

OXFORD CAMBRIDGE AND RSA EXAMINATIONS

(An exempt charity and a company limited by guarantee)

DIRECTORS' AND TRUSTEES' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED

31 JULY 2007

COMPANY REGISTERED NUMBER: 3484466

TUESDAY



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OXFORD CAMBRIDGE AND RSA EXAMINATIONS
(An exempt charity and a company limited by guarantee)

DIRECTORS' AND TRUSTEES' REPORT

The trustees are pleased to present their report together with the financial statements of the charity for the period ending 31 July 2007

REFERENCE AND ADMINISTRATIVE DETAILS

Directors and trustees

The directors of the charitable company (the charity), (Oxford Cambridge and RSA Examinations, "OCR") are its trustees for the purpose of charity law and throughout this report are collectively referred to as the trustees. The trustees serving during the period and since the period end were as follows

Prof Anthony J Badger
Prof John Gray
Dr John J Guy OBE
Ms Denise Hall
Dr John A Leake
Mr Simon Lebus (Chair)
Mr Richard M Martineau
Mr Bruce G Picking
Dr Katherine B Pretty
Prof John Hawkins
Miss Patricia M Kelleher
Mr Andrew Reid
Prof Richard Taylor
Mr R Partington

Appointed 19th July 2007

Company Secretary

Mrs Susan Knight

Chief Executive

Mr Gregor Watson

Auditors

KPMG LLP
37 Hills Road
CAMBRIDGE
CB2 1XL

Bankers

Barclays Bank plc
Bene't Street Business Centre
PO Box No 2
CAMBRIDGE
CB2 3PZ

Solicitors

Mills and Reeve Solicitors
Francis House
112 Hills Road
CAMBRIDGE
CB2 1PH

Registered Office

1 Hills Road
CAMBRIDGE
CB1 2EU

OXFORD CAMBRIDGE AND RSA EXAMINATIONS
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DIRECTORS' AND TRUSTEES' REPORT

1 STRUCTURE, GOVERNANCE AND MANAGEMENT

Governing document

Oxford Cambridge and RSA Examinations ("OCR") is an exempt charity and a company limited by guarantee. OCR's governing document is its Memorandum and Articles of Association. The only member of the charity is the University of Cambridge.

Appointment of trustees

The trustees of OCR are Syndics of the University of Cambridge Local Examinations Syndicate and the Chief Executive of the Local Examinations Syndicate. Syndics are appointed by The University of Cambridge. No trustees were employed by the charity.

Trustee induction and training

New trustees are briefed by the Secretary to the Board and the Chair and provided with information and documentation about the charity. All trustees are kept up to date on new developments in the charity and the legislative and regulatory environment in which it operates by way of trustee meetings and briefing papers.

Organisation

The day to day management of the charity is delegated to the Chief Executive of OCR. The trustees approve the business plan and budget, and they review the progress of the charity towards its objectives. The trustees, through sub-committees, review the assessment processes of the charity.

The Group to which the charity belongs has Audit and Remuneration Committees which also deal with issues arising from the charity. The members of these Committees are all trustees of the charity. Internal audit for the Group is contracted to Mazars LLP.

The charity maintains a formal register of trustees' interests. It is available for viewing on application to the Company Secretary.

The trustees confirm that the accounts comply with current statutory requirements and the terms of the governing instruments of the charity.

Risk management

The trustees have a risk management policy which comprises

- Setting the tone and influencing the culture of risk management within the charity
- Ensuring that there exists a sound system of internal control (which includes risk management) that supports the achievement of policies, aims and objectives, and for safeguarding the assets for which they are responsible
- Taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities
- Approving major decisions affecting the charity's risk profile or exposure

The major risks are subject to an annual review. This has focused on non-financial risks including those relating to the possibility of a flu pandemic in the UK.

2. OBJECTIVES AND ACTIVITIES

The objects of the charity as set out in its Memorandum of Association are

- i) the advancement of education, learning and research
- ii) to support the charitable objects of The University of Cambridge

The charity aims to encourage people to make the best possible use of their talents by recognising their achievements. Society and individuals both benefit from this process, of OCR assessment and certification, to national standards.

DIRECTORS' AND TRUSTEES' REPORT

2 OBJECTIVES AND ACTIVITIES (continued)

The main objectives and challenges for the period were to

- i Integrate management of academic and vocational qualifications a single Qualifications Division to enable it to respond to the changes in public policy
- ii Develop a significant number of new and revised qualifications including reducing most A-levels from six units to four and incorporating greater stretch element for the most able, developing pilot assessments for core functional skills which will be included in GCSE and in Diplomas, and Diplomas
- iii Continue a dialogue with DfES (Department of Education and Skills) and the QCA, plus their Welsh and Irish counterparts, to inform policy and to mitigate the development and operational risks of all of these changes
- iv Take part in a series of tests and trials of credit- and unit-based frameworks
- v Deliver (with the other Awarding Bodies) the "Eight Pledges", a shared commitment to fighting bureaucracy and simplifying the administration and management of qualifications in the further education sector
- vi Further simplify processes for schools and colleges, who still find some transactions confusing and time-consuming, and move more transactions on-line
- vii Carefully introduce on-screen testing for higher stakes assessment, in preparation for larger-scale implementation over time
- viii Increase the use of on-screen marking to provide benefits in terms of reduced risk and better quality
- ix Complete the relocation of all of our office-based activities from Birmingham to Coventry

