attract more candidates.

The three Business English Certificates (BEC) are proving increasingly popular in many areas of the world. Introduced in East Asia in the mid-1990s, BEC was made available throughout the world in 1998 and has been well received by many EFL centres. The examination will be reviewed over the next few years, a review which is likely to recommend the incorporation of the older Certificate in English for International Business and Trade (CEIBT) within the BEC examinations. The UCLES Group's other business language assessment service, the multilingual BULATS Business Language Testing Service, is to be relaunched as a suite of tests primarily for use in large companies and including a computer-adaptive test which is expected to prove successful in a market which the Group has not traditionally accessed.

During 1998–99, the Cambridge Young Learners English Tests continued their rapid growth in East Asia as well as in developing markets in Europe and Latin America; feedback from teachers and students remains extremely positive.

1999 was the tenth anniversary of the launch of the International English Language Testing System (IELTS), which the UCLES Group runs jointly with the British Council and IDP Education Australia. The steady growth in entries for IELTS is continuing; this will be further encouraged by the increasing recognition of IELTS test results by universities in the United States and other English-speaking countries.

The Cambridge Integrated Language Teaching Schemes (CILTS) remain a cornerstone of the English language teaching profession, with the Certificate and Diploma in English Language Teaching to Adults retaining their status as the most widely respected qualifications for EFL teachers throughout the world. The range of schemes available has recently been enhanced by the introduction of qualifications for teachers wishing to work with Young Learners. A survey during 1998–99 revealed a high level of satisfaction with CILTS on the part of employers of language teachers.

The development of computer-based language testing is a key priority for the EFL Division, and 1998–99 saw the completion of development of a computer-based placement test and of the multilingual BULATS Computer Test developed jointly with the UCLES Group's partners in ALTE. These services will be launched during the next year and are expected to become an important element in the Group's language testing provision. Development is well advanced with a number of other services, including a computer-based IELTS test.

Another priority for the EFL Division is the extension of formal recognition of the examinations by higher education institutions in the UK and elsewhere and from businesses and other organizations. Considerable progress has been made in this area, with

an increasingly systematic and pro-active approach to obtaining recognition and a number of important developments, such as the rapidly growing list of US universities recognizing IELTS.

Following the restructuring of the UCLES Group, the EFL Division has the advantage of a dedicated administration team which has facilitated a number of projects designed to enhance the service to customers and to improve the efficiency and cost-effectiveness of our systems. In particular, EFL centres are increasingly being encouraged to use the computer-based EFLCOMMS administration system. The next year will see the piloting of a new system which will allow centres to send and receive registrations, results, and other administrative data by means of a web-based system, closely integrated with EFLCOMMS.

UCLES EFL Division continues its close co-operation with partner organizations throughout the world, most notably the British Council. In China, collaboration is continuing with the National Education Examinations Authority on the project to reform China's English language examinations. The EFL Division's important partnership with the Associação Brasileira de Culturas Inglesas was also strengthened by the hosting of the annual conference of ABCI directors at Downing College. The Division also works closely with other groups of Culturas Inglesas throughout South America.

The UCLES Group's participation in ALTE, for which the Group provides the secretariat, is an increasingly important element in the promotion of the examinations in many European countries, most notably in France. The ALTE five-level scale of examinations and the development of systematic 'Can Do' statements, specifying tasks learners can typically be expected to be able to perform for each of the levels, are proving extremely useful in helping examination users to understand the nature of the UCLES EFL examinations.

During 1999, steps were taken to establish Cambridge Examinations and IELTS International (CEII) as a corporation in the United States. CEII will promote UCLES examinations in North America, and work to increase recognition of the examinations in the US.

The EFL Division includes a large and active Test Development and Validation Group, which exists to underpin the quality of assessment, to ensure that new examinations and assessment services are rigorously grounded in the best possible assessment practice, and to organize and participate in major international research projects. The work of this group is fundamental to the reputation of the UCLES EFL examinations in terms of quality and in the range and variety of language abilities assessed.

OCR

OCR's purpose is to develop, promote, and provide a flexible range of qualifications which recognize the achievement of learners in the UK through all the phases of their life and work.

The establishment of OCR represents the culmination of the incorporation within UCLES of the University of Oxford Delegacy of Local Examinations (UODLE), the Oxford and Cambridge Schools Examination Board (OCSEB), and the RSA Examinations Board (RSAEB), and coincides with a time of particular turbulence in the UK examinations

system. OCR is one of the three examining bodies authorized to conduct GCSE, A Level, and GNVQ in England and faces intense competition from the other two examining bodies, as well as an increasingly strict regulatory framework and demanding customer expectations.

Following the mergers, OCR has inherited an unwieldy and over-large portfolio of A Level syllabuses, which are expensive to administer and which have contributed in large measure to OCR's substantial operating deficit. The progressive elimination of this deficit, without compromising the standard of service provided to customers, is OCR's most pressing objective. In part, this can be achieved by reducing duplications in syllabus provision, but it is also necessary to implement thorough cost-control procedures and a more streamlined administrative system, integrating the work of staff in Cambridge, Birmingham, and Coventry.

