



CAMBRIDGE ASSESSMENT

Cambridge Assessment Group

Annual Report and Accounts, 2007-2008

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Cambridge Assessment

Annual Report, 2007/2008

This is the one hundred and fiftieth Annual Report of Cambridge Assessment to the Council of the University of Cambridge. It covers the events of the year to 31 July 2008.

Introduction

The last 12 months have again been very successful for the organisation as we began our 150th anniversary celebrations in 2008. It has also been another dynamic and interesting year for the education sector as a whole.

We saw the launch of a new interim regulator of qualifications, exams and tests in England (Ofqual), following the Government's decision to split the functions of the Qualifications and Curriculum Authority (QCA), separating the development of the curriculum from the regulation of standards. The introduction of the A* grade for A levels was confirmed, as were the QCA's criteria for the new GCSEs for first teaching in September 2009. Cambridge Pre-U received accreditation in the UK, opening up access to state schools. And at the time of writing, delivery of the first of the new Diplomas was well underway.

Assessment should, at its best, support teaching, focus students' efforts, motivate them and reward what they achieve. These ambitions have not changed in the 150 years of our history to date, but the way we apply them undoubtedly has. For example, in the future, supporting and delivering assessment by digital means will play an increasingly significant role in examining.

As the oldest UK surviving examination board – and the only one in the UK still owned by a university – we have been at the forefront of enhancing education through assessment for the last 150 years. We are marking our 150th anniversary with a series of special events at which we seek to share our extensive expertise in assessment. The official programme of activities started on 23 September 2007 with a presentation at the University of Cambridge alumni weekend. We received some excellent feedback and members of the audience were keen to share their memories of their own exams.

As a celebration of the India-Cambridge partnership in school education, we launched a book for teachers, by teachers, called *Reflections on Teaching Today and Tomorrow*. It is a collection of 11 essays by Indian teachers, with a diversity of approaches and viewpoints. The book provides an opportunity for teachers to share their practical ideas and experiences not only with their colleagues in India but with teachers worldwide.

We also launched a special commemorative book entitled *Examining the World: A History of the University of Cambridge Local Examinations Syndicate* on 11 February - the 150th anniversary of the day the Syndicate was officially established. The book was compiled using archive materials and input from consultants, previous and current employees, to commemorate and officially record the Group's heritage. The book provides a unique insight into the history of exams – from the introduction of the first Cambridge school examinations in the UK to their adoption around the world

This report is structured to show how the work we have been doing during the year 1 August 2007 to 31 July 2008 relates to our main strategic objectives. It includes a chronological list highlighting some of our achievements and activities for the year.

The Cambridge Assessment Group

Cambridge Assessment is a department of the University of Cambridge and therefore has charitable status. As a charity we are very aware of the benefits that education can provide in unlocking and realising potential. By developing a broad range of products and services we seek to make these benefits widely accessible and, in doing so, also support the mission and core values of the University. Indeed, we play an important part in supporting the University's educational outreach and enable it, through our work, to deliver practical benefits to millions of people who would otherwise never come into contact with it. In this way we provide recognition of individual learners' achievements, thereby assisting them to achieve their own educational and career objectives, giving them access to further progress in education (including entry to universities) and in the workplace. The Group's activities therefore contribute in a tangible way to the needs and development of countries across the world.

The Group values the involvement of the University in its work, through the participation of University staff as members of its committees or as examiners, and through participation in the outreach activities of departments, of which the Millennium Mathematics project is a leading example.

The Cambridge Assessment Group is organised into three externally-trading business streams - Oxford, Cambridge and RSA Examinations (OCR), University of Cambridge International Examinations (CIE) and Cambridge ESOL (English for Speakers of Other Languages) - each of which has a distinct product range and group of customers. OCR is a company limited by guarantee with the University as its sole member. It is also an exempt charity, under Schedule 2(w) of the Charities Act 1993, on the grounds that it is administered on behalf of the University. OCR is responsible for examinations and other assessment activity for both general and vocational qualifications in the UK; CIE is responsible for international school examinations and international vocational awards; and Cambridge ESOL is responsible for examinations in English for speakers of other languages and qualifications for language teachers throughout the world.

The work of the three business streams is supported by the following corporate services: Finance, Human Resources, and Infrastructure Services (comprising Printing & Operations, Development, and Service Delivery). In addition, the Assessment, Research and Development (ARD) division brings together corporate research and innovation activities, as well as investigating and developing new business opportunities which may fall outside the remit of the business streams.

Regulation and standards

OCR's general qualifications are closely regulated by the Qualifications and Curriculum Authority (QCA) in England, the Department of Education, Lifelong Learning and Skills in Wales, and the Northern Ireland Council for the Curriculum Examination and Assessment. This regulation covers the subjects and the number of syllabuses that can be offered, syllabus content, schemes of assessment and many aspects of administration. Notwithstanding this regulatory framework, the maintenance of awarding standards remains the responsibility of OCR, through its Chief Executive and Director of Quality and Standards, the latter of whom is the Accountable Officer; this responsibility is subject to regular public scrutiny and audit. Regulation of OCR's vocational qualifications, although not yet so complete, is also exercised by QCA. As mentioned above, a new interim regulator of qualifications, Ofqual, has been created in England following the government's decision to separate the development of the curriculum from the regulation of standards.

CIE is responsible for the definition and maintenance of standards for all of the Group's international qualifications, although where general qualifications are administered in partnership with a ministry of education, that ministry is increasingly involved in standard setting and in the administrative aspects of regulation. ESOL is fully responsible for the regulation of its work and for the setting and maintenance of standards.

Both CIE and ESOL have sought QCA accreditation for various qualifications in the UK and this of course means that these are subject to regulation by the QCA.

Achievements and Performance

Group Aim: To become more widely recognised as a leading world authority on assessment

We have made great strides in achieving this ambition over the last 12 months. We continue, as we have done for the last 150 years, to strive for the ongoing improvement of the assessment systems and methodologies used around the world to ensure learners access the benefits of their education.

We continue to bring together a wide range of professionals in education to look at 'big picture' topics and to enable policy makers to access the knowledge of leading experts with our series of expert seminars. These provide an opportunity for discussion of innovative thinking in assessment. Our seminars are presented by eminent figures in the world of education and their participative format encourages lively debate on key issues. We also engaged successfully with a range of political stakeholders, including at the Party Political Conferences.

Our House of Commons seminars continue to be popular. We held one on *What makes a good teacher? An overview of teaching effectiveness research* and another on *What makes Government education initiatives succeed or fail*. Both were attended by key senior education professionals and MPs, generating lively debates. They were chaired by Barry Sheerman, the Chair of the House of Commons Children, Schools and Families Select Committee. Speakers renowned for their expertise gave their different perspectives on the subjects; how the best research coming out of institutions can be adopted; and why sometimes ideas that appear to be strong when seen from a research perspective are adopted or not by policy makers. This also saw the beginning of an enhanced web and brand projection drive which will be rolled out in the forthcoming year.

Our Cambridge Assessment Network's International Study Programme – a two week residential course on the development and administration of public examinations for international participants – was again hugely popular and fully subscribed. Delegates from exam boards across the globe reviewed best practice, debated the principles of assessment design, and discussed how to carry these forward into their professional lives in their own countries.

We also held a special event for international education attachés as part of our anniversary celebrations. *Education policy around the world: Innovations in 14-19 Reform* addressed the challenges in reforming 14-19 education across the globe and was attended by more than 100 international educational professionals. Ian Pearson MP, Minister of State for Science & Innovation hosted the event which was chaired by former BBC education journalist Mike Baker.

The 150th anniversary programme was used to raise our profile in these matters by generating widespread media coverage of the first exams. We embarked on a series of regional events to show just how far the exam process has come. We organised a series of visits to some of the schools across the country that sat the first 'Cambridge' school exams

in 1858. Pupils from Bristol Grammar School, Warwick School and Friends' School, Saffron Walden, were given a special lesson – using the original 1858 UCLES exam papers – by an '1858 teacher'. Each visit generated excellent media coverage by local BBC and ITV news, regional radio stations, a variety of regional press and news items on Teachers' TV.

The media coverage of the school visits sparked further coverage of a more in-depth nature; including a 15-minute interview on BBC Radio 4's Learning Curve, a five-minute feature on BBC's 2 Working Lunch, an interview on Woman's Hour, a six-page feature in the TES magazine, a full-page feature in The Times, a two-page feature in the Cambridge News, two interviews on BBC Radio Cambridgeshire and a page in The Daily Mail. Following discussions with History Today an article on the organisation appeared in the August issue.