3 ACHIEVEMENTS AND PERFORMANCE

The trustees believe that the charity has made good progress towards its objectives during the period. In particular

- i The two assessment divisions have been successfully brought together during the year
- ii Significant progress has been made on developments of new and revised assessments. All A-levels have been reduced from 6 units to 4 and successfully accredited by QCA, development of Diplomas has been completed and accredited by QCA
- iii Work has progressed with QCA on the organisational risks associated with the new developments and an agreement has been reached on processes for administering Diplomas across awarding bodies
- iv Tests and trials of credit- and unit-based frameworks have progressed and have begun to reveal some issues and risks, particularly cost, complexity and regulatory bureaucracy
- v Work on the "Eight Pledges" has progressed well and all milestones have been achieved so far
- vi OCR Interchange has been enhanced and this has simplified a number of processes for schools and colleges, with further development planned
- vii The first computer-based delivery of a GCSE, for the new Environment and Land-Based Science, took place in June 2007
- viii The volume of scripts processed through the Electronic Script Management system has been significantly increased and benefits are being derived for examiners and for the quality and speed of delivering accurate results to candidates
- ix The relocation of the Birmingham office was completed by the end of December 2006
- x The surplus for the period of £19.2m (2006: £2.0m) shown in the Statement of Financial Activities is satisfactory allowing for the additional costs incurred in technology developments, although it should be noted that the substantial improvement over the previous year is due in large part to the one-off, ten month accounting period necessitated by the change of year end

DIRECTORS' AND TRUSTEES' REPORT

4 PLANS FOR FUTURE PERIODS

Over the next three years, OCR intends to

- i Continue, in response to public policy reforms, to develop innovative, relevant and valued qualifications which learners want to gain, teachers feel able to deliver, and universities and employers recognise as a sound basis for recruitment and further learning
- ii Work closely with government and regulators to ensure that public policy is evidence-based, with a clear understanding of costs, risks and benefits, and that the regulatory system more effectively ensures public confidence in qualifications whilst enabling educational innovation
- iii Contribute to the evaluation of the early trials of qualifications frameworks and prepare for their full implementation
- iv Work with other awarding bodies to reduce the administrative burden on schools and colleges
- v Scale e-marking up further until it is deployed on almost all written assessments
- vi Increase the number of assessments for which an on-screen alternative is available
- vii Widen its range of support services such as training for teachers and senior management in education, to enable schools and colleges to prepare more effectively for policy reforms
- viii Further integrate operations across the whole range of qualifications
- ix Maintain a sound financial surplus which is adequate to sustain a growing investment in new qualifications and modernisation of operations

QCA, OCR's English regulator, has undertaken a review of the fees charged by Awarding Bodies and has indicated a willingness to use its fee-capping powers in the future, although not at present. This could impact on the fee income of the organisation, and thereby weaken OCR's ability to invest with confidence and maintain an educationally diverse portfolio, it could also lead to an additional regulatory burden.

The Group's work can be classified as one activity of assessment.

5. FINANCIAL REVIEW

OCR's ultimate parent body is the University of Cambridge which has 31 July as its year end. In agreement with the University and to facilitate the production of overall financial information for the University Group the trustees agreed to change the year end of OCR to 31 July. This has been implemented in this set of accounts which are, consequently for a 10 month period.

At the end of July substantially all of the work on the June examination series has been completed and therefore all of the income for this series (and all the associated direct costs) have been recognised in this set of financial statements. This means that the financial statements for the 10 month period contain substantially all of the income that OCR would usually recognise in a 12 month period but only contain the overhead costs for the 10 month period. This has given rise to a larger than usual surplus for the company. The trustees do not expect this to be repeated in future periods when OCR will revert to a 12 month accounting period.

Income for the period of £106.7m (2006 (12 months) £96.3m) was very close to the overall budget for the year. Income mainly arises from the fees charged for examinations and other qualifications.

Expenditure is incurred in maintaining and developing the qualifications, registration and certification of candidates, together with the quality control of examined and assessed schemes. In this period significant expenditure has been incurred on the development activities related to A-levels and Diplomas. Expenditure has also been incurred on changes to systems to support credit framework and modernisation including electronic script management. The expenditure for the period was higher than initially planned as the operating costs of the electronic script management process were higher than had originally been intended. The trustees believe that this is an appropriate use of the funds generated. These substantial expenditures have been supported by generous donations from the West Midlands Examinations Board ("WMEB") Fund and East Midlands Regional Examinations Board ("EMREB") Fund which were established for the purposes of supporting OCR's developments.

Agreements are in place for the purchase of services from Cambridge Assessment which is the brand name of University of Cambridge Local Examinations Syndicate. The Group believes that services purchased from Cambridge Assessment represent good value compared with the costs of providing such services itself.

OXFORD CAMBRIDGE AND RSA EXAMINATIONS
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DIRECTORS' AND TRUSTEES' REPORT

5. FINANCIAL REVIEW (continued)

The surplus for the period is £19.2m (2006 (12 months) £2.0m). This is after taking account of £5.9m which was transferred from the WMEB/EMREB Fund held by the University of Cambridge (2006 £2.2m). Provision has been made in the financial statements for the depreciation of tangible fixed assets and the policies adopted are set out in the accompanying notes. Tangible fixed assets are shown in note 7 of the financial statements.