OCR's specific financial targets include:

- increasing fee income by 24% in real terms over a five year period;
- achieving a break-even position, including development costs, by September 2002;
- achieving an annual operating surplus of at least 5% by September 2004.

These are extremely demanding targets, but considerable progress has already been made, and all indications are that OCR will be able to meet its financial objectives. OCR will also measure its success by developing performance indicators for service and brand recognition.

The administration of OCR examinations in the summer of 1999 was successful and all results were published on time. There was no recurrence of the problems that affected the publication of the 1998 results. However, in common with other examining bodies, OCR has seen a rapid growth in the number of enquiries and appeals on results submitted by centres, especially in relation to GCSE, AS, and A Level, which has imposed a substantial additional administrative burden. This growth is seen as originating largely from the increasing accountability of centres to candidates and parents, which in turn drives from the ever-increasing importance of examination results for students' future education and careers, along with the introduction of league tables for schools. In effect, the results enquiries process is a 'one way bet' – grades cannot be reduced as a result of an enquiry or appeal.

It appears that the Government remains committed to GCSE and A Level and is determined to see greater take-up of vocational qualifications by learners of all ages. OCR is extremely well placed to meet these requirements, and is putting in place rigorous strategies for increasing its share of the national entry across the full range of qualifications.

All A Level syllabuses are currently being revised to conform to the requirements of the Qualifications and Curriculum Authority (QCA). Drafts of the new syllabuses were prepared during the year and submitted to QCA for approval. As a result, OCR will offer 45 new AS/A Level syllabuses for teaching from September 2000. However, OCR will maintain the three inherited suites of AS and A Levels until the summer of 2001, with a total of around 250 syllabuses and substantial overlap in many subject areas. While the administrative and financial pressures on OCR will increase until the

inherited suites of syllabuses are discontinued, the introduction of the new syllabuses will ultimately have major benefits both financially and in the level of support OCR can offer to teachers preparing students for these examinations. Entry for OCR's A Level syllabuses remains constant at around 25% of the national entry and there is evidence that the extensive efforts OCR has made to promote the advantages of its service and to keep teachers informed of new syllabus developments have been successful. A major achievement is that ten large sixth forms in Hampshire, jointly accounting for 3% of the national A Level entry, have chosen OCR as their preferred supplier of A Level examinations.

OCR attracts around 23% of the national entry for GCSE, although this share has been decreasing over the last few years. Nevertheless, OCR's GCSE activity generates a satisfactory financial return and the administration of GCSE examinations remains relatively trouble-free. Changes to the National Curriculum will impact on GCSE examinations from 2002 onwards, but are not expected to require a fundamental revision of OCR's syllabuses. OCR is investigating ways of increasing its share of the GCSE market by developing and promoting services that will particularly appeal to teachers preparing candidates for the examinations.

Alongside the school examinations, the incorporation of the RSAEB makes OCR a major provider of vocational and career-oriented qualifications. A major challenge for OCR is to integrate these two major strands of assessment, at the same time as bringing together the very different cultures of the organizations that have been brought together to form OCR.

Entry for OCR's National Vocational Qualifications (NVQ) and General National Vocational Qualifications (GNVQ) is generally stable, and several schemes are attracting an increasing entry. Unfortunately, for reasons beyond OCR's control, a satisfactory increase in NVQ registrations has been accompanied by a decline in income. OCR will continue to consolidate and develop its NVQ and GNVQ provision and to play an active role in the development and revision of these qualifications at a national level.

Entry for OCR's 'Own Brand' qualifications, mostly inherited from the RSAEB, continues to flourish, especially in the area of information technology, where the Computer Literacy and Information Technology (CLAIT) and Integrated Business Technology II and III schemes are market leaders, especially in the Further Education sector. These schemes generate a significant operating surplus, which is important for OCR's future financial viability.

A major priority for OCR is the development of its already extensive programme of training and support for teachers preparing candidates for the examinations and for centres administering them. In combination with enhanced levels of customer service – an area in which OCR is currently not as strong as it would wish to be – OCR believes these to be the most important factors that will influence centres' choice of examining body, given that the content and organization of the syllabuses offered by the different examining bodies are rapidly converging in line with the requirements of the Government and the QCA.

As part of its strategy to attract a larger market share, and also in pursuit of its educational mission, OCR is actively encouraging teachers to participate in the

examination process, both by participating in syllabus revision projects and other consultation processes, and by acting as examiners, with the consequent benefits this involvement brings for students. OCR is working closely with a number of centres to achieve this objective.

OCR has withdrawn from its involvement with the marking of Key Stage 3 of the National Curriculum and will have ceased to offer any examinations or assessment services outside the UK by 2002, handing over all work in this area to CIE. Neither of these decisions has any effect on OCR's overall financial performance.

