

## APPENDIX E: CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 30 SEPTEMBER 2004

***Responsibilities of the Syndics of the Local Examinations Syndicate for the preparation of the financial statements****For the year ended 30 September 2004*

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 incoming resources and applications of resources for that period, the Syndics have decided that the financial statements will be presented in accordance with the statement of Recommended Practice 'Accounting for Charities'. 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.

**Independent Auditors' report to the Local Examinations Syndicate for the year ended 30 September 2004.**

We have audited the accounts on pages 45 to 60 which have been prepared on the basis of the accounting policies set out on pages 48 to 49.

This report is made solely to the Local Examinations Syndicate, as a body of trustees. Our audit work has been undertaken so that we might state to the Syndics those matters we are required to state to them 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 trustees and auditors*

You are responsible as trustees for preparing the annual report and, as described above, the financial statements in accordance with applicable 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 by our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and have been properly prepared in accordance with applicable accounting standards. We also report to you if, in our opinion, the annual report is not consistent with the accounts, if the charity has not kept proper accounting records, and if we have not received all the information and explanations we require for our audit.

*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 accounts. It also includes an assessment of the significant estimates and judgements made by the trustees in the preparation of the accounts, and of whether the accounting policies are appropriate to the Local Examinations Syndicate'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 accounts 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 accounts.

*Opinion*

In our opinion the accounts give a true and fair view of the state of affairs of the Syndicate and of the Group at 30 September 2004 and of the Group's incoming resources and applications of resources in the year then ended.

**KPMG LLP***Chartered Accountants and Registered Auditor*

37 Hills Road

Cambridge

17 February 2005

**Consolidated Statement of Financial Activities for the year ended 30 September 2004**

		<i>Unrestricted Funds 2004 £m</i>	<i>Restricted Funds 2004 £m</i>	<i>Total 2004 £m</i>	<i>2003 £m Re-stated</i>
<b>Incoming resources</b>	<i>Note</i>				
Activities in furtherance of objects:					
Examination fees	2	138.57	–	138.57	128.99
Other educational and assessment services		12.61	–	12.61	10.59
Realized gain on disposals		0.07	–	0.07	(0.01)
Investment income	2	3.55	0.58	4.13	4.17
<b>Total incoming resources</b>		<b>154.80</b>	<b>0.58</b>	<b>155.38</b>	<b>143.74</b>
<b>Resources expended</b>					
Expenditure for activities to generate funds:					
Other activities costs		0.14	–	0.14	0.24
Impairment loss on property		2.77	–	2.77	–
Charitable expenditure:					
Costs in furtherance of objects	3	118.19	–	118.19	106.28
Management and administration costs	3	26.02	–	26.02	22.67
Transfers to other University funds		8.13	–	8.13	4.01
Pension finance costs (FRS17)		0.05	–	0.05	0.06
<b>Total resources expended</b>		<b>155.30</b>	<b>–</b>	<b>155.30</b>	<b>133.26</b>
<b>Net incoming resources</b>	4	<b>(0.50)</b>	<b>0.58</b>	<b>0.08</b>	<b>10.48</b>
<b>Transfers between funds</b>		<b>0.69</b>	<b>(0.69)</b>	<b>–</b>	<b>–</b>
<b>Share of joint venture operating surplus/(deficit)</b>		<b>(0.03)</b>	<b>–</b>	<b>(0.03)</b>	<b>0.02</b>
<b>Net incoming resources before revaluation and investment asset disposal</b>		<b>0.16</b>	<b>(0.11)</b>	<b>0.05</b>	<b>10.50</b>
<b>Other recognized gains and losses:</b>					
Unrealized gain/(loss) on revaluations of investment assets		5.20	0.77	5.97	4.12
Actuarial gain/(loss) on defined		0.27	–	0.27	0.06
<b>Net movement in funds</b>		<b>5.63</b>	<b>0.66</b>	<b>6.29</b>	<b>14.68</b>
<b>Funds brought forward</b>	12	<b>113.78</b>	<b>14.00</b>	<b>127.78</b>	<b>113.10</b>
<b>Funds carried forward</b>	12	<b>119.41</b>	<b>14.66</b>	<b>134.07</b>	<b>127.78</b>

All income and expenditure relate to continuing activities.