At the end of the previous financial year OCR gave notice to the RSA Examinations Board ("RSAEB") that it intended to cease the agency arrangement at 30 September 2006. The arrangement ceased on that date and the trade continued in the OCR company. OCR assumed the net liability of stock, debtors, creditors and deferred income of RSAEB at a book value of £2.7m in return for a corresponding payment by RSAEB.

During the previous financial year the trustees of RSAEB decided that the best way to support OCR's charitable activities was to transfer their assets to OCR. During the period the Endowment Fund Units held by the RSAEB were gifted to OCR. The remaining assets of RSAEB, mainly property and cash, are in the process of being transferred to OCR. This is expected to be completed during 2008.

6. INSURANCE OF DIRECTORS & TRUSTEES

The charity maintains insurance for Oxford Cambridge and RSA Examinations' trustees in respect of their duties as directors and trustees of the company. The premium paid was £2,492 (2006 (12 months) £2,492).

7. RESERVES

Reserves which are available to be applied at the discretion of the trustees for any or all of the Group's objectives amounted to £28.2m at 31 July 2007 (30 September 2006 £6.8m). This increase was caused by the unusually large surplus for the period as described above.

The trustees have concluded that the charity's reserves are at a level which is possibly sufficient to ensure financial stability, to provide protection against unforeseen contingencies and the risks to which the charity is exposed, and to deal with the significant investment in new and revised qualifications and new technology that will be needed in the next few years. Nevertheless the trustees believe that it would be prudent to continue to increase the level of the charity's reserves using the smaller surpluses that are expected in future years. The risks to which the charity is exposed include regulatory change, technological issues and changes in Government policy.

Reserves were also required to fund investment in the development of the charity's business, and ensure that no financial liability will ever fall on general University funds. Trustees consider that it would be imprudent for the charity to rely on loans to fund any of these requirements and that the University is unlikely to wish to divert general resources to support the charity's work. The charity must therefore maintain sufficient reserves to meet all its funding requirements, in bad as well as good times. The trustees believe that the reserves are adequate to meet all of the charity's obligations as they arise.

Cash that was not required for working capital has been invested in University of Cambridge Endowment Fund Units.

8. EMPLOYEES

Should employees become disabled, wherever possible continued employment is sought and they are retained for jobs that are appropriate to their disability.

Regular meetings with employees are held to inform them of the development of the business.

9. DONATIONS

The Group made no political or charitable donations during the period.

DIRECTORS' AND TRUSTEES' REPORT

10 STATEMENT OF RESPONSIBILITIES OF THE TRUSTEES OF OXFORD CAMBRIDGE AND RSA EXAMINATIONS IN RESPECT OF THE TRUSTEES' REPORT AND THE FINANCIAL STATEMENTS

The trustees are responsible for preparing the Directors' and Trustees' Report and the financial statements in accordance with applicable law and regulations

Company law requires the trustees to prepare financial statements for each financial year in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The group and charitable company's financial statements are required by law to give a true and fair view of the state of affairs of the group and charitable company and of the group's excess of income over expenditure for that period

In preparing these financial statements, the trustees are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the charitable company will continue its activities

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities


In accordance with company law, as the charity's trustees, we certify that

- So far as we are aware, there is no relevant audit information of which the company's auditors are unaware, and
- We have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that the charity's auditors are aware of that information

11 AUDITORS

A resolution for the reappointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming General Meeting

BY ORDER OF THE TRUSTEES



Mrs S J Knight
Secretary

Date 29/11/07

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
OXFORD CAMBRIDGE AND RSA EXAMINATIONS
(An exempt charity and a company limited by guarantee)**

We have audited the group and charity financial statements (the 'financial statements') of OXFORD CAMBRIDGE AND RSA EXAMINATIONS for the period ended 31 July 2007 which comprise the group Statement of Financial Activities, the group and charitable company Balance Sheets, the group Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the charitable company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the charitable company's members 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 charitable company and its members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the trustees and auditors

The responsibilities of the charitable company's trustees, who are also the directors of OXFORD CAMBRIDGE AND RSA EXAMINATIONS for the purposes of company law, for preparing the trustees' report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the statement of trustees' responsibilities on page 7.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the trustees' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the charitable company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed. We read the trustees' report and consider the implications for our report if we become aware of any apparent misstatement within it.

Basis of audit opinion

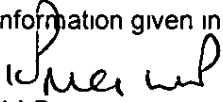
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and charitable company'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, in accordance with UK Generally Accepted Accounting Practice, of the state of the group's and the charitable company's affairs as at 31 July 2007 and of the group's incoming resources and application of resources, including its income and expenditure, for the period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the trustees' report is consistent with the financial statements.


KPMG LLP
Chartered Accountants
Registered Auditor
Cambridge

Date 6 December 2007

OXFORD CAMBRIDGE AND RSA EXAMINATIONS
(An exempt charity and a company limited by guarantee)

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
(INCLUDING INCOME AND EXPENDITURE ACCOUNT)
FOR THE PERIOD ENDED 31 JULY 2007