Communications will be key to OCR's future success and a professional, commercially oriented Sales and Marketing Department established during 1998–99 will play a key role in this, especially in terms of gaining increasing recognition for OCR's brand and the values that are associated with it. There are already indications that efforts in this area are proving successful. At the same time, OCR's UK Policy Directorate is maintaining strong relationships with Ministers, the Department for Education and Employment, QCA officials, and the media.

Corporate services and infrastructure

The UCLES Group supports a programme of research and development on a far larger scale than any other examining body in the UK, both within the business streams and through the work of the Research and Evaluation Division, whose activities relate mainly to CIE and OCR, and which collaborates closely with other examining bodies in order to underpin the standards of the UCLES Group's UK examinations and of the examination system at a national level. This activity is of considerable importance to the continued success of the UCLES Group and a comprehensive review of the Research and Evaluation Division's work has been initiated in order to ensure that its activities are appropriate to the aims and objectives of the UCLES Group and that the maximum benefit is extracted from it.

As part of the Research and Evaluation Division, the ITAL (Information Technology in Assessment and Learning) Unit, established during the previous year, is involved with many developments at the cutting edge of the application of computer-based technologies, and especially the internet, to examinations and other forms of educational assessment. The ITAL Unit collaborates closely with CIE in particular and participates in major projects in Singapore and elsewhere, which are expected to have a major impact on the whole field of educational assessment in the next few years.

In 1998, the introduction of the UCLES Group's new Examinations Processing System (EPS) was marked by a number of teething troubles, although thorough contingency planning prevented these impacting on candidates' results. Much effort has been put into stabilizing the EPS system during 1998–99 and the problems of summer 1998 were not repeated in June 1999. The UCLES Group needs continually to review its IT requirements, however, and consequently has engaged an external consultancy to assess the appropriateness of its IT systems. After initial investigations, they were directed to concentrate on improving EPS performance and improving data transparency and access to information, the two areas in which the performance of the EPS system was less than

satisfactory. Work on rectifying these issues will continue over the next year.

During 1998–99, the extensive programme to ensure Year 2000 compliance of the UCLES Group's computer systems continued. At the time of writing, it is clear that this programme of work was successful in avoiding significant problems.

The UCLES Group produces in excess of 10 million examination papers and other publications every year, all of which are distributed to centres and enquirers throughout the world. During 1998–99, the arrangements for distributing these materials were expanded, with OCR establishing a single publications department, based in the Birmingham office, and both EFL and CIE achieving dramatic improvements in the service to customers requesting publications. The cost of distributing a very large volume of materials, often across continents and at very short notice, is considerable, and it is unlikely, even with the application of new technologies to examination processing, that the volumes of paper distributed by the UCLES Group will diminish significantly over the next five years.

At the same time, UCLES has initiated an extensive review of its printing facilities across the Cambridge, Birmingham, and Coventry sites. This is an area in which considerable cost savings are anticipated.

The UCLES Group continued the rationalization of its premises during the year, with the closure of the Nottingham and Oxford offices, and the disposal of 11 Harvey Road in Cambridge. Two pairs of semi-detached houses in Gonville Place, Cambridge were also acquired to enhance the long-term value of the Syndicate Buildings site; these houses are being refurbished for student accommodation because they are not required for the Group's current operations. Substantial investment in the refurbishment and expansion of office space included the transfer of the Research and Evaluation Division to Furness Lodge and the conversion of the fourth floor in Syndicate Buildings to office accommodation. A comprehensive review of the Group's remaining premises will be carried out during 1999–2000 to identify an appropriate strategy to meet the UCLES Group's medium- and long-term needs.

Staffing

Staffing levels across the UCLES Group have been somewhat reduced over the last two years, largely through early retirement and voluntary redundancy. Where compulsory redundancies have been necessary, they have been handled sympathetically and accompanied by an appropriate level of compensation. It is expected that the next year will see a further modest reduction in head-count.

During 1998–99, the UCLES Group put in place more systematic arrangements for encouraging individual specialization, accountability, and responsibility. These arrangements include a formalized system of performance planning and review and increased exposure of staff to the business planning process. The Group is committed to training and to maintaining a highly skilled staff. During another extremely challenging year, staff throughout the organization have retained a remarkable level of commitment, dedication, and professionalism, for which the Syndics would like to express their appreciation.

It is worth also noting in this context the particular contribution of Mr Martin Cross, who has retired as

Director General of OCR after seventeen years with the RSAEB and OCR. The Syndics are particularly grateful for his significant contribution to the smooth merger of RSAEB and OCR in late 1997. The Syndics

would also like to express their appreciation of Dr Sandra Raban's contributions during her many years as a Syndic; Dr Raban retired as a Syndic at the end of the financial year.