In the political arena, written and oral evidence was provided to the House of Commons Select Committee for Children, Schools and Families Inquiry into Testing and Assessment. When called before the committee, we highlighted some of the structural problems that we believe beset assessment; the constant revolution and multitude of purposes to which assessment is put and the erosion of public confidence. All the witnesses agreed that the changes qualifications had undergone over the previous 10 years had been sufficiently substantial as to mean that comparisons outside that time frame were very difficult, a point which caused consequent media coverage.

We responded to the Government's consultation *Confidence in Standards* which seeks to create an independent regulator, separate from both the Department of Children, Families and Schools and the successor body to the Qualifications and Curriculum Authority. As an organisation we call for a strong, focused, regulator that sets broad objectives and leaves it to awarding bodies to meet them.

We announced, at the 33rd International Association for Educational Assessment conference in Azerbaijan, that we would be hosting the 34th IAEA conference in Cambridge as part of our 150th anniversary celebrations. We looked forward to hosting the conference and to providing leading education experts and testers from across the world with a forum to exchange the latest research, ideas and experiences of different countries' education systems.

In April, we were privileged to host the third international conference of the Association of Language Testers in Europe. A total of 570 delegates from 65 countries, representing more than 300 organisations, attended the conference here in Cambridge, making it the largest and most comprehensive event of its kind to date. The six plenary presentations headed a conference programme of close to 200 papers on key aspects of all language assessment.

Researchers from across the Group presented papers at 28 international conferences. We have also had 19 articles submitted to refereed journals, such as the British Educational Research Journal.

We continue to work with overseas governments to reform education systems and help to localise examinations by training officials, teachers, markers and examiners in curriculum development and assessment. We bid for and won a record number of contracts including: the CIE-Bahrain National Test Project; Cambridge ESOL's contract with the French Ministry of Education to provide English Language Certification in state secondary schools; and our Assessment Research and Development contract with the UK's regulator for the Diploma Development Toolkit.

Cambridge ESOL negotiated a consortium and won a European Commission contract to carry out a Europe-wide survey of languages. The survey will compare second language learning for pupils in the final year of lower secondary education, or the second year of upper

secondary education, using the scales of the Common European Framework of Reference for Languages. It is intended that the survey will be a key tool for European governments to use in developing language-learning policies and is part of the European Commission's aim to 'improve the mastery of basic language skills in Europe'.

In Asia, we won an international tender to help the Gujarat State Government in India to improve the level of English language proficiency among students and the work-force. The Society for the Creation of Opportunities through Proficiency in English (SCOPE) is a specially formed body working with Cambridge ESOL on the government's initiative to improve English language skills. We developed a new test for SCOPE, called the Gujarat English Language Test, to assess ability related to the Common European Framework of Reference for Languages.

We continue to be involved in a major project exploring how the Common European Framework of Reference for Languages relates to specific features of English. Now in its second year, the English Profile project has completed much of the necessary basic research on the Cambridge English Corpus and is now moving into a phase of consultation which will enable a framework for the rest of the project to be further developed.

Our archives provide a rich and growing legacy for researchers now and in the future. As part of our 150th anniversary, an exhibition showcasing a selection of historic material from the Group's archives, has been touring selected venues during the year. The exhibition features more than 40 reproduced documents and photographs from the archives. It includes 150-year-old examiner reports, eye-witness accounts of hardship during the First and Second World Wars and past exam questions. We also made the exhibition available to view online from our website.

Group aim: To deploy the use of modern technology effectively

Technology continues to be one of the areas of greatest change. Modernisation programmes such as on-screen marking and the use of computer-based tests are crucial in keeping us at the forefront of technological developments and have become an integral part of the way we provide our services worldwide.

During the last year, we marked more than 3 million scripts on screen – enabling us to spare many examiners the inconvenience of managing the large volumes of paper involved in the traditional process and giving them access to the many advantages of a digitised environment.

On-screen marking extends our quality assurance procedures which are underpinned by our research programme. Our research into marker expertise enables us to make the very best use of our markers' skills, knowledge and experience. This means we can match the demands of the marking to the expertise of the marker. New digital processes also allow us to gather more detailed marks and information about examiners' marking, improving our quality assurance processes. This level of detail enables us to monitor question quality and marker performance. It also helps inform the awarding of grades.

Our technological developments continue to push at the boundaries of e-assessment. We saw the first use of version 5.0 of Connect, our bespoke e-assessment platform. Connect is designed to allow high-stakes tests to be run by remote centres around the world whilst maintaining the security of the examination. The new version of the software includes the ability for 'walk-in' candidates to sit tests, giving centres the flexibility to accept new candidates on the day of the test. It also allows access to backed-up copies of candidates' responses in case the centre is unable to return them automatically. Further developments are planned for later this year.

We are glad to report the use of Connect by our customers has increased substantially in the last year, with computer-based versions of Cambridge ESOL's PET, KET and BEC being taken in the thousands. Asset Languages recently hosted Connect tests for 838 candidates at Altrincham Grammar, the highest number of computer-based entries in the UK so far, and CIE has more than 500 entries for its computer based IGCSE Geography component this June, the sixth time the test has been run. It features rich simulations of a variety of environments from rain forests to shopping centres.

Our pilot of computer-based testing for Cambridge IGCSE Geography in Kuwait was very successful. For the first time, students in Kuwait were able to engage in a 'practical study' of rivers which, without the technological developments was not possible.

The Business Language Testing Service – a language assessment service we designed specifically for the use of companies and organisations as a reliable way of assessing the language ability of groups of employees or trainees – is now available online allowing more flexibility and instant results.

We have also been working with UNICEF and the Maldives Ministry of Education to support teachers who are rebuilding the educational infrastructure after the 2005 Tsunami. Our online courses, discussion groups and web-based Virtual Learning Environment have proved popular as the geography of the country makes face-to-face support slow and expensive to deliver.

In the UK, we were one of the first to trial sending exam results to students by text message. Working alongside schools and colleges to identify appropriate candidates, we successfully issued 100 students from seven schools with their A level modules results from the 2008 January exam session. We then ran an extended trial for this summer's A level exam results.

Following the development of pioneering new software, we successfully ran our first fully electronically assessed unit at A level. The A level Maths unit was taken by more than 60 students from five of the centres currently running the qualification as part of a pilot. Students completed the exam on screen and then the response data was automatically transferred to education software firm RM, who input all the response files into its e-marking system Scoris® so that marking could also be carried out on screen.

A new exam results analysis service was developed for teachers in the UK with RM and data experts Forvus. Active Results, which is in the final stages of development for a pilot using this summer's exam results, is a free service allowing teachers to review the performance of individual candidates or whole schools. The initial pilot is limited to up to 250 centres studying OCR's 21st Century and Gateway GCSE Science specifications.

Over 75 percent of our customers in the UK are now making full use of Interchange, a free, secure website for centres which offers a variety of services for exams officers and teachers. New developments mean that centres will be able to view statements of entry online and make their estimated entries electronically rather than ticking boxes on never ending sheets of paper. In addition to reducing the amount of paper, this new functionality will improve the accuracy of estimated entries and give centres the option of customising their own reports at the touch of a button.

Video conferencing facilities have improved with the introduction of the latest equipment and technology in both Cambridge and Coventry offices. Improvements include crisper, clearer screen resolution and faster connection times. With this technology we were able to provide immediate feedback and support to teachers in schools in Argentina and Bangladesh who took part in CIE's Curriculum and Teacher Support Groups.

Group aim: To deliver a broad, attractive and innovative portfolio of assessments and qualifications, and related services

Over the last 12 months, alternatives to established qualifications such as Diplomas, OCR Nationals and Cambridge Pre-U have attracted much interest. So has the introduction of the A* grade for A levels, QCA's confirmed criteria for GCSEs and the announcement of the three new Diplomas. The last ever GNVQ assessments took place and the very first day of national celebration for vocational qualifications was celebrated.

At a time of such intense reform in qualifications in the UK, we made unprecedented efforts to deliver attractive and innovative assessment solutions to our customers worldwide.

In the UK our new generation of A level specifications, for first teaching from September 2008, achieved QCA accreditation. Although there have been many changes to the qualification, we managed to create and deliver 44 exciting and wholly revised new specifications. This includes our pioneering new style History A level course which encourages students to debate issues that have generated historical controversies, such as British Imperialism and the Holocaust.

Our Cambridge Pre-U Diploma – the alternative post 16 qualification – also received accreditation in the UK for first teaching in September 2008. Nearly 50 schools will offer one or more Cambridge Pre-U Principal Subjects from September 2008 and more than 100 are already planning to do so within the next two to three years. The Learning and Skills Council has advised that funding for Cambridge Pre-U Principal Subjects will be on a par with A levels and fifteen maintained schools will start Cambridge Pre-U from this September.