		10 months ended July 2007		Year ended Sept 2006 Restated	
	Note	£m	£m	£m	£m
Incoming resources					
Incoming resources from generated funds					
Voluntary income Support from WMEB/EMREB Fund	2		5.9		2.2
Activities for generating funds					
Rental and Other Income			0.3		0.3
Investment Income	3		0.1		0.1
Incoming resources from charitable activities					
Examination fees	2		93.8		85.5
Other educational and assessment services			6.6		8.2
Total incoming resources			106.7		96.3
Resources expended					
Costs of generating funds			0.1		0.1
Charitable activities	4a		86.3		94.3
Governance costs	4b		-		-
Other resources expended					
Loss on disposal of property			1.1		-
Other			0.2		0.2
Total resources expended			(87.7)		(94.6)
Net incoming resources before transfers	6		19.0		1.7
Net income for the period			19.0		1.7
Unrealised gains on revaluation of investment assets			0.2		0.3
Net movement in funds			19.2		2.0
Reconciliation of funds					
Funds brought forward	14		16.9		14.9
Funds carried forward	14		36.1		16.9

All incoming resources and resources expended relate to continuing activities and arise from or are in relation to unrestricted income funds

The result for the period in the charity (OCR Company) was a surplus of £22.6m (2006 Surplus £0.2m for a 12 month period)

There is no difference between the net movement in funds stated above and its historical cost equivalent

The Group has no recognised gains or losses other than those included above. Therefore no separate statement of recognised gains and losses has been presented

Figures for the year ended 30 September 2006 have been restated to reflect the reclassification of Governance costs (see note 4)

OXFORD CAMBRIDGE AND RSA EXAMINATIONS
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BALANCE SHEET AS AT 31 JULY 2007

		Group		Charity	
	Note	July 2007 £m	Sept 2006 £m	July 2007 £m	Sept 2006 £m
Fixed assets					
Tangible fixed assets	7	7.9	10.1	0.6	0.5
Investments	8	13.2	13.0	17.7	15.0
		<u>21.1</u>	<u>23.1</u>	<u>18.3</u>	<u>15.5</u>
Current assets					
Stock	9	-	0.4	-	-
Debtors	10	12.2	6.8	10.9	10.8
Short term deposits		36.3	15.6	32.0	7.9
Cash at bank and in hand		0.7	0.4	0.5	0.4
		<u>49.2</u>	<u>23.2</u>	<u>43.4</u>	<u>19.1</u>
Creditors amounts falling due within one year	11	(19.2)	(14.3)	(19.0)	(14.3)
Net current assets		<u>30.0</u>	<u>8.9</u>	<u>24.4</u>	<u>4.8</u>
Total assets less current liabilities		51.1	32.0	42.7	20.3
Creditors amounts falling due after more than one year	12	(15.0)	(15.0)	(15.0)	(15.0)
Provisions for liabilities and charges	13	-	(0.1)	-	(0.1)
Net assets		<u>36.1</u>	<u>16.9</u>	<u>27.7</u>	<u>5.2</u>
The funds of the charity					
Represented by					
Unrestricted income fund	14	36.1	16.9	27.7	5.2
		<u>36.1</u>	<u>16.9</u>	<u>27.7</u>	<u>5.2</u>

The financial statements on Pages 9 to 24 were approved by the Board of Directors on 29 November 2007 and were signed on its behalf by



Professor A J Badger
Director and Trustee



Mr S Lebus
Director and Trustee

OXFORD CAMBRIDGE AND RSA EXAMINATIONS
(An exempt charity and a company limited by guarantee)

CONSOLIDATED CASHFLOW STATEMENT
FOR THE PERIOD ENDED 31 JULY 2007

	Note	10 months ended July 2007 £m	Year ended Sept 2006 £m
Net cash inflow from operating activities	15a	22.2	7.4
Returns on investments and servicing of finance			
Investment income		0.1	0.1
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(1.3)	(0.5)
Cash inflow before use of liquid resources and financing	15b	21.0	7.0
Management of liquid resources			
Net movements on money market deposits	15c	(20.7)	(6.9)
Increase in cash in the period		0.3	0.1

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED
31 JULY 2007**

1 ACCOUNTING POLICIES

Basis of accounting

The charity's accounts are prepared under the Statement of Recommended Practice "Accounting and Reporting for Charities" (the SORP) issued in 2005

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

No separate Statement of Financial Activities is presented for the charity, as provided by Section 230 of the Companies Act 1985

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

The Group has adapted certain of the headings set out in the Companies Act 1985 to reflect the nature of the Group's business as an exempt charity

Basis of consolidation

The Group financial statements incorporate the results of OCR and its subsidiary undertakings. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated statement of financial activities from the date of acquisition or up to the date of disposal.

A joint venture is an undertaking in which the Group has a long-term interest and over which it exercises joint control. The Group's share of the profits less losses of joint ventures is included in the consolidated statement of financial activities and its interest in their net assets is included in investments in the consolidated balance sheet.

The accounts of the Joint Venture undertaking are not coterminous with the parent undertaking but the effect of this is not material.

Leases

Operating lease rentals are charged to the Statement of Financial Activities on a straight line basis over the period of the lease.

Pensions

The Group participates in three pension schemes providing benefits based on final pensionable pay. The assets of the schemes are held separately from those of the Group. The Group is unable to identify its share of the underlying assets and liabilities of the schemes on a consistent and reasonable basis and therefore, as required by FRS 17, accounts for the 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.

Depreciation

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

Freehold - buildings	2% - 2.5% per annum on a straight line basis
Leasehold - buildings	Over the terms of the lease
Plant & equipment, furniture and fittings	15% - 25% per annum on a straight line basis

OXFORD CAMBRIDGE AND RSA EXAMINATIONS
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED
31 JULY 2007**

1. ACCOUNTING POLICIES (continued)

Research and development expenditure

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

Income Recognition and Deferral of Incoming Resources

Income is recognised when services are rendered and substantially completed at the reporting date. Income received in advance of services being rendered is deferred and recognised in subsequent financial periods when the respective examination sessions or courses take place.