PETER GODDARD, *Chairman*
JOANNA M. WOMACK
GILLIAN BROWN
WILLIAM BROWN

DAVID GOOD
JOHN A. LEAKE
CHRISTOPHER J. POUNTAIN
KATHARINE B. PRETTY

KEN RILEY
PETER ROBINSON
KEITH ROWLAND
TREVOR THOMAS

APPENDIX 1. OCR BOARD

Kate Pretty, *Chairman*
Valerie Bragg
Richard Greenhalgh
John Guy
Michael Halstead
Richard Holdsworth
John Leake
Roy Lockwood
Richard Martineau
Bruce Picking
Sue Robinson
Keith Rowland
Timothy Taylor
Trevor Thomas
Joanna Womack

APPENDIX 2. SENIOR STAFF

Michael Halstead – Group Chief Executive
Peter Hargreaves – Chief Executive, EFL
Ken Murray – Chief Executive, CIE
Brian Swift – Chief Executive, OCR
Jackie Rippeth – Group Finance Director

APPENDIX 3. SUBJECT ENTRIES BY BUSINESS STREAM

	1998–99	1997–98
OCR		
GCSE	1,139,737	1,082,328
UK A Level	1,046,046	986,031
Key Stage Marking	609,400	622,000
Other UK qualifications	1,158,370	1,090,113
NVQ (units)	559,401	601,903
GNVQ (units)	161,320	153,584
CIE		
International A Level	165,162	181,491
International O Level and AO Level	674,273	661,543
IGCSE and HIGCSE	229,393	207,213
AICE	1,749	1,397
Singapore N Level	100,432	128,944
Other international qualifications	6,268	9,244
EFL		
Key English Test	23,564	22,283
Preliminary English Test	60,692	57,091
First Certificate in English	263,380	246,354
Certificate in Advanced English	52,064	50,330
Certificate of Proficiency in English	54,683	59,893
CILTS	9,534	10,507
IELTS	98,404	74,882
Young Learners English Tests	66,931	27,104
Business English Certificates	34,248	20,040
Other EFL examinations	26,880	22,403

APPENDIX 4. LIST OF ACRONYMS USED IN THIS REPORT

AICE	Advanced Certificate of International Education
ALTE	Association of Language Testers in Europe
BEC	Business English Certificate
BULATS	Business Language Testing Service
CAE	Certificate in Advanced English
CEIBT	Certificate in English for International Business and Trade
CEII	Cambridge Examinations and IELTS International
CIE	Cambridge International Examinations
CILTS	Cambridge Integrated Language Teaching Schemes
CLAIT	Computer Literacy and Information Technology
CPE	Certificate of Proficiency in English
CYLET	Cambridge Young Learners English Tests
EFL	English as a Foreign Language
EPS	Examinations Processing System
FCE	First Certificate in English
GCE	General Certificate of Education
GCSE	General Certificate of Secondary Education
GNVQ	General National Vocational Qualifications
IELTS	International English Language Testing System
IGCSE	International General Certificate of Secondary Education
ITAL	Information Technology in Assessment and Learning
KET	Key English Test
NVQ	National Vocational Qualification
OCR	Oxford, Cambridge and RSA Examinations
OCSEB	Oxford and Cambridge Schools Examinations Board
PET	Preliminary English Test
QCA	Qualifications and Curriculum Authority
RSAEB	RSA Examinations Board
UCLES	University of Cambridge Local Examinations Syndicate
UODLE	University of Oxford Delegacy of Local Examinations

APPENDIX 5. CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 30 SEPTEMBER 1999

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.

Year 2000 Compliance

As is well known, many computer and digital systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the year 2000 and beyond.

A programme designed to address the impact of this problem has been commissioned by each undertaking within the Group. A significant risk analysis has been performed and action plans developed to address the key risks in advance of critical dates and without disruption to the Group's activities. The impact of Year 2000 related failures by the Group's significant suppliers and customers has also been considered and in appropriate cases formal communication has been initiated with these other parties.

Given the complexity of the problem, it is not possible for any organization to guarantee that no Year 2000 problems will remain. However the Group believes that it will achieve an acceptable state of readiness and has resources to deal promptly with subsequent failures or issues that might arise.

Auditors' Report to the Examinations Syndicate

We have audited the financial statements (pages 42 to 53), which have been prepared on the basis of the accounting policies set out in note 1 on page 45.

Respective responsibilities of the Chief Executive and the auditors

As described above, the Chief Executive is responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

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 1999 and of the Group's income and expenditure for the year then ended.