To recognise the highest levels of achievement, an A* grade has been incorporated into the revised A levels at the same time as new “stretch and challenge” questions have been incorporated into the assessment. The A* will be awarded in the UK from 2010 and will also be introduced into the Cambridge International A level.

We have been at the forefront of trialling the new A* grade in the UK. The trial, in partnership with students from Farnborough Sixth Form College, was conducted to ascertain how well students would deal with the more challenging A level questions. It gave our examiners an early opportunity to test some of their ideas in setting stretching and challenging questions to identify those students who deserve the A* grade. We have also been heavily involved with the QCA in conducting an even bigger “stretch and challenge” trial on a national scale.

Progress does not stop there. Most GCSEs are being revised for first teaching in September 2009. Changes include: flexible assessment across all qualifications, controlled assessment in place of coursework to address plagiarism concerns, the addition of new subjects – Law, Citizenship and Ancient History – and the availability of a greater number of short courses. In the UK we launched a micro-site to provide teachers with the latest GCSE information and to showcase our innovative and fresh new approaches.

In redeveloping GCSEs, we worked with teachers, students, subject associations and employers to introduce a selection of new qualifications that meet their requirements. All 43 draft GCSE specifications were put online for teachers to peruse in advance of accreditation.

The overhaul of our GCSE Sciences in 2006 resulted in a considerable increase in the numbers of schools and colleges choosing our specifications over the last year. One of the key contributors to this success has been the range of approaches offered; we worked closely with the Nuffield Curriculum Group and the University of York Science Education Group to develop the Twenty First Century Science Suite. OCR's Twenty First Century

Science Suite has introduced debate into the classroom to promote a balanced, evaluative, approach in contrast to previous specifications while OCR's Gateway Science Suite takes a more familiar approach. Both options allow teachers to deliver the course in a style that suits them and their students. In addition, the GCSE Applied Science (Double Award) and GCSE Environmental and Land-Based Science are also both increasing in popularity, reflecting a trend of our Science success across the board.

At the same time the new IGCSE subjects were developed for piloting or first teaching overseas in 2008. We created the new Cambridge IGCSE Global Perspectives qualification in response to young people facing a wealth of both global opportunities and challenges. Other international qualifications developed over the last 12 months are Cambridge International Mathematics and Cambridge Twenty-First Century Science. Cambridge IGCSE India Studies is also in development and will be available for first teaching in 2010.

We reached an impressive landmark with the 150,000th candidate in the UK to undertake our Nationals qualification in ICT. OCR Nationals have become a real success in a short period of time – more than 120,000 students have registered for them during the last year – and the ICT qualification, in particular, has grown phenomenally fast since its launch three years ago. This suite of qualifications also received UK accreditation and we were pleased to announce the launch of a Level 3 qualification in March.

Although the QCA informed us that it does not intend to proceed with the pilots to embed the Functional Skills assessment within GCSEs, we will still be offering the standalone Functional Skills pilot. This standalone qualification will be compulsory for all learners taking the Diploma from 2008 and taking part in this pilot will also help to inform the development of English and ICT GCSEs for 2010.

We have continued to work on the development of admissions tests. Students applying to the University of Oxford to study Philosophy Politics and Economics will be taking a pre-interview admissions test for the first time this year. We have been emphasising that these tests belong to a single family with a common core – thinking skills – which can minimise the burdens on students while supplying universities with useful extra information to inform their important decisions.

In April we entered into a consortium with CAMFED and the Judge Business School to develop a business and enterprise summer school, providing training materials and qualifications for young women in Zambia. This work will be funded by Goldman Sachs.

Asset Languages, the language assessment scheme originally developed for the DCSF using the joint expertise of Cambridge ESOL and OCR, was brought under the sole management of OCR in November. This was a reflection of the progress made with the contract and a change in emphasis from development to delivery of a maturing product. During the year, the number of languages which could be assessed using Asset rose from 21 to 25 with the addition of Cantonese, Cornish, Irish and Welsh to the portfolio.

The Cambridge International Primary Programme for our overseas market continues to go from strength to strength. Since its launch in 2005, schools around the world have been able to offer a Cambridge-based curriculum across their primary as well as secondary age ranges. The 100th school to offer the programme was Taktse International School in India.

The Florida Department of Education in the US now includes Cambridge Advanced International Certificate of Education as a High School Diploma graduation option following the approval of dual enrolment courses to satisfy credit in a high school major area of interest.

Entries for IELTS have almost doubled in the last three years driven by university entrance requirements, new immigration policies and professional recognition throughout the English-speaking world. The feedback we get from universities and government agencies around the world is that IELTS is a particularly good test of how well a person knows English, because it gives a thorough picture of their skills in speaking, listening, reading and writing, in a way that is relevant to how the language is actually used for work and study.

Group aim: To support world-wide delivery of examinations.

Quality assurance is invaluable for those who have public accountability for the delivery of high stakes examinations. We have a strong reputation for quality of service and delivery that has been earned over decades of commitment to test takers and test users. We are active in helping teachers and partners replicate those high standards.

Raising the skills of teachers and other education stakeholders is critical to the development of assessment systems. Our experience in the field of teacher training is extensive. Cambridge Assessment has worked with governments to reform education systems and helped to localise examinations by training officials, teachers, markers and examiners in curriculum development and assessment. We provide assessment and professional support during the transition every step of the way, as well as training for assessment staff, item writers and teachers.

Following extensive research and consultation with teachers in the UK, we produced our most comprehensive and detailed schemes of work and accompanying lesson plans for new A levels and GCSEs. Our improved range of support materials are designed for adaptation by teachers to suit their own individual needs, to support delivery and to save teachers time when preparing to teach the new specifications.

This is the first time an awarding body has actively involved current teachers in developing schemes of work and lesson plans, designed to be 'by teachers, for teachers'.

We also launched an extensive GCSE training programme and intend to host 400 events covering 31 subject areas during the changes to demonstrate our commitment in keeping teachers informed of how we have responded to the opportunity to develop new GCSEs.

It has been nearly two years since the first people moved into our new warehouse – DC10. The move has been very successful and there has been no disruption to business. We are now introducing various aspects of warehouse automation.

Our UK Customer Contact Centre (CCC) had a new a new telephone system installed. This means that anyone calling into the CCC will experience a new call routing system that will help to direct customer calls to the most experienced advisor available.

We also made our exams directory available online which means UK centres will have the flexibility to search by examination date range or assessment, and can display or print the information in a user-friendly format.

Interchange – our secure online resource designed to help UK centres carry out administrative tasks quickly and easily – has seen users switch on in record numbers. As many paper processes gradually disappear, Interchange is rapidly becoming indispensable for examination officers, assessors and teachers.

We have been given the seal of approval following an International Standards Organisation (ISO) audit from the British Standards Institution. The audit made particular mention of CIE's commitment to its candidates, teachers and the other organisations it serves. The approval,

known technically as an ISO:9001, is an internationally-recognised standard for business management, which ensures that businesses are operating to the same quality standards when meeting customers' requirements.

In response to candidate demand and the increased collaboration with governments around the world, Cambridge ESOL now has offices in Argentina, Brazil, China, France, Germany, Greece, India, Italy, Mexico, Poland, Russia, Spain, Taiwan and Vietnam.

Internationally we held 897 training workshops and seminars, and 171 other events including conferences, award ceremonies and exhibitions.

Group aim: To pursue internal synergies to achieve economies of scale and maximise educational impact.

Our programme of change to improve the effectiveness of how the Group uses technology goes from strength to strength. 'Advantage' began with the 'Framework' programme, now completed, which built a strong foundation to enable the diverse parts of the organisation to communicate their needs to our Information Services team and for them to work effectively together.

Advantage is developing and implementing new standards for how the Group carries out new technology initiatives. These cover a range of disciplines including business planning, budgeting, information architecture and project management. The programme needs these standards as a springboard for moving forward but it is the values that staff follow when working with them that will determine whether they succeed or fail.

The Advantage programme is delivering a range of benefits to the Group: the corporate IS team focuses on the implementation and management of technology solutions while the operating units focus on developing the strategic programmes that will move them forward.

The Corporate Board discussed Advantage Phase 3 and at year end were finalising the Programme of Work which builds upon what we have achieved so far.

Following the Group's decision to consolidate our printing and distribution operations on a single site, we have now been through a robust tendering process to select a new service provider to manage a new print facility at DC10. As a result, we have selected Océ (UK) Limited as our new service partner. This move will be phased over time and arrangements are in place to make sure that quality and continuity of service are maintained. We hope to start building works at DC10 in August this year to accommodate the new print facility.