Where course entry is purchased in advance for which candidates have not been entered, income is deferred and recognised when a named candidate is entered and the service rendered. Where a product is replaced the entries may (in some cases) be exchanged for entries for replacement products, in which case the income continues to be deferred until the conditions for recognition are met. Where no such exchange is made and no further entries can be made any remaining deferred income is immediately recognised.

Resources expended

Expenditure is charged on an accruals basis, inclusive of irrecoverable VAT. Expenditure is treated as expenditure on charitable activities where it is used in the operation or support of examination and assessment services. Costs incurred by the trading subsidiaries are classified as expenditure on activities to generate funds. Governance costs include the expenses associated with trustee meetings, external audit and core executive management. No costs are apportioned between categories.

Taxation

OCR is an exempt charity and claims exemption from Corporation Tax for its charitable activities under the provisions of section 505 of the Income and Corporation Taxes Act 1988.

Investments

Investments in Cambridge University Endowment Fund (Amalgamated Fund) units are valued at market value at the reporting date.

Investments in subsidiary undertakings are stated at cost in OCR, less impairment loss where applicable, in accordance with FRS11 requirements.

Recognition of liabilities

Provisions are recognised under FRS 12 and are not discounted.

2. INCOMING RESOURCES

Examination fees income represents income from recognising and certifying educational achievement.

Voluntary income relates to sums donated from the EMREB and WMEB funds which are trust funds held by the University of Cambridge created from assets transferred from The East Midlands Regional Examination Board and The West Midlands Examination Board respectively.

3. INVESTMENT INCOME

	10 months ended July 2007 £m	Year ended Sept 2006 £m
Income from Cambridge University Endowment Fund units	0.1	0.1
	<u>0.1</u>	<u>0.1</u>

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED
31 JULY 2007**

4 RESOURCES EXPENDED

a) on Support costs

All support costs are in respect of the charitable activity of assessment

	10 months ended July 2007 £m	Year ended Sept 2006 £m
Premises	3.4	4.1
Finance	1.4	1.9
Human Resources	1.4	1.1
Management	0.4	0.6
Information Management	6.7	11.5
Logistics	0.3	-
	<u>13.6</u>	<u>19.2</u>

b) on Governance

	10 months ended July 2007 £m	Year ended Sept 2006 Restated £m
Audit Fee	-	-
Legal and other costs	-	-
	<u>-</u>	<u>-</u>

The prior year figures have been restated to exclude costs of day to day management of the charity

5. STAFF COSTS

The average number of persons (full time equivalent) employed by the Group during the period was 607 (2006 12 months 652). These were engaged directly on the Group's charitable activities and Governance.

Staff costs for the above persons comprise

	10 months ended July 2007 £m	Year ended Sept 2006 £m
Salaries and wages	12.8	15.4
Social Security costs	1.1	1.3
Other pensions cost (note 16)	2.1	2.5
	<u>16.0</u>	<u>19.2</u>

Of the above costs £0.8m (2006 12 months £0.9m) was incurred relating to temporary staff.

The number of employees (excluding trustees) whose emoluments were over £60,000 are as follows

	10 months ended July 2007 No.	Year ended Sept 2006 No.
£60,001 - £70,000	3	3
£70,001 - £80,000	1	2
£80,001 - £90,000	2	-
£90,001 - £100,000	-	3
£110,001 - £120,000	1	-
£130,001 - £140,000	-	1

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5. STAFF COSTS (continued)

All 7 (2006 9) of the staff above were members of a defined benefit pension scheme, none (2006 nil) being members of a defined contribution scheme. No contributions were made in the period to a defined contribution scheme (2006 £nil).

During the period one trustee received fees of £505 (2006 £882) in respect of examination services, no other trustee or connected person received any remuneration from the company (2006 £ nil). See note 20.

6. NET INCOMING RESOURCES

	10 months ended July 2007 Group £m	Year Ended Sept 2006 Group £m
Net incoming resources are stated after charging		
Depreciation	0.4	0.4
Amortisation of goodwill	-	1.4
Operating leases		
- land and buildings	0.3	0.3
- plant, machinery and equipment	0.2	0.4

Auditor's remuneration for the group amounted to £6,737 (2006 £26,700), other services amounted to £4,756 (2006 £4,618). Audit fees for the charity are paid by the parent undertaking, Cambridge Assessment.

7. TANGIBLE FIXED ASSETS

GROUP

	Freehold £m	Land & Buildings Long Leasehold £m	Short Leasehold £m	Furniture & fittings £m	Total £m
COST					
At 1 October 2006	6.9	8.2	0.6	3.3	19.0
Disposals	(3.4)	-	(0.1)	(0.1)	(3.6)
Additions	-	0.1	-	0.2	0.3
At 31 July 2007	<u>3.5</u>	<u>8.3</u>	<u>0.5</u>	<u>3.4</u>	<u>15.7</u>
DEPRECIATION					
At 1 October 2006	3.8	1.7	0.3	3.1	8.9
Disposals	(1.3)	-	(0.1)	(0.1)	(1.5)
Charge for period	0.1	0.1	0.1	0.1	0.4
At 31 July 2007	<u>2.6</u>	<u>1.8</u>	<u>0.3</u>	<u>3.1</u>	<u>7.8</u>
NET BOOK VALUE					
At 31 July 2007	<u>0.9</u>	<u>6.5</u>	<u>0.2</u>	<u>0.3</u>	<u>7.9</u>
At 30 September 2006	<u>3.1</u>	<u>6.5</u>	<u>0.3</u>	<u>0.2</u>	<u>10.1</u>

There are no tangible fixed assets held for investment purposes by the Group, all are being used for the charitable objectives of the Group.