23 March 2000

KPMG
Chartered Accountants
Registered Auditors
37 Hills Road
Cambridge

Consolidated Statement of Financial Activities for the Year ended 30 September 1999

	<i>Note</i>	<i>1999 £m</i>	<i>1998 £m</i>
Incoming Resources			
Examination fees	2	88.94	84.35
Other educational and assessment services		14.80	5.72
Investment income		3.81	4.11
Income from associated undertakings		–	0.03
Total Incoming Resources		<u>107.55</u>	<u>94.21</u>
Resources Expended			
Direct charitable expenditure:		<u>87.07</u>	<u>77.08</u>
Other expenditure:			
Management and administration costs		19.46	17.01
Marketing		1.32	1.97
Staff restructuring costs		0.19	6.89
Transfers to other University funds		3.80	3.44
		<u>24.77</u>	<u>29.31</u>
Total Resources Expended		<u>111.84</u>	<u>106.39</u>
Net Outgoing Resources	4	(4.29)	(12.18)
Realized gain on Disposals		0.75	–
Unrealized gain/(loss) on Investments		9.91	(0.07)
Funds held by West Midlands Examinations Board	11	1.37	12.70
Funds held by OCIAS		<u>0.04</u>	<u>–</u>
Net Movement in Funds		7.78	0.45
Fund Balance Brought Forward		115.85	115.40
Fund Balance Carried Forward		<u>123.63</u>	<u>115.85</u>

The net increase in funds for the period in UCLES was £9.07m

There is no difference between the Net Outgoing 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.

The fund balance carried forward of £123.63m includes £5.19m of restricted funds. The movements on the restricted funds are explained in note 12.

Balance Sheet as at 30 September 1999

	Note	Group		UCLES	
		1999 £m	1998 £m	1999 £m	1998 £m
Fixed Assets					
Intangible fixed assets	5	5.01	5.62	–	–
Tangible fixed assets	6	28.92	26.36	17.72	17.28
Investments	7	78.99	72.60	92.11	87.45
		<u>112.92</u>	<u>104.58</u>	<u>109.83</u>	<u>104.73</u>
Current Assets					
Stock		0.89	1.07	0.36	0.54
Debtors	8	17.53	15.96	27.44	12.30
Short term deposits		12.11	15.70	–	–
Cash at bank and in hand		6.17	10.02	1.44	9.45
		<u>36.70</u>	<u>42.75</u>	<u>29.24</u>	<u>22.29</u>
Creditors: Amounts Falling Due within one year	9	<u>(24.43)</u>	<u>(23.94)</u>	<u>(27.17)</u>	<u>(21.11)</u>
Net Current Assets		<u>12.27</u>	<u>18.81</u>	<u>2.07</u>	<u>1.18</u>
Total Assets Less Current Liabilities		125.19	123.39	111.90	105.91
Creditors: Amounts Falling Due after more than one year	10	–	(2.00)	–	–
Provisions for liabilities and charges	11	<u>(1.56)</u>	<u>(5.54)</u>	<u>(1.56)</u>	<u>(4.25)</u>
Net Assets		<u>123.63</u>	<u>115.85</u>	<u>110.34</u>	<u>101.66</u>
Represented by:					
General Reserve	12	115.61	56.31	102.32	42.12
Designated Funds	12	2.83	53.41	2.83	53.41
Restricted Funds	12	5.19	6.13	5.19	6.13
		<u>123.63</u>	<u>115.85</u>	<u>110.34</u>	<u>101.66</u>

Approved by Syndics on 23 March 2000 and signed on their behalf by:

Prof. P. GODDARD, *Chairman of the Local Examinations Syndicate*
 Dr M. P. HALSTEAD, *Chief Executive of the Local Examinations Syndicate*

Consolidated Cashflow Statement for the Year ended 30 September 1999

		<i>1999</i>		<i>1998</i>	
	<i>Note</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Net cash outflow from operating activities	13		(4.75)		(4.13)
Capital Expenditure and Financial Investment					
Payments to acquire tangible fixed assets		(5.78)		(6.04)	
Receipts from sales of tangible fixed assets		0.77		0.04	
Proceeds from sale of fixed asset investments		7.54		23.50	
Payments to acquire fixed asset investments		(3.93)		—	
			(1.40)		17.50
Acquisitions and Disposals					
Purchase of subsidiary undertaking		—		(14.97)	
Net funds acquired with subsidiary undertakings		—		0.67	
Receipts from disposal of interest in associated undertakings		0.44		—	
			0.44		(14.30)
Cash outflow before use of liquid resources and financing			(5.71)		(0.93)
Management of liquid resources					
Net movement on money market deposits			3.59		(1.36)
Financing					
Repayment of loan			(2.21)		(0.10)
Decrease in cash in the period			(4.33)		(2.39)

*Notes to the Financial Statements for the Year ended 30 September 1999***1. ACCOUNTING POLICIES****Basis of accounting**

The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Charities, 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 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 four 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 employees' service lives.

Depreciation

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

Land and Buildings	2% per annum on a straight line basis;
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.

Taxation

UCLES is a division of the University, 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.

2. INCOMING RESOURCES

Examination fees income represents income from recognizing and certificating educational achievement.

3. STAFF COSTS

The average number of persons employed by the Group during the period was 1,315 (1998: 1,433). These were engaged directly on the Group's management, support, and administration functions.