Following more resources being allocated to computer-based testing, our in-house online test delivery engine, Connect, now supports a wide range of the Group's qualifications. Our international business English certificates are being taken online in the thousands, we have run two very successful sessions for the first fully e-assessed GCSE, we had the highest number of computer-based entries for our bite-sized languages learning courses and our computer-based IGCSE Geography has been incredibly popular overseas.

Group aim: to ensure that staff have the right skills and to provide training and development opportunities.

Cambridge Assessment takes seriously its role as a major contributor to society through the responsible development, management and delivery of assessments and qualifications around the world. Our mission is to provide high quality assessment services worldwide. To achieve this, we need our staff to perform at a high level.

Over the year, staff completed 3718 training days in total, through attendance at 1010 training events. Through these events our staff were able to experience a range of opportunities: from formal induction through focused IT and desktop training to a range of core and bespoke management and personal skills developments. Particular focus was given to raising awareness of Diversity, improving personal effectiveness and, on the technology side, providing IP Telephony training to support the rollout of this technology across the business.

Towards the end of the year we launched an on-line training portal to support our training and development initiatives through easy user access to event calendars and reference and support materials which complement our core programmes. We have also started to introduce e-learning to improve accessibility to training opportunities. This provision will grow during 2009 as we increase our blended learning and interactive provision.

In addition to the extension to the training portal we will be continuing to evolve our core programmes to help our staff further develop their personal skills. Of particular importance will be the introduction of development which focuses on team effectiveness, both in terms of the team manager and team members, and our extension of training to enhance the ability of our people to make best use of our bespoke technology.

Finally there will be an increasing emphasis on the practical application of learning, from the event back into daily working lives. We will therefore be focusing on feedback and evaluation to inform us of priorities in this area.

We also have a commitment to sharing knowledge and this is done mainly via the Cambridge Assessment Network. The Network helps to create links between assessment professionals and it provides a programme of professional development in assessment and related issues through a comprehensive programme of conferences, seminars and courses.

The Cambridge Assessment Network continues to offer formal and informal professional development activities to people working in assessment, both within the Cambridge Assessment Group and externally. Overall attendance at Network events and courses increased by 43 percent over last year. This is made up of a 33 percent increase in staff attendees and a 54 percent increase in external attendees.

In particular, our 2007/08 course – Certificate in the Principles and Practice of Assessment – was offered in a new format for the first time. Most of the work is completed online with three Saturday day-schools per module. This has opened up attendance to people from around the education world and the varying experiences and knowledge brought to the course by participants from outside Cambridge Assessment have been of benefit to all course members. This year also saw the first set of students, including seven members of staff, being awarded their certificates.

We have also been encouraging, supporting and developing staff in the use of Personal Development Planning (PDP). A seminar was held entitled *Assessing Personal Development Planning - ideas and issues* presented by Dr Barbara Newland, Senior Lecturer in Educational Development at Bournemouth University.

The whole of the IS Business Analysis team passed the ISEB (Information Systems Examination Board) Consultancy Certificate – which is an excellent achievement.

Highlights of 2007-2008

August 2007

In excess of 1.5 million exam scripts were successfully marked on-screen within the Cambridge Assessment Group. This included processing over 50,000 UK GCSE exam scripts per day.

September 2007

We announce that Cambridge Assessment will host the 34th International Association for Education Assessors (IAEA) conference in September 2008.

Leading Bangladeshi school, Scholastica, sign an agreement to move its 3,000 students to Cambridge International O Level, A Level and the Cambridge International Diploma for Teachers and Trainers.

October 2007

Cambridge ESOL launches a new website for candidates. The new Candidate Support website includes; summaries of what each paper of the exam involves, a 'support' section where candidates can download the *Information for Candidates* booklet and sample papers and testimonials from candidates.

November 2007

CIE continues to play a key role in enhancing the level of education in Malaysia by hosting its 4th International Teachers' Conference in Kuala Lumpur from 13 - 14 November.

December 2007

The first centre to run the new computer-based Cambridge ESOL for Work qualifications is Westminster Kingsway College, London. The tests developed in response to a UK Government initiative, are designed for people who need to use English to work in the UK.

January 2008

Pupils across the country experience exams 1858 style when they are visited by our '1858 teacher'. Pupils from Bristol Grammar School, Warwick School and Friends' School, Saffron Walden, are given a special lesson - using the original 1858 UCLES exam papers - by an '1858 teacher'.

Our archive exhibition began its tour by visiting 9 Hills Road, Progress House, Coventry, and DC10.

The Vice-Chancellor launches *Reflections on Teaching: Today and Tomorrow* at a 150th anniversary celebration in Delhi.

Nearly 100 staff attend the official opening by Group Chief Executive, Simon Lebus, of Cambridge Assessment's state of the art warehousing facility, DC10.

February 2008

We launch *Examining the World* on 11 February – the 150th anniversary of the day the Syndicate was officially established. The book was compiled using archive materials and input from consultants, previous and current employees, to commemorate and officially record the Group's heritage.

The Cambridge Assessment Network hosts a series of open seminars looking back at key moments in the development of school examinations in Cambridge, entitled *Cambridge Assessment 150th Anniversary: Who do we think we are?*

March 2008

The Archives Service hosts 'open days' in the new Archive Reading Room at 1 Hills Road. Staff are able to call in and find out more about what the service has to offer, and see some of the fascinating material that is being stored and carefully preserved as an important record for the future.

Cambridge Assessment Network hosts a seminar in Cambridge entitled: *"The examinations syndicate from 1858 to 1949"*.

April 2008

We are honoured by a visit from Cambridge University Vice-Chancellor Professor Alison Richard as part of our 150th anniversary celebrations. During her visit the Vice-Chancellor unveiled a time capsule box that will be placed in the Archives for future generations.

Around 70 delegates attend a major IT event hosted by Cambridge Assessment together with the East Anglia branch of the British Computer Society (BCS) and the International Institute of Business Analysis (IIBA), focusing on Agile methods. Speakers talk about the role of the business analyst in an Agile development environment and the benefits of adopting Agile practices.

Cambridge ESOL hosts the Association of Language Testers in Europe (ALTE) 3rd International Conference in Cambridge. ALTE Cambridge 2008 is a major multilingual event open to all professionals with an interest in language assessment and associated issues. The event, is a huge success, and more than 500 delegates attend.

CIE enters into a consortium with CAMFED, the Judge Institute and Goldman Sachs to develop a business and enterprise summer school for young women in Zambia.

May 2008

We host an international education attaché event in London on innovations in 14-19 education. More than 100 people including a host of international education attachés attend the event to hear five world-renowned speakers talk about education in their region.

The Cambridge Assessment Network delivers an International Study Programme. International delegates review best practice with us, share their experiences and debate the principles of assessment design and how we can carry these forward into practice.

June 2008

A series of free GCSE Changes Expo events are held across the UK by OCR to give teachers the opportunity to access important updates about changes to GCSEs.

July 2008

Three new Diploma lines of learning from OCR are accredited by the Qualifications and Curriculum Authority (QCA). These were in Business, Administration and Finance; Hospitality and Manufacturing and Product Design. Teaching will begin in September 2009.

People

The Group is heavily reliant on the knowledge and experience of its staff and external examiners and great attention is paid to their further training and development. The Group also depends upon the services of a number of contractors and consultants. Syndics wish to record their appreciation of the work of all those who have contributed to the Group's activities over the past year.

Finance and Reserves

The consolidated financial statements show that the Cambridge Assessment Group reported a surplus of £24.5 million for the financial year ended 31 July 2008. Each of the three business streams recorded an operating surplus. The results for the previous year were for a 10 month period as a result of the change of year end date from 30 September to 31 July.

Income from examination fees and other educational and assessment services increased from £188.3 million to £221.4 million due to increased demand across all three business streams.

The overall costs for the year were higher at £196.9 million than for the preceding period (£166.7 million), which only covered a ten month period. Expenditure is incurred in maintaining and developing qualifications, registration and certification of candidates, together with the quality control of examined and assessed schemes. In this year, significant expenditure has been incurred on development activities related to UK A Levels and Diplomas as well as CIE's Pre-U qualification. Expenditure has also been incurred on changes to systems including electronic script management. Expenditure for the year includes a transfer of £12.4 million to the University compared with £9.3 million for the previous year, due to the higher level of operating surplus generated.

We continue to forecast an increase in the number of examination entries. The Group continues to provide services to customers in around 160 countries. This brings with it challenges related to exchange rate exposures and economic difficulties which are reviewed and managed by the Corporate Board.