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7. TANGIBLE FIXED ASSETS (continued)

CHARITY	Land & Buildings Long Term leasehold £m	Land & Buildings Short Term leasehold £m	Plant & Equip Furniture & fittings £m	Total £m
COST				
At 1 October 2006	-	0.6	0.6	1.2
Disposals	-	(0.1)	-	(0.1)
Additions	0.1	-	0.2	0.3
At 31 July 2007	<u>0.1</u>	<u>0.5</u>	<u>0.8</u>	<u>1.4</u>
DEPRECIATION				
At 1 October 2006	-	0.3	0.4	0.7
Disposals	-	(0.1)	-	(0.1)
Charge for period	-	0.1	0.1	0.2
At 31 July 2007	<u>-</u>	<u>0.3</u>	<u>0.5</u>	<u>0.8</u>
NET BOOK VALUE				
At 31 July 2007	<u>0.1</u>	<u>0.2</u>	<u>0.3</u>	<u>0.6</u>
At 30 September 2006	<u>-</u>	<u>0.3</u>	<u>0.2</u>	<u>0.5</u>

8. FIXED ASSET INVESTMENTS

GROUP	At 1 October 2006 £m	Movement in period £m	Increase in market value £m	At 31 July 2007 £m
Investments at market value	2.5	-	0.2	2.7
Loans to Group undertakings	10.5	-	-	10.5
Total	<u>13.0</u>	<u>-</u>	<u>0.2</u>	<u>13.2</u>

Investments at market value comprise Cambridge University Endowment Fund (Amalgamated Fund) units. The market value at 31 July 2007 is based on the valuation at that date provided by the Finance Division of the University of Cambridge. The investments are managed by the University of Cambridge through external investment managers.

Loans to group companies comprise an interest-free loan to UCLES, the parent undertaking.

CHARITY	At 1 October 2006 £m	Movement in period £m	Increase in market value £m	At 31 July 2007 £m
Investments at market value	-	2.6	0.1	2.7
Investment in subsidiary undertakings	15.0	-	-	15.0
Total	<u>15.0</u>	<u>2.6</u>	<u>0.1</u>	<u>17.7</u>

Investments at market value comprise Cambridge University Endowment Fund units received as a gift from RSAEB on 31 January 2007. The market value at 31 July 2007 was provided by the Finance Division of the University of Cambridge.

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8. FIXED ASSET INVESTMENTS (continued)

Name of subsidiary undertaking	Country of registration and operation	Class of share	Proportion held direct	Nature of Business
RSA Examinations Board	England	Member	100%	Assessment services
Progress House Printers Ltd	England	Ordinary	100%	Dormant
The West Midlands Examinations Board	England	Member	100%	Examination services
Sandonian Properties Ltd	England	Ordinary	100%	Property Holding
Mill Wharf Ltd	England	Ordinary	100%	Not trading
OCR Nationals	England	Member	100%	Dormant

The Group has a 33% interest in a joint venture company, QualDat, a company limited by guarantee and registered in England

All of the subsidiary undertakings have been included in the consolidation

Summary of financial statements of subsidiaries

	Sandonian Properties Limited		Mill Wharf Limited	
	10 months ended July 2007 £m	Year ended Sept 2006 £m	10 months ended July 2007 £m	Year ended Sept 2006 £m
Turnover	0 3	0 3	-	-
Expenditure	(0 1)	(0 1)	-	-
Gift Aid	-	(0 2)	-	-
Loss on disposal of property	(1 1)	-	-	-
Interest payable	(0 1)	(0 1)	-	-
Result for the year	<u>(1 0)</u>	<u>(0 1)</u>	<u>-</u>	<u>-</u>
Fixed assets	0 9	3 1	-	-
Current assets	1 3	-	0 1	0 1
Creditors amounts falling due within 1 year	(0 4)	(0 2)	-	-
Creditors amounts falling due after more than 1 year	(4 1)	(4 1)	-	-
Net assets	<u>(2 3)</u>	<u>(1 2)</u>	<u>0 1</u>	<u>0 1</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED
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8 FIXED ASSET INVESTMENTS (continued)

Summary of financial statements of subsidiaries (continued)

	RSAEB	
	10 months ended July 2007 £m	Year ended Sept 2006 £m
Incoming resources	0	21 6
Resources expended	(2 7)	(18 7)
	(2 6)	2 9
Unrealised gains on revaluation of investment assets	0	0 2
Net movement on funds	(2 5)	3 1
Fixed assets	16 9	19 5
Current assets	3 5	9 9
Creditors amounts falling due within 1 year	-	(6 5)
Net assets	20 4	22 9

9. STOCK

	Group		Charity	
	July 2007 £m	Sept 2006 £m	July 2007 £m	Sept 2006 £m
Raw materials	-	-	-	-
Finished goods	-	0 4	-	-
	-	0 4	-	-