The net increase in funds for the period in UCLES was £3.79m (2003 increase of £9.84m).

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

The analysis for the year ended 30 September 2003 has been re-stated following the full introduction of FRS 17 'Retirement benefits' and the re-classification of income to better reflect the types of income.

*Balance-sheet as at 30 September 2004*

	<i>Note</i>	<i>Group</i>		<i>UCLES</i>	
		<i>2004</i>	<i>2003</i> <i>Re-stated</i>	<i>2004</i>	<i>2003</i> <i>Re-stated</i>
		<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
<b>Fixed assets</b>					
Intangible fixed assets	5	1.97	2.58	–	–
Tangible fixed assets	6	35.49	37.43	26.75	25.70
Investments	7	84.37	68.40	97.52	81.66
		121.83	108.41	124.27	107.36
<b>Current assets</b>					
Stock		1.18	0.98	0.75	0.57
Debtors	8	27.15	22.94	21.11	18.16
Short-term deposits		22.99	31.04	12.98	27.27
Cash at bank and in hand		2.10	1.10	1.93	0.71
		53.42	56.06	36.77	46.71
<b>Creditors: amounts falling due within one year</b>	9	(38.00)	(33.47)	(29.45)	(26.78)
<b>Net current assets</b>		15.42	22.59	7.32	19.93
<b>Total assets less current liabilities</b>		137.25	131.00	131.59	127.29
<b>Creditors: amounts falling due after one year</b>	10	–	–	(10.58)	(10.59)
<b>Provisions for liabilities and charges</b>	11	(1.16)	(0.77)	(1.02)	(0.50)
<b>Net assets excluding pension scheme liability</b>		136.09	130.23	119.99	116.20
<b>Defined benefit pension scheme liability</b>		(2.02)	(2.45)	–	–
<b>Net assets including pension scheme liability</b>		134.07	127.78	119.99	116.20
<b>Represented by:</b>					
Unrestricted funds:					
General reserve	12	120.58	115.96	104.48	101.93
Investment property revaluation reserve		0.56	–	0.56	–
Benevolent fund (designated)	12	0.29	0.27	0.29	0.27
<b>Unrestricted funds excluding pension liability</b>		121.43	116.23	105.33	102.20
Pension reserve (designated)		(2.02)	(2.45)	–	–
Total unrestricted funds		119.41	113.78	105.33	102.20
Restricted funds	12	14.66	14.00	14.66	14.00
		134.07	127.78	119.99	116.20

The analysis for the year ended 30 September 2003 has been re-stated to reflect the introduction of FRS 17 'Retirement benefits' in full.

The financial statements on pages 45 to 60 were approved by the Syndics on 27 January 2005 and were signed on their behalf by:

Professor A. J. BADGER

*Chairman of the Local Examinations Syndicate*

Mr S. LEBUS

*Chief Executive of the Local Examinations Syndicate*

*Consolidated Cashflow Statement for the year ended 30 September 2004*

		2004		2003	
	<i>Note</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
<b>Net cash inflow from operating activities</b>	13a		2.69		13.16
<b>Returns on investments and servicing of finance</b>					
Investment income		2.97		3.52	
Interest received		1.05		0.70	
Interest paid		—		—	
			4.02		4.22
<b>Capital expenditure and financial investment</b>					
Payments to acquire tangible fixed assets		(3.89)		(10.65)	
Receipts from sale of tangible fixed assets		0.16		—	
Payments to acquire fixed asset investments		(10.03)		(0.03)	
			(13.76)		(10.68)
<b>Cash (outflow)/ inflow before use of liquid resources and financing</b>	13b		(7.05)		6.70
<b>Management of liquid resources</b>					
Net movement on money market deposits	13c		8.05		(6.81)
<b>Increase/(decrease) in cash in the period</b>			1.00		(0.11)

## 1. ACCOUNTING POLICIES

### Basis of Accounting

The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities issued by the Charity Commission in October 2000, and applicable Accounting Standards in the United Kingdom.

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.

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of certain investment 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.

### Goodwill

Goodwill arises on consolidation and is based on the fair value of the consideration given for the subsidiary and the fair value of its assets at the date of acquisition. Goodwill relating to investments made by the Group is amortized over 10 years on a straight line basis, being its estimated useful economic life.