Syndics believe that the Group's reserves are at a level which is suitable to ensure financial stability, to provide protection against unforeseen contingencies and the risks to which the Group is exposed. Reserves are also maintained to ensure that the Group is able to fund investment in the development of the Group's infrastructure and business, including research, and to ensure that no financial liability will ever fall on general University funds. Syndics consider that it would be imprudent for the Group 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 Group's work. The Group must therefore maintain sufficient reserves to meet all its funding requirements, in bad as well as good times. Syndics have reviewed the level of reserves with the University and believe that the levels held are reasonable given the issues faced by the Group. It has been the Group's policy to invest the available reserves in the University's Endowment Fund (Amalgamated Fund). This policy has served the Group (and the University) well over the years, enabling substantial support to be given to a range of general University purposes and to scholarship schemes for students from the Commonwealth and other countries. However, the policy introduces its own risk when, from time to time, stock markets fall.

During the year £12.4 million was transferred to the University. In addition, the Group has given financial assistance on a small scale to a number of University activities that relate closely to the Group's mission such as the Millennium Mathematics Project, an outreach activity to schools run jointly by the Departments of Education and of Applied Mathematics and Theoretical Physics; the admissions interview programme in China; and continuing support for the Cambridge Overseas Trust, in recognition of the importance of international work to the Group.

Since 1981 the Group has transferred £168 million from its reserves and investment income - £146 million to general University funds; £19 million to the Cambridge Commonwealth and Overseas Trusts; and £3 million to establish the Research Centre for English and Applied

Linguistics.

Risk Management

The major risks to which the Cambridge Assessment Group is exposed, as identified by the Syndics, have been reviewed and systems have been established to manage those risks.

a. Policies and Procedures

Policies underpin the internal control process. These policies are set by the Corporate Board and written procedures support the policies where appropriate. There is an annual review as to whether changes or improvements to processes and procedures are necessary.

b. Risk Register

A Risk Register is maintained at a corporate level and helps to identify, assess, and monitor significant risks. Senior management review the risks for which they are responsible. Emerging risks are added as required, and improvement actions are monitored regularly.

Conclusion

Cambridge Assessment's 150th anniversary year has been very busy and successful and we have had an opportunity to reflect on the achievements of the past as well as thinking more about our strategies for the future. We continue to play a very important role in supporting the University's outreach mission and, in doing so, provide opportunities for more and more people to access the benefits of education. We look forward to the challenges that next year will bring and will continue to reinforce our position as a leading world authority on assessment.

Signed:

Professor A Badger (Chairman)

Mr P Derham

Dr D Good

Professor J Gray

Dr J Guy

Ms D Hall

Dr J Leake

Mr R Martineau

Mr R Partington

Mr B Picking

Dr K Pretty

Mr A Reid

Professor R Taylor

Handwritten signatures corresponding to the names listed on the left. The signatures are written in blue ink on a background of horizontal dotted lines. The names are: Professor A Badger, Mr P Derham, Dr D Good, Professor J Gray, Dr J Guy, Ms D Hall, Dr J Leake, Mr R Martineau, Mr R Partington, Mr B Picking, Dr K Pretty, Mr A Reid, and Professor R Taylor.

20 November 2008. Syndicate Buildings, 1 Hills Road, Cambridge, CB1 2EU

Auditors

KPMG LLP
37 Hills Road, Cambridge CB2 1XL

Bankers

Barclays Bank plc
15 Bene't Street, Cambridge, CB3 3PZ

Appendix A: The Local Examinations Syndicate

Professor Tony Badger (Chairman)	Master of Clare College	
Mr Patrick Derham	Head Master, Rugby School	(From 04.01.08)
Dr David Good	Education Director of the Cambridge MIT Institute and Fellow of King's College	(From 17.01.08)
Professor John Gray	Professor of Education in the Faculty of Education, University of Cambridge	
Dr John Guy	Principal of Farnborough Sixth Form College	
Ms Denise Hall	Director of Marketing and Sales, SpecialSteps	
Professor John Hawkins	Director, Research Centre for English and Applied Linguistics, University of Cambridge	(Ended 31.12.07)
Miss Patricia Kelleher	Headmistress, the Perse School for Girls, Cambridge	(Ended 31.12.07)
Dr John Leake	Fellow of St John's College	
Mr Richard Martineau	Former Chairman of RSA	
Mr Richard Partington	Senior Tutor, Churchill College	
Mr Bruce Picking	Chairman of Governors of Havering College of Further and Higher Education	
Dr Kate Pretty	Principal of Homerton College and Pro-Vice-Chancellor, University of Cambridge	
Mr Andrew Reid	Director of Finance, University of Cambridge	
Professor Richard Taylor	Director of Institute of Continuing Education, University of Cambridge	

Appendix B: The OCR Board

Mr Simon Lebus (Chairman)	Cambridge Assessment Group Chief Executive	
Professor Tony Badger	Master of Clare College	
Mr Patrick Derham	Head Master, Rugby School	(From 04.01.08)
Dr David Good	Education Director of the Cambridge MIT Institute and Fellow of King's College	(From 17.01.08)
Professor John Gray	Professor of Education in the Faculty of Education, University of Cambridge	
Dr John Guy	Principal of Farnborough Sixth Form College	
Ms Denise Hall	Director of Marketing and Sales, SpecialSteps	
Professor John Hawkins	Director, Research Centre for English and Applied Linguistics, University of Cambridge	(Ended 31.12.07)
Miss Patricia Kelleher	Headmistress, the Perse School for Girls, Cambridge	(Ended 31.12.07)
Dr John Leake	Fellow of St John's College	
Mr Richard Martineau	Former Chairman of RSA	
Mr Richard Partington	Senior Tutor, Churchill College	
Mr Bruce Picking	Chairman of Governors of Havering College of Further and Higher Education	
Dr Kate Pretty	Principal of Homerton College and Pro-Vice-Chancellor, University of Cambridge	
Mr Andrew Reid	Director of Finance, University of Cambridge	
Professor Richard Taylor	Director of Institute of Continuing Education, University of Cambridge	

Appendix C: Cambridge Assessment Group Corporate Board

Mr Simon Lebus	Group Chief Executive
Mrs Sue Durham	Group HR Director
Mr Mark Lovell	Group Infrastructure Services Director
Dr Mike Milanovic	Chief Executive, ESOL
Mr Tim Oates	Group Director, Assessment Research & Development
Mrs Ann Puntis	Chief Executive, CIE
Mrs Jackie Rippeth	Group Finance Director
Mr Gregor Watson	Chief Executive, OCR

Appendix D: List of Acronyms

ALTE	Association of Language Testers in Europe
ARD	Assessment, Research and Development
BCS	British Computer Society
BEC	Business English Certificate
CCC	Customer Contact Centre
CIE	Cambridge International Examinations
DCSF	Department for Children, Schools and Families
ESM	Electronic Script Management
ESOL	English for Speakers of Other Languages
GCSE	General Certificate of Secondary Education
GNVQ	General National Vocational Qualification
IAEA	International Association for Educational Assessment
ICT	Information and Communication Technology
IELTS	International English Language testing System
IGCSE	International General Certificate of Secondary Education
IIBA	International Institute of Business Analysis
IM	Information Management
ISEB	Information Systems Examination Board
ISO	International Standards Organisation
KET	Key English Test
OCR	Oxford, Cambridge and RSA Examinations
PDP	Personal Development Planning
PET	Preliminary English Test
QCA	Qualifications and Curriculum Authority
RSA	Royal Society for the Encouragement of Arts Manufactures & Commerce
SCOPE	Society for the Creation of Opportunities through Proficiency in English
UNICEF	United Nations Children's Fund
UCLES	University of Cambridge Local Examinations Syndicate

**UNIVERSITY OF CAMBRIDGE
LOCAL EXAMINATIONS SYNDICATE**

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2008**

CAMBRIDGE ASSESSMENT

CORPORATE GOVERNANCE AND INTERNAL CONTROL STATEMENT

The following Statement is provided by the Syndicate to enable readers of the financial statements to obtain a better understanding of Cambridge Assessment's governance and legal structure.

Cambridge Assessment (which is the brand name of the University of Cambridge Local Examinations Syndicate) is a constituent part of the University of Cambridge established under the Statutes and Ordinances of the University.

The governing body of Cambridge Assessment is the Syndicate (the Syndics), which comprises six members of the Regent House and six external members, along with a Chairman appointed by the Vice-Chancellor and a University Officer appointed by the Council. Members from the Regent House are appointed by the Council, while external members are appointed by the Council on the nomination of Cambridge Assessment.