10. DEBTORS

	Group		Charity	
	July 2007 £m	Sept 2006 £m	July 2007 £m	Sept 2006 £m
Fee debtors	4 4	3 2	4 4	0 8
Other trade debtors	2 3	1 1	1 1	1 1
Amounts owed by group undertakings	3 1	-	3 1	6 5
Prepayments	2 4	2 5	2 3	2 4
	12 2	6 8	10 9	10 8

11. CREDITORS. AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Charity	
	July 2007 £m	Sept 2006 £m	July 2007 £m	Sept 2006 £m
Trade creditors	2 3	1 4	2 3	1 4
Amounts due to group undertakings	-	2 3	0 1	2 3
Other taxes and social security	3 4	4 2	3 4	4 2
Other creditors	0 6	0 5	0 4	0 5
Accruals and deferred income	12 9	5 9	12 8	5 9
	19 2	14 3	19 0	14 3

In accordance with the Income Recognition Policy (see note 1), where the assessment service has not been substantially rendered, revenue from invoicing has not been recognised as Income but has been Deferred until later years

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11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR (continued)

Deferred Income is analysed as:

	Group		Charity	
	July 2007 £m	Sept 2006 £m	July 2007 £m	Sept 2006 £m
At 1 October 2006	3.6	5.0	0.1	0.1
Transfer from RSAEB	-	-	3.5	-
Deferred in current year	2.0	1.5	2.0	0.1
Released from previous year	(2.7)	(2.9)	(2.7)	(0.1)
At 31 July 2007	<u>2.9</u>	<u>3.6</u>	<u>2.9</u>	<u>0.1</u>

12 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Charity	
	July 2007 £m	Sept 2006 £m	July 2007 £m	Sept 2006 £m
Loan from Cambridge Assessment	<u>15.0</u>	<u>15.0</u>	<u>15.0</u>	<u>15.0</u>

The loan from Cambridge Assessment is unsecured and has no fixed repayment date. No interest was charged in the period to 31 July 2007 (2006: £nil).

13 PROVISIONS FOR LIABILITIES AND CHARGES

GROUP AND CHARITY

	Staffing £m	Total £m
At 1 October 2006	0.1	0.1
Utilised or Released	<u>(0.1)</u>	<u>(0.1)</u>
At 31 July 2007	<u>-</u>	<u>-</u>

14. FUNDS

	Group £m	Charity £m
Unrestricted general fund		
At 1 October 2006	16.9	5.2
Surplus for the period	<u>19.2</u>	<u>22.5</u>
At 31 July 2007	<u>36.1</u>	<u>27.7</u>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED
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15. NOTES TO CONSOLIDATED CASHFLOW STATEMENT

a Reconciliation of changes in resources to net cash inflow from operating activities

	10 months ended July 2007 £m	Year ended Sept 2006 £m
Net incoming resources before interest	19 0	1 7
Depreciation of tangible fixed assets	0 4	0 4
Amortisation of goodwill	-	1 4
Loss on disposal of fixed assets	1 1	-
Less Investment income	(0 1)	(0 1)
Movements in provisions	(0 1)	-
Increase in creditors	5 9	0 9
(Increase)/decrease in debtors	(4 4)	3 1
Decrease in stock	0 4	-
Net cash inflow from operating activities	22 2	7 4

b Reconciliation of net cash flow to movements in net funds

	10 months ended July 2007 £m	Year ended Sept 2006 £m
Increase in cash in the period	0 3	0 1
Cash outflow from change in money market deposits	20 7	6 9
Increase in net funds resulting from cashflows	21 0	7 0
 Net funds at 1 October 2006	 1 0	 (6 0)
Net funds at 31 July 2007	22 0	1 0

c Analysis of change in net funds

	At 1 October 2006 £m	Cash Flows £m	At 31 July 2007 £m
Cash at bank and in hand	0 4	0 3	0 7
Debt due after one year	(15 0)	-	(15 0)
Money market deposits	15 6	20 7	36 3
Total	1 0	21 0	22 0

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED
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16 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 are the age profiles of their active membership rising significantly. The Group's contributions to the CPS and USS schemes are affected by a surplus or deficit in these schemes. The RSAEB scheme is a closed scheme which has 12 (2006 14) active members of whom 10 (2006 12) work for OCR and 2 (2006 2) work for Cambridge Assessment. The rates of contribution payable are determined by the trustees on the advice of the actuaries.

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

USS and CPS	USS	CPS
Latest actuarial valuations	Mar 2005	Jul 2006
Investment returns per annum	4.5%	6.9%
Salary scale increases per annum	3.9%	4.5%
Pension increases per annum	2.9%	3.0%
Market value of assets at date of last valuation	£21,740m	£276m
Funding level	77%	97%
Employer's contribution rate	14%	19.7%

RSAEB Pension Scheme

Although under FRS 17 it is classified as a multi-employer scheme covering employees in both OCR and Cambridge Assessment, since the majority of members are in OCR, information relating to the scheme as a whole is given below. Full disclosures of the scheme accounted for under FRS 17 are given in the Cambridge Assessment group accounts available from the Cambridge University Reporter (see note 21).

A lump sum contribution of £237,500 was made in the period and lump sum contributions of £285,000 per annum will be made by the Cambridge Assessment Group for the next 8 years to the RSAEB scheme to address the under funding. During the period OCR paid £218,263 and Cambridge Assessment paid £19,237 of the lump sum contribution.