### 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 Statement of Financial Activities.

### Leases

Assets acquired under finance leases are capitalized 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.

### Pensions

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 recognized 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.
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### Research and Development Expenditure

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

### Stocks

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

### Income Recognition and Deferral of Incoming Resources

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

**Cost Allocation**

Costs incurred by the trading subsidiaries are classified as expenditure on activities to generate funds. Board expenditure on charitable aims is classified as costs in furtherance of objects. All other expenditure is treated as management and administration. No costs are apportioned between categories.

**Taxation**

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

**Funds**

Funds held by UCLES are either:

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

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

Restricted funds – these are funds that can only be used for a particular purpose. Details are given in note 12.

**Investments**

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

Investment properties are valued at market value.

Investments in subsidiaries are stated at cost.

**Recognition of Liabilities**

Provisions are recognized under FRS 12 and are not discounted.

**2. INCOMING RESOURCES**

- a) Examination fees income represents income from recognizing and certificating educational achievement.  
b) Investment income comprises:

	<i>2004 Group</i> <i>£m</i>	<i>2003 Group</i> <i>£m</i>
Income from University of Cambridge Amalgamated Fund Units	3.07	3.46
Interest receivable	1.06	0.71
	<u>4.13</u>	<u>4.17</u>

**3. STAFF COSTS**

The average number (full time equivalent) of persons employed by the Group during the year was 1,679 (2003: 1,571). These were engaged directly on the Group's furtherance of objects, management, support, and administration functions.

	<i>2004</i> <i>Group</i> <i>£m</i>	<i>2003</i> <i>Group</i> <i>£m</i>
Staff costs for the above persons comprise:		
Salaries and wages	37.14	34.45
Social Security costs	2.98	2.54
Other pension costs (note 14)	6.05	2.44
	<u>46.17</u>	<u>39.43</u>

Of the above costs £2.21m (2003: £2.70m) was incurred in respect of temporary staff.

Other pension costs included an additional payment to the CPS scheme for one year's employers and employee costs of £2.72m.

Staff emoluments over £50,000:

	<i>2004 Group</i> <i>No. staff</i>	<i>2003 Group</i> <i>No. staff</i>
£50,001 – £60,000	39	21
£60,001 – £70,000	11	8
£70,001 – £80,000	2	2
£80,001 – £90,000	1	1
£90,001 – £100,000	3	3
£100,001 – £110,000	3	1
£150,001 – £160,000	–	1
£170,001 – £180,000	1	–

Of the above staff at the year end 59 (2003: 34) are members of defined benefit pension schemes, 1 (2003: 2) were members of a defined contribution scheme. During the year one member of staff moved from the defined contribution to the defined benefit pension scheme. Total contributions in the year to the defined contribution scheme amount to £0.02m (2003: £0.02m).

Information concerning payments to Syndics is given in note 16.

#### 4. NET INCOMING RESOURCES

Net Incoming Resources is stated after charging:	<i>2004 Group</i> <i>£m</i>	<i>2003 Group</i> <i>£m</i>
Auditors' remuneration – Audit fee	0.09	0.08
– Consultancy	–	0.03
Internal audit fee	0.11	0.03
Depreciation	2.97	2.37
Amortization of goodwill	0.61	0.61
Operating leases – Land and buildings	0.82	0.71
– Plant, machinery, and equipment	0.58	0.46
Foreign exchange losses	0.16	0.30

#### 5. INTANGIBLE FIXED ASSETS

	<i>Group</i> <i>£m</i>
<b>GOODWILL</b>	
<b>COST</b>	
At 1 October 2003	6.08
At 30 September 2004	<u>6.08</u>
<b>AMORTIZATION</b>	
At 1 October 2003	3.50
Charge for year	0.61
At 30 September 2004	<u>4.11</u>
<b>NET BOOK VALUE</b>	
At 30 September 2004	<u>1.97</u>
At 30 September 2003	<u>2.58</u>