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

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

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

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

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

Cambridge Assessment maintains a formal register of trustees' interests. It is available for viewing on application to the Secretary to the Syndicate.

The Syndics certify that so far as they are aware, there is no relevant audit information of Cambridge Assessment of which the auditors are unaware; and have taken all the steps that they ought to have taken in order to make themselves aware of any relevant audit information and to establish that Cambridge Assessment's auditors are aware of that information.

CAMBRIDGE ASSESSMENT

RESPONSIBILITIES OF THE SYNDICS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2008

Statute F11.4 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.

The Local Examinations Syndicate uses the brand name of Cambridge Assessment.

The Syndics are responsible for the administration and management of the affairs of the Group and Cambridge Assessment and are required to present audited financial statements for each financial year.

They are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and Cambridge Assessment and to enable them to ensure that the financial statements are prepared in accordance with the Statement of Recommended Practice on Accounting in Higher Education Institutions and relevant accounting standards. They are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and Cambridge Assessment and of the surplus or deficit and cash flows for that year.

In the course of preparing the financial statements, the Syndics have ensured that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- financial statements are prepared on a going concern basis unless it is inappropriate to presume that the Group and Cambridge Assessment will continue in operation.

The Syndics have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and Cambridge Assessment and prevent and detect fraud and other irregularities.

REPORT OF THE INDEPENDENT AUDITORS TO THE UNIVERSITY OF CAMBRIDGE LOCAL EXAMINATIONS SYNDICATE

We have audited the Group and Cambridge Assessment financial statements (the "financial statements") for the year ended 31 July 2008 which comprise the Consolidated Income and Expenditure Account, the Group Statement of Total Recognised Gains and Losses, the Group Statement of Historical Cost Surpluses and Deficits, the Group and Cambridge Assessment 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 Local Examinations Syndicate, as a body of Syndics, in accordance with the Statutes of the University of Cambridge. Our audit work has been undertaken so that we might state to the Local Examinations Syndicate those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Local Examinations Syndicate and the Syndics as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Syndics and the auditors

The Syndics' responsibilities for preparing the financial statements in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education, applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with the terms of our engagement letter dated 9 October 2007 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 Statement of Recommended Practice: Accounting for Further and Higher Education and applicable UK Accounting Standards.

In addition we also report to you if, in our opinion, we have not received all the information and explanations we require for our audit.

We read the Annual Report and the Corporate Governance Statement and consider the implications for our report if we become aware of any apparent misstatements within them.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and the Audit Code of Practice issued by the Higher Education Funding Council for England. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Syndics in the preparation of the financial statements and of whether the accounting policies are appropriate to the Group and Cambridge Assessment'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 affairs of the Group and Cambridge Assessment as at 31 July 2008 and of the Group's surplus of income over expenditure for the year then ended;
- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education; and
- the information in the Annual Report and the Corporate Governance Statement is consistent with the financial statements.

KPMG LLP



Date 21 November 2008

Chartered Accountants and Registered Auditor

37 Hills Road, Cambridge

CAMBRIDGE ASSESSMENT

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 JULY 2008

	Note	Year ended July 2008 £m	10 months ended July 2007 £m
Income			
Examination fees		203.0	173.0
Other educational and assessment services		13.2	11.8
Endowment and investment income	2	5.2	3.5
Total income		<u>221.4</u>	<u>188.3</u>
Expenditure			
Staff costs	3	54.4	43.6
Other operating expenses	4	124.3	109.4
Depreciation	4	5.8	4.4
Transfer to University	21	12.4	9.3
Total expenditure		<u>196.9</u>	<u>166.7</u>
Surplus after depreciation of tangible fixed assets		24.5	21.6
Surplus on disposal of assets		-	2.8
Surplus for the year after depreciation of tangible fixed assets and disposal of assets	5	<u>24.5</u>	<u>24.4</u>
Transfer from accumulated income within specific endowments	13	4.6	5.3
Surplus for the year retained within general reserves		<u>29.1</u>	<u>29.7</u>

All income and expenditure relates to continuing activities.

CAMBRIDGE ASSESSMENT

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 JULY 2008

		Year ended July 2008 £m	10 months ended July 2007 £m
Surplus for the year		24.5	24.4
(Decrease)/increase in market value of investment assets		(10.2)	4.7
Actuarial gain/(loss) on defined benefit pension scheme	16	(0.6)	0.5
Total recognised gains and losses for the year		<u>13.7</u>	<u>29.6</u>

		Year ended July 2008 £m	10 months ended July 2007 £m
Reconciliation			
Opening reserves and endowments		176.8	147.2
Total recognised gains and losses for the year		13.7	29.6
Closing reserves and endowments		<u>190.5</u>	<u>176.8</u>

STATEMENT OF HISTORICAL COST SURPLUSES AND DEFICITS
FOR THE YEAR ENDED 31 JULY 2008

		Year ended July 2008 £m	10 months ended July 2007 £m
Surplus for the year		24.5	24.4
Realisation of investment revaluation gains of previous year		-	-
Historical cost surplus for the year		<u>24.5</u>	<u>24.4</u>

CAMBRIDGE ASSESSMENT

BALANCE SHEET AS AT 31 JULY 2008

		Group		Cambridge Assessment	
	Note	July 2008 £m	July 2007 £m	July 2008 £m	July 2007 £m
Fixed assets					
Tangible fixed assets	6	65.4	61.2	56.7	53.2
Investments	7	78.5	69.7	91.2	82.1
		<u>143.9</u>	<u>130.9</u>	<u>147.9</u>	<u>135.3</u>
Endowment assets	8	7.6	12.3	7.6	12.3
Current assets					
Debtors	9	48.5	43.7	38.6	34.9
Short term deposits		51.3	45.5	2.7	9.1
Cash at bank and in hand		1.2	3.5	0.6	2.7
		<u>101.0</u>	<u>92.7</u>	<u>41.9</u>	<u>46.7</u>
Creditors: amounts falling due within one year	10	(60.3)	(57.1)	(48.4)	(41.0)
Net current assets/(liabilities)		<u>40.7</u>	<u>35.6</u>	<u>(6.5)</u>	<u>5.7</u>
Total assets less current liabilities		192.2	178.8	149.0	153.3
Creditors: amounts falling due after one year	11	-	-	(10.6)	(10.6)
Provisions for liabilities and charges	12	(1.7)	(0.6)	(1.6)	(0.6)
Net assets excluding pension scheme liability		<u>190.5</u>	<u>178.2</u>	<u>136.8</u>	<u>142.1</u>
Pension asset/(liability)	16	-	(1.4)	-	-
Total net assets		<u>190.5</u>	<u>176.8</u>	<u>136.8</u>	<u>142.1</u>
Specific endowments	13	7.6	12.3	7.6	12.3
Reserves					
Revaluation reserve	14	15.2	23.8	14.9	23.2
Investment property revaluation reserve	14	0.3	0.9	0.3	0.9
General reserve	14	167.4	141.2	114.0	105.7
Total reserves excluding pension reserve		<u>182.9</u>	<u>165.9</u>	<u>129.2</u>	<u>129.8</u>
Pension reserve	14	-	(1.4)	-	-
Total reserves including pension reserve		<u>182.9</u>	<u>164.5</u>	<u>129.2</u>	<u>129.8</u>
		<u>190.5</u>	<u>176.8</u>	<u>136.8</u>	<u>142.1</u>

CAMBRIDGE ASSESSMENT

BALANCE SHEET AS AT 31 JULY 2008

The financial statements on pages 5 to 26 were approved by the Syndics on 20 November 2008 and were signed on their behalf by:

Professor A J Badger



*Chairman of the Local
Examinations Syndicate*

Dr K Pretty



*Member of the Local
Examinations Syndicate*

CAMBRIDGE ASSESSMENT

CONSOLIDATED CASHFLOW STATEMENT
FOR THE YEAR ENDED 31 JULY 2008

	Note	Year ended July 2008		10 months ended July 2007	
		£m	£m	£m	£m
Net cash inflow from operating activities	15a		21.1		35.0
Returns on investments and servicing of finance					
Investment income		3.8		1.2	
Interest received		<u>2.9</u>		<u>0.6</u>	
			6.7		1.8
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(11.0)		(10.3)	
Payments to acquire investments		(18.0)		(6.0)	
Receipts from sale of tangible fixed assets		<u>1.1</u>		<u>6.0</u>	
			(27.9)		(10.3)
Cash (outflow)/ inflow before use of liquid resources			<u>(0.1)</u>		<u>26.5</u>
Management of liquid resources					
Net movement on money market deposits	15c		(2.2)		(24.2)
(Decrease)/increase in cash in the year	15b		<u>(2.3)</u>		<u>2.3</u>

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education issued in July 2007, and in accordance with 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 Cambridge Assessment's financial statements except as noted below.