Staff costs for the above persons comprise:	<i>1999 Group</i>	<i>1998 Group</i>
	<i>£m</i>	<i>£m</i>
Salaries and wages	26.30	25.13
Social Security costs	2.04	2.02
Other pension costs (note 14)	2.04	1.48
	<u>30.38</u>	<u>28.63</u>

Staff emoluments over £40,000:

	<i>No. of staff</i>	
	<i>1999 Group</i>	<i>1998 Group</i>
£40,001 – £50,000	43	20
£50,001 – £60,000	11	5
£60,001 – £70,000	4	2
£70,001 – £80,000	1	3
£80,001 – £90,000	1	1
£90,001 – £100,000	1	–
£100,01 – £110,000	1	–

4. NET OUTGOING RESOURCES

Net Outgoing Resources is stated after charging:

	<i>1999 Group</i>	<i>1998 Group</i>
	<i>£m</i>	<i>£m</i>
Auditors' remuneration – audit fee	0.08	0.06
– other services	0.40	0.65
Depreciation	2.72	2.59
Amortization of goodwill	0.61	0.46
Operating leases – Land and buildings	0.63	0.64
– Plant, machinery and equipment	0.50	0.44

5. INTANGIBLE FIXED ASSETS

GOODWILL	<i>Group</i>	<i>UCLES</i>
	<i>£m</i>	<i>£m</i>
COST		
At 1 October 1998	6.08	–
	<u> </u>	<u> </u>
At 30 September 1999	6.08	–
	<u> </u>	<u> </u>
AMORTIZATION		
At 1 October 1998	0.46	–
Charge for period	0.61	–
	<u> </u>	<u> </u>
At 30 September 1999	1.07	–
	<u> </u>	<u> </u>
NET BOOK VALUE		
At 30 September 1999	5.01	–
	<u> </u>	<u> </u>
At 1 October 1998	5.62	–
	<u> </u>	<u> </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 1998	19.17	4.57	0.34	17.97	42.05
Additions	3.88	0.14	0.15	1.51	5.68
Disposals	(0.44)	–	(0.06)	(0.48)	(0.98)
At 30 September 1999	<u>22.61</u>	<u>4.71</u>	<u>0.43</u>	<u>19.00</u>	<u>46.75</u>
DEPRECIATION					
At 1 October 1998	1.27	0.80	0.04	13.58	15.69
Disposals	(0.06)	–	(0.06)	(0.46)	(0.58)
Charge for year	0.50	0.09	0.10	2.03	2.72
At 30 September 1999	<u>1.71</u>	<u>0.89</u>	<u>0.08</u>	<u>15.15</u>	<u>17.83</u>
NET BOOK VALUE					
At 30 September 1999	<u>20.90</u>	<u>3.82</u>	<u>0.35</u>	<u>3.85</u>	<u>28.92</u>
At 1 October 1998	<u>17.90</u>	<u>3.77</u>	<u>0.30</u>	<u>4.39</u>	<u>26.36</u>

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	<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 1998	14.67	–	0.34	14.45	29.46
Additions	1.94	–	0.15	0.74	2.83
Disposals	(0.44)	–	(0.06)	(0.47)	(0.97)
At 30 September 1999	<u>16.17</u>	<u>–</u>	<u>0.43</u>	<u>14.72</u>	<u>31.32</u>
DEPRECIATION					
At 1 October 1998	1.22	–	0.04	10.92	12.18
Disposals	(0.06)	–	(0.06)	(0.45)	(0.57)
Charge for year	0.40	–	0.10	1.49	1.99
At 30 September 1999	<u>1.56</u>	<u>–</u>	<u>0.08</u>	<u>11.96</u>	<u>13.60</u>
NET BOOK VALUE					
At 30 September 1999	<u>14.61</u>	<u>–</u>	<u>0.35</u>	<u>2.76</u>	<u>17.72</u>
At 1 October 1998	<u>13.45</u>	<u>–</u>	<u>0.30</u>	<u>3.53</u>	<u>17.28</u>

7. FIXED ASSET INVESTMENTS**GROUP**

	<i>Investments at market value</i>	<i>Investments at cost</i>	<i>Investment Properties</i>	<i>Interest in Associated Undertakings</i>	<i>Total</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
At 1 October 1998	72.44	0.01	–	0.15	72.60
Additions	2.75	–	1.32	–	4.07
Disposals	(7.54)	–	–	(0.05)	(7.59)
Increase in market value	9.91	–	–	–	9.91
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 1999	77.56	0.01	1.32	0.10	78.99

Investments at market value comprise Cambridge University Amalgamated Fund Units. The market value at 30 September 1999 is based on the estimated valuation as at that date provided by the University Finance Division.

The interests in Prism (Management Services) Ltd and DIALnet plc were disposed of in March 1999 for a cash consideration of £442,000. The interest in the remaining associated undertaking is held by the RSA Examinations Board.