**6. 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>
<b>COST</b>						
At 1 October 2003	33.56	6.28	0.59	17.88	—	58.31
Additions	0.04	0.03	0.19	2.58	1.05	3.89
Disposals	—	—	(0.13)	(1.34)	—	(1.47)
At 30 September 2004	33.60	6.31	0.65	19.12	1.05	60.73
<b>DEPRECIATION</b>						
At 1 October 2003	4.21	1.29	0.23	15.15	—	20.88
Disposals	—	—	(0.05)	(1.33)	—	(1.38)
Impairment loss	2.77	—	—	—	—	2.77
Charge for the year	0.79	0.13	0.07	1.98	—	2.97
At 30 September 2004	7.77	1.42	0.25	15.80	—	25.24
<b>NET BOOK VALUE</b>						
At 30 September 2004	25.83	4.89	0.40	3.32	1.05	35.49
At 30 September 2003	29.35	4.99	0.36	2.73	—	37.43

**Impairment Review**

The group has carried out an impairment review on the land and buildings of subsidiary undertakings. The impairment review was carried out in accordance with FRS 11 Impairment of Fixed Assets and Goodwill, to ensure that the carrying value of the separately identifiable assets are stated at no more than their recoverable amount, being the higher of net realizable value and value in use. This review resulted in an impairment loss as shown above.

**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>
<b>COST</b>						
At 1 October 2003	26.66	—	0.29	13.80	—	40.75
Additions	0.04	—	—	2.53	1.05	3.62
Disposals	—	—	(0.13)	(0.32)	—	(0.45)
At 30 September 2004	26.70	—	0.16	16.01	1.05	43.92
<b>DEPRECIATION</b>						
At 1 October 2003	3.46	—	0.19	11.40	—	15.05
Disposals	—	—	(0.05)	(0.31)	—	(0.36)
Charge for the year	0.64	—	0.01	1.83	—	2.48
At 30 September 2004	4.10	—	0.15	12.92	—	17.17
<b>NET BOOK VALUE</b>						
At 30 September 2004	22.60	—	0.01	3.09	1.05	26.75
At 30 September 2003	23.20	—	0.10	2.40	—	25.70

All tangible fixed assets are held for direct charitable purposes.



**7. FIXED ASSET INVESTMENTS****GROUP**

	<i>At 1 October 2003 £m</i>	<i>Additions £m</i>	<i>Increase in market value £m</i>	<i>At 30 September 2004 £m</i>
Investments at market value	67.20	10.00	5.41	82.61
Investments at cost	0.01	.-	.-	0.01
Investment properties	1.13	.-	0.56	1.69
Joint ventures:				
Share of gross assets	0.08	0.04	.-	0.12
Less share of gross liabilities	(0.08)	(0.07)	.-	(0.15)
Total share of joint venture	(0.00)	(0.03)	.-	(0.03)
Loan to joint venture	0.06	0.03	.-	0.09
Total	<u>68.40</u>	<u>10.00</u>	<u>5.97</u>	<u>84.37</u>

Investments at market value comprise Cambridge University Amalgamated Fund Units. The market value at 30 September 2004 is based on the estimated valuation as at that date provided by the University Finance Division.

A review of the value of the Investment Properties took place during the year ended 30 September 2004, by the Director of Finance, an Officer of UCLES using local property indexes. In the opinion of the Syndics the value of the properties should be increased by £0.56m.

**UCLES**

	<i>At 1 October 2003 £m</i>	<i>Additions £m</i>	<i>Increase in market value £m</i>	<i>At 30 September 2004 £m</i>
Investments at market value	65.42	10.00	5.27	80.69
Investments at cost	0.01	.-	.-	0.01
Investment properties	1.13	.-	0.56	1.69
Loans to group undertakings	15.05	0.03	.-	15.08
Investment in subsidiary undertakings (see note 17)	0.05	.-	.-	0.05
Total	<u>81.66</u>	<u>10.03</u>	<u>5.83</u>	<u>97.52</u>

The loans to Group undertakings are unsecured and have no fixed repayment date. No interest has been charged in the year to 30 September 2004. Loans to Group undertakings includes a £15.0m loan to OCR, the future interest rate on which has yet to be determined.