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

Basis of consolidation

The Group financial statements incorporate the results of Cambridge Assessment 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 income and expenditure account 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 income and expenditure account and its interest in their net assets is included in investments in the consolidated balance sheet.

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

Recognition of income 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.

Pension schemes

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

For two of the schemes, CPS and USS, Cambridge Assessment 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 income and expenditure account represents the contributions payable to each scheme in respect of the accounting period.

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

1. ACCOUNTING POLICIES (continued)

Fixed assets and depreciation

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

Freehold buildings	2% - 5% per annum on a straight line basis;
Leasehold buildings	over the term of the lease;
Plant & equipment, furniture and fittings and computer software	15% – 25% per annum on a straight line basis.

Freehold land is not amortised.

Leases

Operating lease rentals are charged to the income and expenditure account on a straight line basis over the period of the lease.

Investments

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

Investment properties are properties held for their investment potential and are measured at fair value. Surpluses arising from revaluation are dealt with in the Investment Property Revaluation Reserve. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases a decrease in carrying amount is charged to the income and expenditure account.

Investments in subsidiary undertakings are stated at cost in Cambridge Assessment, less impairment loss where applicable, in accordance with FRS 11 requirements.

Short term deposits

Short term deposits consist of deposits with banks; these deposits have an insignificant risk of changes in value.

Foreign currencies

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

Taxation

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

Cambridge Assessment receives no similar exemption in respect of Value Added Tax.

Recognition of liabilities

Provisions are recognised under FRS 12 and are not discounted.

Research and development expenditure

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

2. ENDOWMENT AND INVESTMENT INCOME

	Year ended July 2008 Group £m	10 months ended July 2007 Group £m
Income from specific endowment asset investments	0.5	0.6
Other investment income	2.8	1.6
Other interest receivable	1.9	1.3
	<u>5.2</u>	<u>3.5</u>

3. STAFF COSTS

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

	Year ended July 2008 Group No.	10 months ended July 2007 Group No.
Examination services	1,253	1,207
Administration and central services	372	425
Premises	91	103
	<u>1,716</u>	<u>1,735</u>

Staff costs for the above persons comprise:

	Year ended July 2008 Group £m	10 months ended July 2007 Group £m
Salaries and wages	46.2	36.7
Social security costs	3.7	3.0
Other pension costs (note 16)	6.2	5.0
	<u>56.1</u>	<u>44.7</u>

Of the above costs £1.7m (2007: £1.1m) was capitalised as internally developed software.

Staff costs charged to the Income and Expenditure Account

	Year ended July 2008 Group £m	10 months ended July 2007 Group £m
Examination services	39.6	30.1
Administration and central services	12.8	11.7
Premises	2.0	1.8
	<u>54.4</u>	<u>43.6</u>

3. STAFF COSTS (continued)

Staff emoluments over £70,000

	Year ended July 2008 Group No. staff	10 months ended July 2007 Group No. staff
£70,001 - £80,000	8	3
£80,001 - £90,000	4	6
£90,001 - £100,000	5	1
£100,001 - £110,000	3	2
£110,001 - £120,000	1	1
£120,001 - £130,000	1	-
£130,001 - £140,000	2	-
£150,001 - £160,000	1	-
£200,001 - £210,000	-	1
£270,001 - £280,000	1	-

4. OTHER OPERATING EXPENSES

	Year ended July 2008 Group £m	10 months ended July 2007 Group £m
Examination services	103.4	91.3
Administration and central services	13.9	12.4
Premises	7.0	5.7
	<u>124.3</u>	<u>109.4</u>

	Year ended July 2008 Group £m	10 months ended July 2007 Group £m
Other operating expenses include:		
Auditors' remuneration - audit of these financial statements	0.1	0.1
Internal audit fee	0.1	-
Depreciation	5.8	4.4
Operating leases - land & buildings	0.8	1.1
- plant, machinery & equipment	0.6	0.5
Foreign exchange losses	0.1	0.1
	<u>0.1</u>	<u>0.1</u>

5. SURPLUS ON CONTINUING OPERATIONS FOR THE YEAR

	Year ended July 2008 £m	10 months ended July 2007 £m
Cambridge Assessment's surplus for the year	3.7	5.2
Group level adjustments re: defined benefit schemes	2.0	0.2
Surplus retained in subsidiary undertakings	18.8	19.0
	<u>24.5</u>	<u>24.4</u>

6. TANGIBLE FIXED ASSETS

GROUP

	Land & buildings			Plant & equip. furniture & fittings £m	Assets under construction £m	Total £m
	Freehold £m	Long term leasehold £m	Short term leasehold £m			
COST						
At 1 August 2007	56.2	8.3	0.5	29.9	-	94.9
Additions	3.0	-	-	4.9	2.1	10.0
Disposals	-	-	-	(6.4)	-	(6.4)
At 31 July 2008	<u>59.2</u>	<u>8.3</u>	<u>0.5</u>	<u>28.4</u>	<u>2.1</u>	<u>98.5</u>
DEPRECIATION						
At 1 August 2007	9.3	1.8	0.2	22.4	-	33.7
Disposals	-	-	-	(6.4)	-	(6.4)
Charge for the period	1.6	0.1	0.1	4.0	-	5.8
At 31 July 2008	<u>10.9</u>	<u>1.9</u>	<u>0.3</u>	<u>20.0</u>	<u>-</u>	<u>33.1</u>
NET BOOK VALUE						
At 31 July 2008	<u>48.3</u>	<u>6.4</u>	<u>0.2</u>	<u>8.4</u>	<u>2.1</u>	<u>65.4</u>
At 31 July 2007	<u>46.9</u>	<u>6.5</u>	<u>0.3</u>	<u>7.5</u>	<u>-</u>	<u>61.2</u>

CAMBRIDGE ASSESSMENT

	Land & buildings			Plant & equip. furniture & fittings £m	Assets under construction £m	Total £m
	Freehold £m	Long term leasehold £m	Short term leasehold £m			
COST						
At 1 August 2007	52.6	-	0.1	26.4	-	79.1
Additions	3.0	-	-	4.6	1.3	8.9
Disposals	-	-	-	(3.8)	-	(3.8)
At 31 July 2008	<u>55.6</u>	<u>-</u>	<u>0.1</u>	<u>27.2</u>	<u>1.3</u>	<u>84.2</u>
DEPRECIATION						
At 1 August 2007	6.6	-	-	19.3	-	25.9
Disposals	-	-	-	(3.8)	-	(3.8)
Charge for the period	1.6	-	-	3.8	-	5.4
At 31 July 2008	<u>8.2</u>	<u>-</u>	<u>-</u>	<u>19.3</u>	<u>-</u>	<u>27.5</u>
NET BOOK VALUE						
At 31 July 2008	<u>47.4</u>	<u>-</u>	<u>0.1</u>	<u>7.9</u>	<u>1.3</u>	<u>56.7</u>
At 31 July 2007	<u>46.0</u>	<u>-</u>	<u>0.1</u>	<u>7.1</u>	<u>-</u>	<u>53.2</u>

7. INVESTMENTS

	Group		Cambridge Assessment	
	Year ended July 2008 £m	10 months ended July 2007 £m	Year ended July 2008 £m	10 months ended July 2007 £m
At 1 August 2007	69.7	54.5	82.1	67.0
Additions	18.0	11.4	18.0	11.4
(Decrease)/increase in market value of investments	(9.2)	3.8	(8.9)	3.7
At 31 July 2008	<u>78.5</u>	<u>69.7</u>	<u>91.2</u>	<u>82.1</u>
Represented by:				
University Endowment Fund units	77.0	67.6	74.6	65.0
Investment properties	1.4	2.0	1.4	2.0
Investment in subsidiary undertakings	-	-	0.1	0.1
Loan to OCR	-	-	15.0	15.0
Loan to Joint Venture	0.1	0.1	0.1	-
	<u>78.5</u>	<u>69.7</u>	<u>91.2</u>	<u>82.1</u>

Investments at market value comprise Cambridge University Endowment Fund (Amalgamated Fund) units. The market value at 31 July 2008 is based on the valuation as at that date provided by the Finance Division of the University of Cambridge.

Investment properties are stated at fair value. The valuation at 31 July 2008 was carried out by an independent chartered surveyor based on market values. For 2007 the valuation was provided by the Group Finance Director, based on local property indices and comparative data.