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	<i>Investments at market value</i>	<i>Investments at cost</i>	<i>Investment Properties</i>	<i>Loan to OCR</i>	<i>Investment in subsidiary undertakings</i>	<i>Total</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
At 1 October 1998	72.44	0.01	–	15.00	–	87.45
Addition in year	1.00	–	1.32	–	–	2.32
Adjustment	–	–	–	–	0.05	0.05
Disposals	(7.54)	–	–	–	–	(7.54)
Increase in market value	9.83	–	–	–	–	9.83
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 1999	75.73	0.01	1.32	15.00	0.05	92.11

Investments at market value comprise Cambridge University Amalgamated Fund Units. The market value at 30 September 1999 is based on the estimated valuation as at that date provided by the University Finance Division.

The loan to OCR is unsecured and has no fixed repayment date. No interest has been charged in the year to 30 September 1999. The future interest rate on this loan has yet to be determined.

The adjustment relates to reinstating the investment in the subsidiary company CUAPTS Ltd, previously charged to reserves (see note 12).

8. DEBTORS

	<i>Group</i>		<i>UCLES</i>	
	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Fee debtors	9.66	6.44	6.79	4.21
Amounts owed by Group undertakings	–	–	15.84	0.30
Other debtors	2.54	3.02	1.34	1.63
Prepayments and accrued income	5.33	6.50	3.47	6.16
	<hr/>	<hr/>	<hr/>	<hr/>
	17.53	15.96	27.44	12.30

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<i>Group</i>		<i>UCLES</i>	
	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Bank loans and overdrafts	0.92	0.65	9.16	–
Trade creditors	5.89	3.22	3.80	2.71
Amounts due to Group undertakings	–	–	0.94	0.86
Amounts due to associated undertakings	0.07	0.07	–	–
Other taxes and social security	4.29	4.42	1.02	3.80
Other creditors	1.40	4.55	1.05	4.55
Accruals and deferred income	11.86	11.03	11.20	9.19
	<u>24.43</u>	<u>23.94</u>	<u>27.17</u>	<u>21.11</u>

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

	<i>Group</i>		<i>UCLES</i>	
	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Bank Loan	–	2.00	–	–
	<u>–</u>	<u>2.00</u>	<u>–</u>	<u>–</u>

The bank loan was repaid on 30 April 1999.

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

	<i>Superannuation</i>		<i>Other</i>	<i>Total</i>
	<i>Contingency</i>	<i>Restructuring</i>		
	<i>Fund</i>	<i>Costs</i>	<i>Total</i>	<i>Total</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
At 1 October 1998	1.29	4.25	–	5.54
Additions	0.08	0.19	0.38	0.65
Utilized in period	–	(3.26)	–	(3.26)
Transfer to reserves	(1.37)	–	–	(1.37)
At 30 September 1999	<u>–</u>	<u>1.18</u>	<u>0.38</u>	<u>1.56</u>

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		<i>Restructuring</i>	<i>Other</i>	<i>Total</i>
		<i>Costs</i>	<i>Total</i>	
		<i>£m</i>	<i>£m</i>	<i>£m</i>
At 1 October 1998		4.25	–	4.25
Additions		0.19	0.38	0.57
Utilized in period		(3.26)	–	(3.26)
At 30 September 1999		<u>1.18</u>	<u>0.38</u>	<u>1.56</u>

Following advice from the West Midlands Pension Fund, the West Midlands Examination Board is no longer required to maintain the Superannuation contingency fund and the provision has been transferred to reserves.

The provision for restructuring costs covers costs arising as a consequence of the reorganization of the UCLES Group which was taking place at 30 September 1999.

Other provisions were made in respect of buildings work and property related claims.

12. FUNDS**GROUP**

	<i>At 1 Oct. 1998</i>	<i>Financial Activities</i>	<i>Transfers</i>	<i>At 30 Sept. 1999</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
General Reserve	56.31	7.93	51.37	115.61
Restricted Funds:				
EMREB Fund	6.13	(0.19)	(0.75)	5.19
Designated Funds:				
Research and Development Fund	50.62	–	(50.62)	–
China Fund	2.47	–	–	2.47
Benevolent and Scholarship Funds	0.32	0.04	–	0.36
	<u>53.41</u>	<u>0.04</u>	<u>(50.62)</u>	<u>2.83</u>
Total	<u>115.85</u>	<u>7.78</u>	<u>–</u>	<u>123.63</u>

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	<i>At 1 Oct. 1998</i>	<i>Financial Activities</i>	<i>Transfers</i>	<i>CUAPTS Adjustment</i>	<i>At 30 Sept. 1999</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
General Reserve	42.12	9.22	51.37	(0.39)	102.32
Restricted Funds:					
EMREB Fund	6.13	(0.19)	(0.75)	–	5.19
Designated Funds:					
Research and Development Fund	50.62	–	(50.62)	–	–
China Fund	2.47	–	–	–	2.47
Benevolent and Scholarship Funds	0.32	0.04	–	–	0.36
	<u>53.41</u>	<u>0.04</u>	<u>(50.62)</u>	<u>–</u>	<u>2.83</u>
Total	<u>101.66</u>	<u>9.07</u>	<u>–</u>	<u>(0.39)</u>	<u>110.34</u>

The designated funds are unrestricted as defined by the Statement of Recommended Practice, Accounting for Charities. The Research and Development Reserve has been removed from the designated funds category and transferred to the general reserve.