**Summary of Results of Trading Subsidiaries**

	<i>OCIAS Limited</i>		<i>Sandonian Properties Limited</i>		<i>Mill Wharf Limited</i>	
	<i>2004 £m</i>	<i>2003 £m</i>	<i>2004 £m</i>	<i>2003 £m</i>	<i>2004 £m</i>	<i>2003 £m</i>
Turnover	.-	.-	0.35	0.35	.-	0.87
Expenditure	(0.10)	.-	(2.95)	(0.17)	.-	(0.53)
Gift aid	.-	.-	(0.22)	(0.24)	.-	(0.34)
Interest (payable)/receivable	.-	.-	(0.11)	(0.09)	.-	.-
Result for the year	<u>(0.10)</u>	<u>.-</u>	<u>(2.93)</u>	<u>(0.15)</u>	<u>.-</u>	<u>.-</u>
Net Assets	<u>(0.07)</u>	<u>0.03</u>	<u>(1.07)</u>	<u>1.86</u>	<u>0.07</u>	<u>0.07</u>

**8. DEBTORS**

	<i>Group</i>		<i>UCLES</i>	
	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Fee debtors	18.99	15.13	15.14	12.51
Amounts owed by Group undertakings	—	—	0.17	0.50
Other debtors	1.11	1.67	0.98	0.85
Prepayments	7.05	6.14	4.82	4.30
	<u>27.15</u>	<u>22.94</u>	<u>21.11</u>	<u>18.16</u>

**9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<i>Group</i>		<i>UCLES</i>	
	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Trade creditors	3.79	1.47	3.05	0.67
Amounts due to Group undertakings	—	—	0.42	0.89
Other taxes and social security	5.11	4.07	1.51	0.81
Other creditors	1.84	1.66	1.50	1.35
Accruals and deferred income	27.26	26.27	22.97	23.06
	<u>38.00</u>	<u>33.47</u>	<u>29.45</u>	<u>26.78</u>

Deferred income (see page 48) is analysed as:

At 1 October 2003	19.54	17.19	18.12	16.64
Deferred in current year	21.11	19.54	19.65	18.12
Released from previous year	(19.54)	(17.19)	(18.12)	(16.64)
At 30 September 2004	<u>21.11</u>	<u>19.54</u>	<u>19.65</u>	<u>18.12</u>

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

	<i>Group</i>		<i>UCLES</i>	
	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Loan from RSAEB	—	—	10.50	10.50
Loan from CUAPTS	—	—	0.08	0.09
	<u>—</u>	<u>—</u>	<u>10.58</u>	<u>10.59</u>

The loans are unsecured and have no fixed repayment date. No interest was charged in the year to 30 September 2004. (2003: nil).

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

	<i>Staffing £m</i>	<i>Rebates or Discounts £m</i>	<i>Other £m</i>	<i>Total £m</i>
At 1 October 2003	0.27	0.07	0.43	0.77
Charges in the year	0.04	—	0.59	0.63
Utilized in the year	(0.12)	—	(0.11)	(0.23)
Released during the year	—	—	(0.01)	(0.01)
At 30 September 2004	0.19	0.07	0.90	1.16

**UCLES**

	<i>Staffing £m</i>	<i>Rebates or Discounts £m</i>	<i>Other £m</i>	<i>Total £m</i>
At 1 October 2003	0.02	0.07	0.41	0.50
Charges in the year	0.05	—	0.59	0.64
Utilized in the year	—	—	(0.11)	(0.11)
Released during the year	—	—	(0.01)	(0.01)
At 30 September 2004	0.07	0.07	0.88	1.02

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

**12. FUNDS****GROUP**

	<i>At 30 Sept 2003 £m</i>	<i>Prior Year adj See note 14 £m</i>	<i>At 1 Oct 2003 Restated £m</i>	<i>Financial Activities £m</i>	<i>Transfers £m</i>	<i>At 30 Sept 2004 £m</i>
<b>Unrestricted Funds:</b>						
General Reserve	115.96	-	115.96	3.93	0.69	120.58
Investment Property Revaluation Fund	—	—	—	0.56	—	0.56
<b>Designated Funds:</b>						
Pension Reserve	—	(2.45)	(2.45)	0.43	—	(2.02)
Benevolent Fund	0.27	—	0.27	0.02	—	0.29
	0.27	(2.45)	(2.18)	0.45	—	(1.73)
<b>Total Unrestricted Funds</b>	116.23	(2.45)	113.78	4.94	0.69	119.41
<b>Restricted Funds:</b>						
EMREB Fund	4.72	—	4.72	0.47	(0.21)	4.98
Scholarship Funds	0.06	—	0.06	—	—	0.06
WMEB Fund	9.22	—	9.22	0.88	(0.48)	9.62
	14.00	—	14.00	1.35	(0.69)	14.66
<b>Total</b>	130.23	(2.45)	127.78	6.29	—	134.07