A full actuarial valuation of the scheme was carried out at 1 October 2004, in accordance with the requirements under FRS 17 and updated to 31 July 2007 by a qualified independent actuary.

The next full independent actuarial valuation of the scheme as at 31 July 2007 is due to be conducted after the end of the period. The results are not yet available.

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

The major assumptions used by the actuary were:

	At 31 July 2007	At 30 Sept 2006	At 30 Sept 2005
Discount rate	5.7%	4.9%	5.0%
Retail price inflation	3.2%	3.0%	2.7%
Salary increase rate	5.2%	5.0%	4.7%
Pensions increases (at limited price indexation)	3.4%	3.2%	3.2%
Deferred pension revaluation	3.2%	3.0%	2.7%

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16. PENSION COSTS (continued)

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

Scheme assets

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

	Assets at 31 July 2007	Assets at 30 Sept 2006	Assets at 30 Sept 2005
	£m	£m	£m
Equities	3 0	3 0	3 1
Bonds	2 7	2 4	2 3
Cash/ other	0 1	0 1	0 1
Total assets	5 8	5 5	5 5
Scheme liabilities	(7 2)	(7 6)	(7 4)
Net pension deficit	(1 4)	(2 1)	(1 9)
	Expected return from 31 July 2007	Expected return from 30 Sept 2006	Expected return from 30 Sept 2005
Equities	8 1%	7 4%	7 3%
Bonds	5 4%	4 7%	4 4%
Cash/ other	5 8%	4 8%	4 5%

Movement in Deficit during the period

	10 months to 31 July 2007	Year to 30 Sept 2006
	£m	£m
Deficit at beginning of the period	(2 1)	(1 9)
Movement in period		
Current service cost	(0 2)	(0 2)
Contributions	0 4	0 5
Net return from other finance income	-	(0 1)
Actuarial gain/ (loss)	0 5	(0 4)
Deficit at end of the period	(1 4)	(2 1)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED
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16. PENSION COSTS (continued)

History of experience gains and losses

	10 months to July 2007 £m	Year to Sept 2006 £m	Year to Sept 2005 £m	Year to Sept 2004 £m	Year to Sept 2003 £m
Difference between the actual and expected return on scheme assets	(0.1)	0.1	0.6	0.1	0.2
- as % of scheme assets	(1%)	2%	10%	2%	6%
Experience gains/(losses) on scheme liabilities	-	(0.1)	(0.1)	0.4	-
- as % of present value of scheme liabilities	0%	(1%)	(1%)	7%	0%
Total amount recognised under other recognised gains and losses	0.5	(0.4)	(0.1)	0.3	0.1
- as % of present value of scheme liabilities	7%	(5%)	(2%)	4%	1%

**Total Group pension cost for the year
Employers contributions:**

	10 months to 31 July 2007 £m	Year to 30 Sept 2006 £m
USS	0.9	1.0
CPS	0.9	1.1
RSAEB	0.3	0.4
	<u>2.1</u>	<u>2.5</u>

17. OPERATING LEASES

Group

At 31 July 2007 the Group had annual commitments under non-cancellable operating leases as follows

	Land & Buildings		Plant, Machinery & Equipment	
	July 2007 £m	Sept 2006 £m	July 2007 £m	Sept 2006 £m
Commitments expiring				
In 1 year	-	0.1	-	-
Between 2 & 5 years	0.1	0.2	0.2	0.2
After 5 years	<u>0.1</u>	<u>-</u>	<u>-</u>	<u>-</u>

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18. CAPITAL COMMITMENTS

There were no capital commitments at the Balance Sheet date (2006 £342,000)

19. CONTINGENT LIABILITIES

There are no contingent liabilities as at 31 July 2007 (2006 £nil)

20. RELATED PARTY TRANSACTIONS

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

During the period the Group entered into transactions with Cambridge University Press ("CUP"), a Syndicate of the University of Cambridge, the ultimate parent undertaking as follows - purchase of printing services £3.75m (2006 £4.44m), sale of other services £0.13m (2006 £0.19m)

At 31 July a balance of £0.18m was due to CUP (2006 £0.23m due to CUP)

During the year the Group entered into transactions with the University of Cambridge, the ultimate parent undertaking, for the purchase of services amounting to £12,000 (2006 £22,000). There were no balances outstanding at 31 July 2007 (2006 nil)

During the year one trustee received fees of £505 (2006 £882) in respect of examination services, no other trustee or connected person received any remuneration from the company (2006 nil). Total travel expenses of £1,740 (2006 £1,836) were reimbursed to 6 (2006 4) trustees by the Cambridge Assessment group, of which £282 (2006 £126) were reimbursed by the OCR group

21. ULTIMATE PARENT UNDERTAKING

OCR is a part of the Cambridge Assessment Group, Cambridge Assessment is a not-for-profit organisation, a department of the University of Cambridge. The University of Cambridge is the sole member of OCR.

The largest group in which the results of the OCR Group are consolidated is that headed by the University of Cambridge. The consolidated accounts of the University of Cambridge may be obtained from the Cambridge University Reporter, Cambridge University Press Bookshop 1 Trinity Street, Cambridge, CB2 1SZ.

The smallest group in which they are consolidated is that headed by Cambridge Assessment. The consolidated accounts of Cambridge Assessment may be obtained from the Cambridge University Reporter, Cambridge University Press Bookshop 1 Trinity Street, Cambridge, CB2 1SZ.