CUAPTS adjustment – see note 7.

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

	<i>1999</i>	<i>1998</i>
	<i>£m</i>	<i>£m</i>
Net outgoing resources	(4.29)	(12.18)
Depreciation of tangible fixed assets	2.72	2.59
Amortization of goodwill	0.61	0.46
Surplus on disposal of tangible fixed assets	(0.01)	(0.01)
Movements in provisions	(2.61)	4.30
Increase in creditors	0.21	3.07
Increase in debtors	(1.56)	(2.23)
(Decrease)/increase in stock	0.18	(0.10)
Share of profit in associates	–	(0.03)
Net cash outflow from operating activities	<u>(4.75)</u>	<u>(4.13)</u>

13. NOTES TO CONSOLIDATED CASHFLOW STATEMENT (continued)**(b) Reconciliation of net cash flow to movement in net funds**

	<i>1999</i>		<i>1998</i>	
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Decrease in cash in the period	(4.33)		(2.39)	
Cash (inflow)/outflow from decrease/increase in money market deposits	(3.59)		1.36	
Cash outflow from repayment of loan	2.21		0.10	
	<u> </u>		<u> </u>	
Change in net funds resulting from cashflows		(5.71)		(0.93)
Money market deposits acquired with subsidiary undertakings		–		14.34
Loans acquired with subsidiary undertakings		–		(2.39)
		<u> </u>		<u> </u>
Movement in net funds in the period		(5.71)		11.02
Net funds at 1 October 1998		22.99		11.97
		<u> </u>		<u> </u>
Net funds at 30 September 1999		17.28		22.99
		<u> </u>		<u> </u>

(c) Analysis of change in net funds

	<i>At 1 Oct. 1998 £m</i>	<i>Cash flows £m</i>	<i>At 30 Sept. 1999 £m</i>
Cash at bank and in hand	10.02	(3.85)	6.17
Overdrafts	(0.44)	(0.48)	(0.92)
	<u> </u>	<u> </u>	<u> </u>
	9.58	(4.33)	5.25
Debt due within one year	(0.29)	0.21	(0.08)
Debt due after one year	(2.00)	2.00	–
Money market deposits	15.70	(3.59)	12.11
	<u> </u>	<u> </u>	<u> </u>
Total	22.99	(5.71)	17.28
	<u> </u>	<u> </u>	<u> </u>

14. PENSION COSTS

The Group operates four 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, the rates of contribution payable being determined by the trustees on the advice of the actuaries.

The assumptions and other data which have the most significant effect on the results of the valuation are as follows:

	<i>USS</i>	<i>CPS</i>	<i>RSAEB</i>	<i>WMPF</i>
	Mar. 1996	Jul. 1997	Oct. 1997	Mar. 1996
Latest actuarial valuations				
Investment returns per annum	8.5%	9.0%	8%	9%
Salary scale increases per annum	6.5%	7.0%	6%	6.5%
Pension increases per annum	5.0%	6.0%	3%	4.5%
Market value of assets at date of last valuation	£12,087m	£212m	£2m	£2,433m
Funding level	108%	139%	100%	89%

The total pension cost for the Group was £2.85m (1998: £1.98m).

15. OPERATING LEASES

At 30 September 1999 the Group had annual commitments under non-cancellable operating leases as follows:

Amounts payable under operating leases which fall due in the next financial year:

	<i>Group</i>		<i>UCLES</i>	
	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Land and Buildings, commitments expiring:				
In 1 year	0.08	0.18	0.03	0.13
Between 2 and 5 years	0.17	0.18	0.07	0.06
After 5 years	0.05	0.07	–	–
Plant, machinery and equipment, commitments expiring:				
In 1 year	0.19	0.05	0.16	–
Between 2 and 5 years	0.16	0.14	0.03	0.03
	<u>0.65</u>	<u>0.62</u>	<u>0.29</u>	<u>0.22</u>

16. 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).

17. SUBSIDIARIES AND ASSOCIATED COMPANIES**Associated undertakings:**

<i>Name of associated undertaking</i>	<i>Country of registration and operation</i>	<i>Class of share</i>	<i>Proportion held</i>	<i>Nature of business</i>
RSA Examinations Board (Middle East) LLC	Oman	Ordinary	49.00%	Examination services

The above has an accounting reference date of 31 December.

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>
OCR	England	Member	100%	Examination and assessment services
RSA Examinations Board	England	Member	100%	Assessment services
Progress House Printers Ltd	England	Ordinary	100%	Printing
The West Midlands Examinations Board	England	Member	100%	Examination services
CUAPTS Limited	Hong Kong	Ordinary	100%	Assessment services
OCIAS Limited	England	Ordinary	100%	Assessment services

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