**12. FUNDS (continued)**

<i>UCLES</i>	<i>At 1 October 2003 £m</i>	<i>Financial activities £m</i>	<i>Transfers £m</i>	<i>At 30 September 2004 £m</i>
<b>Unrestricted Funds</b>				
General Reserve	101.93	1.86	0.69	104.48
Investment Property Revaluation Fund	—	0.56	—	0.56
<b>Designated Funds:</b>				
Benevolent Fund	0.27	0.02	—	0.29
<b>Total Unrestricted Funds</b>	<b>102.20</b>	<b>2.44</b>	<b>0.69</b>	<b>105.33</b>
<b>Restricted Funds:</b>				
EMREB Fund	4.72	0.47	(0.21)	4.98
Scholarship Funds	0.06	—	—	0.06
WMEB Fund	9.22	0.88	(0.48)	9.62
	14.00	1.35	(0.69)	14.66
<b>Total</b>	<b>116.20</b>	<b>3.79</b>	<b>—</b>	<b>119.99</b>

**Analysis of net assets between funds  
GROUP**

	<i>Restricted Funds £m</i>	<i>Designated Funds £m</i>	<i>General Funds £m</i>	<i>Total £m</i>
<b>Fund balances at 30 Sept 2004 are represented by:</b>				
Intangible fixed assets	—	—	1.97	1.97
Tangible fixed assets	—	—	35.49	35.49
Investments	11.08	0.28	73.01	84.37
Current assets	3.58	0.01	49.83	53.42
Current liabilities	—	—	(38.00)	(38.00)
Long term liabilities	—	—	(1.16)	(1.16)
Pension liability	—	(2.02)	—	(2.02)
<b>Total net assets</b>	<b>14.66</b>	<b>(1.73)</b>	<b>121.14</b>	<b>134.07</b>

**UCLES**

	<i>Restricted Funds £m</i>	<i>Designated Funds £m</i>	<i>General Funds £m</i>	<i>Total £m</i>
<b>Fund balances at 30 Sept 2004 are represented by:</b>				
Tangible fixed assets	—	—	26.75	26.75
Investments	11.08	0.28	86.16	97.52
Current assets	3.58	0.01	33.18	36.77
Current liabilities	—	—	(29.45)	(29.45)
Long term liabilities	—	—	(11.60)	(11.60)
<b>Total net assets</b>	<b>14.66</b>	<b>0.29</b>	<b>105.04</b>	<b>119.99</b>

**Restricted Funds**

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

The EMREB Fund is a trust fund created from assets transferred from the East Midlands Regional Examinations Board ('EMREB'). The WMEB Fund is a trust fund created from assets transferred from The West Midlands Examination Board ('TWMEB'). Scholarship funds are amounts of money left to the Syndicate to give to students for prizes or awards.

The restrictions for the funds are set out in the *Statutes and Ordinances* of the University of Cambridge. Copies may be obtained from the Cambridge University Press Bookshop, 1 Trinity Street, Cambridge, CB2 1SZ. Sufficient resources are held in an appropriate form to enable each fund to be applied in accordance with any restrictions.

**12. FUNDS (cont.)****Un-Restricted Funds**

A revaluation of our investment properties has been carried out, therefore an Investment Property Reserve has been created.

A Pension reserve has been set up to reflect the liability for the RSAEB pension scheme.

**Designated Funds**

The Benevolent Fund was set up to provide cover for staff who had been awarded pensions not under the present three pension schemes. No additional pensions have been granted in recent years.

Free reserves as defined in the Statement of Recommended Practice: Accounting and Reporting by Charities issued by the Charity Commission in October 2000 amount to £83.12m at 30 September 2004 (2003: £75.95m) which are available to be applied for any or all of the Group's objectives.

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

	2004	2003
	<i>£m</i>	<i>Restated £m</i>
Net incoming resources before revaluation and investment asset disposals	0.05	10.50
Less: Investment income	(4.13)	(4.17)
Interest paid	—	—
Depreciation of tangible fixed assets	2.97	2.37
Impairment loss on property	2.77	—
Amortisation of goodwill	0.61	0.61
(Surplus)/deficit on disposal of tangible fixed assets	(0.07)	0.01
Movements in provisions	0.39	(0.12)
Increase in creditors	4.52	3.60
(Increase)/decrease in debtors	(4.09)	0.32
(Increase) in stock	(0.20)	(0.07)
Share of joint venture (surplus)/deficit	0.03	(0.02)
Pension finance cost (FRS17)	0.05	0.06
Other pension costs (FRS17)	(0.21)	0.07
	<hr/>	<hr/>
Net cash inflow from operating activities	2.69	13.16
	<hr/>	<hr/>

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

	2004	2003
	<i>£m</i>	<i>£m</i>
Increase/(decrease) in cash in the year	1.00	(0.11)
Cashflow from (decrease)/increase in money market deposits	(8.05)	6.81
	<hr/>	<hr/>
Change in net funds resulting from Cashflows	(7.05)	6.70
Net funds at 1 October 2003	32.14	25.44
	<hr/>	<hr/>
Net funds at 30 September 2004	25.09	32.14
	<hr/>	<hr/>

**(c) Analysis of change in net funds**

	At 1 Oct 2003	Cash Flows	At 30 Sept 2004
	<i>£m</i>	<i>£m</i>	<i>£m</i>
Cash at bank and in hand	1.10	1.00	2.10
Money market deposits	31.04	(8.05)	22.99
	<hr/>	<hr/>	<hr/>
Total	32.14	(7.05)	25.09
	<hr/>	<hr/>	<hr/>

**14. 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 CPS and USS schemes are not closed, nor is the age profile of their active membership rising significantly. The RSAEB scheme is a closed scheme which has 21 (2003: 25) 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:

	<i>USS</i>	<i>CPS</i>
Latest actuarial valuations	Mar 2002	Jul 2004
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%
Employers contribution rate	14%	16.5%

**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 2004 by a qualified independent actuary.

It has been agreed that an employer contribution rate of 21.8% of pensionable pay will apply in future years.

The major assumptions used by the actuary were:

	<i>At 30 Sept 2004</i>	<i>At 30 Sept 2003</i>	<i>At 30 Sept 2002</i>
Discount rate	5.5%	5.3%	5.4%
Retail price inflation	2.8%	2.5%	2.2%
Salary increase rate	4.8%	4.5%	4.2%
Pensions increases (at Limited Price Indexation)	3.2%	3.2%	3.2%
Deferred pension revaluation	2.8%	2.5%	2.2%

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 realized in the short term and may be subject to significant change before they are realized, 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 2004 (£m)</i>	<i>Assets at 30 Sept 2003 (£m)</i>	<i>Assets at 30 Sept 2002 (£m)</i>
Equities	3.09	2.74	2.50
Bonds	0.38	0.43	0.49
Other	0.88	0.56	0.25
Total assets	4.35	3.73	3.24
Scheme liabilities	(6.37)	(6.18)	(5.62)
Net pension deficit	(2.02)	(2.45)	(2.38)

<i>Assets</i>	<i>Expected Return from 30 Sept 2004</i>	<i>Expected Return from 30 Sept 2003</i>	<i>Expected Return from 30 Sept 2002</i>
Equities	7.9%	8.2%	8.0%
Bonds	5.0%	4.8%	4.7%
Other	5.0%	4.8%	4.7%

**Movement in Deficit during the year**

	<i>Year to</i> <i>30 Sept 2004</i> (£m)	<i>Year to</i> <i>30 Sept 2003</i> (£m)
Deficit at beginning of the year	(2.45)	(2.38)
Movement in year:		
Current service cost	(0.19)	(0.19)
Contributions	0.40	0.12
Net return from other finance income	(0.05)	(0.06)
Actuarial gain	0.27	0.06
Deficit at end of the year	<u>(2.02)</u>	<u>(2.45)</u>

**Analysis of the amount under 'Other recognized gains and losses':**

	<i>Year to</i> <i>30 Sept 2004</i> (£m)	<i>Year to</i> <i>30 Sept 2003</i> (£m)
Actual return less expected return on pension scheme assets	0.06	0.22
Experience gains/(loss) on the liabilities	0.42	-
Change in assumptions underlying the present value of the scheme liabilities	(0.21)	(0.16)
Actuarial gain/(loss)	<u>0.27</u>	<u>0.06</u>

**Analysis of the amount charged to resources expended:**

	<i>Year to</i> <i>30 Sept 2004</i> (£m)	<i>Year to</i> <i>30 Sept 2003</i> (£m)
Costs in furtherance of objects		
Current service cost	<u>0.19</u>	<u>0.19</u>
Pension finance costs		
Expected return on pension scheme assets	0.28	0.24
Interest on pension scheme liabilities	(0.33)	(0.30)
	<u>(0.05)</u>	<u>(0.06)</u>

**History of experience gains and losses**

	<i>Year to</i> <i>30 Sept 2004</i> (£m)	<i>Year to</i> <i>30 Sept 2003</i> (£m)
Difference between the actual and expected return on scheme assets	0.06	0.22
- as % of scheme assets	2%	6%
Experience gains/losses on scheme liabilities	0.42	-
- as % of present value of scheme liabilities	7%	0%
Total amount recognized under 'Other recognized gains and losses'	0.27	0.06
- as % of present value of scheme liabilities	4%	1%

**Total Group Pension Cost for the Year**

	<i>2004</i> £m	<i>2003</i> £m
USS	2.38	2.16
CPS	3.20	0.13
RSAEB	0.45	0.13
Defined contributions schemes (see note 3)	0.02	0.02
	<u>6.05</u>	<u>2.44</u>

This included an additional payment to the CPS scheme for one year's employers and employee costs of £2.72m

**15. OPERATING LEASES**

At 30 September 2004 the Group had annual commitments under non-cancellable operating leases as follows:

	<i>Group</i>		<i>UCLES</i>	
	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>
Amounts payable under operating leases which fall due in the next financial year:	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Land and buildings, commitments expiring:				
In 1 year	0.11	–	0.09	–
Between 2 and 5 years	0.65	0.75	0.44	0.53
After 5 years	0.06	–	0.06	–
Plant, machinery, and equipment commitments expiring:				
In 1 year	0.07	0.05	0.06	0.05
Between 2 and 5 years	0.26	0.23	0.06	0.07
	<u>1.15</u>	<u>1.03</u>	<u>0.71</u>	<u>0.65</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).

During the year the Group entered into transactions with Cambridge University Press ('CUP'), another Syndicate of the University of Cambridge, as follows: purchase of printing services £9.2m (2003: £8.99m), purchase of other services £0.03m (2003: £0.04m), receipt of royalties £0.29m (2003: £0.21m), sale of services to CUP £0.16m (2003: £0.17m). At 30 September 2004 a balance of £1.03m (2003: £0.62m) was due to CUP.

In addition to the £8.13m (2003: £4.01m) transfer to other University Funds shown on p. 45, the group paid £0.36m (2003: £0.25m) to the University of Cambridge in respect of rentals, computer software, and other services. Nil (2003: nil) was due to the University at 30 September 2004.

During the year no remuneration were paid by UCLES to Syndics or to any connected persons (2003: nil). Total travel expenses of £3,472 (2003: £3,197) were reimbursed during the year to seven (2003: 6) Syndics.

During the year a loan was made to IELTS Inc of US \$60,000 (2003: US \$51,630).

**17. ASSOCIATED COMPANIES*****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

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.

**18. FORWARD CURRENCY CONTRACTS**

As at 30 September 2004 the Syndicate had forward currency contracts of €16.5m (2003: €16m) and in US\$1.5m (2003: US \$3.2m).

**19. CAPITAL COMMITMENTS**

There were no capital commitments as at 30 September 2004.

**20. CONTINGENT LIABILITIES**

There were no contingent liabilities as at 30 September 2004.

**21. 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.