The loan to OCR is unsecured and has no fixed repayment date. No interest has been charged in the year ended 31 July 2008 and the future interest rate has yet to be determined.

7. INVESTMENTS (continued)

Subsidiary undertakings:

Name of subsidiary undertaking	Country of registration and operation	Class of share	Proportion held	Nature of business	Note
OCR	England	Member	100%	Examination & assessment services	1
RSA Examinations Board	England	Member	100%	Not trading	1
The West Midlands Examinations Board	England	Member	100%	Examination services	2
Sandonian Properties Limited	England	Ordinary	100%	Property Holding	4
Mill Wharf Limited	England	Ordinary	100%	Dormant	4
OCR Nationals	England	Member	100%	Dormant	3
Progress House Printers Limited	England	Ordinary	100%	Dormant	4
CUAPTS Limited	Hong Kong	Ordinary	100%	Dormant	4
World Class Tests Limited	England	Ordinary	100%	Dormant	4
OCIAS Limited	England	Ordinary	100%	Overseas office services	4
Quick Placement Tests Limited	England	Ordinary	100%	Dormant	4
Cambridge Assessment	England	Member	100%	Dormant	3
Cambridge Assessment Overseas Limited	England	Ordinary	100%	Overseas office services	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

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.

8. ENDOWMENT ASSETS

	Group		Cambridge Assessment	
	Year ended July 2008 £m	10 months ended July 2007 £m	Year ended July 2008 £m	10 months ended July 2007 £m
At 1 August 2007	12.3	16.7	12.3	16.7
(Decrease)/increase in market value of University Endowment Fund units	(1.0)	0.9	(1.0)	0.9
Disposal of assets to support expenditure (note 13)	(3.7)	(5.3)	(3.7)	(5.3)
At 31 July 2008	<u>7.6</u>	<u>12.3</u>	<u>7.6</u>	<u>12.3</u>
Represented by:				
University Endowment Fund units (Bank overdraft)/Short term deposits	8.6	9.6	8.6	9.6
	(1.0)	2.7	(1.0)	2.7
	<u>7.6</u>	<u>12.3</u>	<u>7.6</u>	<u>12.3</u>

9. DEBTORS

	Group		Cambridge Assessment	
	2008 £m	2007 £m	2008 £m	2007 £m
Trade debtors	35.9	30.2	30.0	25.9
Amounts owed by Group undertakings	-	-	0.2	0.1
Other debtors	1.1	2.4	0.3	0.1
Prepayments and accrued income	11.5	11.1	8.1	8.8
	<u>48.5</u>	<u>43.7</u>	<u>38.6</u>	<u>34.9</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Cambridge Assessment	
	2008 £m	2007 £m	2008 £m	2007 £m
Bank overdraft	-	-	6.3	-
Trade creditors	4.6	4.3	2.9	2.0
Amounts due to Group undertakings	-	-	-	3.2
Other taxes and social security	5.4	5.0	1.7	1.6
Other creditors	0.8	1.2	0.4	0.5
Accruals and deferred income (see below)	49.5	46.6	37.1	33.7
	<u>60.3</u>	<u>57.1</u>	<u>48.4</u>	<u>41.0</u>

Deferred income is analysed as:

At 1 August 2007	18.5	26.4	15.6	22.8
Deferred in current period	22.0	17.6	18.7	15.6
Released from previous period	(17.9)	(25.5)	(15.6)	(22.8)
At 31 July 2008	<u>22.6</u>	<u>18.5</u>	<u>18.7</u>	<u>15.6</u>

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.

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

	Group		Cambridge Assessment	
	2008 £m	2007 £m	2008 £m	2007 £m
Loan from RSAEB	-	-	-	10.5
Loan from OCR	-	-	10.5	-
Loan from CUAPTS	-	-	0.1	0.1
	<u>-</u>	<u>-</u>	<u>10.6</u>	<u>10.6</u>

The loans are unsecured and have no fixed repayment date. No interest was charged in the year to 31 July 2008 (2007: nil). During the year the assets of RSAEB were transferred to OCR.

12. PROVISIONS FOR LIABILITIES AND CHARGES

GROUP

	Staffing £m	Other £m	Total £m
At 1 August 2007	0.3	0.3	0.6
Charges in the period	0.2	1.4	1.6
Utilised in the period	(0.1)	(0.1)	(0.2)
Released during the period	(0.1)	(0.2)	(0.3)
At 31 July 2008	<u>0.3</u>	<u>1.4</u>	<u>1.7</u>

12. PROVISIONS FOR LIABILITIES AND CHARGES (continued)

CAMBRIDGE ASSESSMENT

	Staffing £m	Other £m	Total £m
At 1 August 2007	0.3	0.3	0.6
Charges in the period	0.1	1.4	1.5
Utilised in the period	(0.1)	(0.1)	(0.2)
Released during the period	(0.1)	(0.2)	(0.3)
At 31 July 2008	<u>0.2</u>	<u>1.4</u>	<u>1.6</u>

Provisions were made in respect of payments regarding employment matters and contractual disputes.

13. SPECIFIC ENDOWMENTS

GROUP and CAMBRIDGE ASSESSMENT

	Year ended July 2008 £m	10 months ended July 2007 £m
At 1 August 2007	12.3	16.7
Income receivable from endowment asset investments	0.5	0.6
Expenditure	<u>(5.1)</u>	<u>(5.9)</u>
	(4.6)	(5.3)
Transfer from TWMEB reserves	0.9	-
(Decrease)/increase in market value of investments	<u>(1.0)</u>	<u>0.9</u>
At 31 July 2008	<u>7.6</u>	<u>12.3</u>
Representing		
WMEB Fund	7.5	12.2
Scholarship Funds	0.1	0.1
	<u>7.6</u>	<u>12.3</u>

The WMEB Fund is a trust fund created from assets transferred from The West Midlands Examination Board ("TWMEB"). The fund was created to promote and develop examinations administered by OCR and to provide bursaries and prizes in the West Midlands area.

Scholarship funds are amounts of money left to Cambridge Assessment to give to students for prizes or awards.

14. RESERVES

GROUP

	General reserves £m	Revaluation reserve £m	Investment property revaluation reserve £m	Total excluding pension reserve £m	Pension reserve £m	Total £m
At 1 August 2007	141.2	23.8	0.9	165.9	(1.4)	164.5
Surplus retained for the year	27.1	-	-	27.1	2.0	29.1
Decrease in market value of investments	-	(8.6)	(0.6)	(9.2)	-	(9.2)
Transfers	(0.9)	-	-	(0.9)	-	(0.9)
Actuarial loss	-	-	-	-	(0.6)	(0.6)
At 31 July 2008	<u>167.4</u>	<u>15.2</u>	<u>0.3</u>	<u>182.9</u>	<u>-</u>	<u>182.9</u>

CAMBRIDGE ASSESSMENT

	General reserves £m	Revaluation reserve £m	Investment property revaluation reserve £m	Total £m
At 1 August 2007	105.7	23.2	0.9	129.8
Surplus retained for the year	8.3	-	-	8.3
Decrease in market value of investments	-	(8.3)	(0.6)	(8.9)
At 31 July 2008	<u>114.0</u>	<u>14.9</u>	<u>0.3</u>	<u>129.2</u>

15. NOTES TO CONSOLIDATED CASHFLOW STATEMENT

a. Reconciliation of operating surplus/(deficit) to net cash inflow/(outflow) from operating activities

	Year ended July 2008 £m	10 months ended July 2007 £m
Surplus on continuing operations	24.5	24.4
Endowment and investment income	(5.2)	(3.5)
Depreciation of tangible fixed assets	5.8	4.4
(Surplus) on disposal of tangible fixed assets	-	(2.8)
Movements in provisions	1.1	0.2
Increase in creditors	4.2	10.2
(Increase)/decrease in debtors	(7.3)	1.0
Decrease in stock	-	1.3
Pension costs (FRS17)	(2.0)	(0.2)
Net cash inflow from operating activities	<u>21.1</u>	<u>35.0</u>

15. NOTES TO CONSOLIDATED CASHFLOW STATEMENT (continued)

b. Reconciliation of net cash flow to movement in net funds

	Year ended July 2008 £m	10 months ended July 2007 £m
(Decrease)/ increase in cash in the year	(2.3)	2.3
Net cash inflow from money market deposits	2.2	24.2
Change in net funds resulting from cashflows	(0.1)	26.5
Net funds at 1 August 2007	51.6	25.1
Net funds at 31 July 2008	51.5	51.6

c. Analysis of change in net funds

	At 1 August 2007 £m	Cash flows £m	At 31 July 2008 £m
Cash at bank and in hand	3.5	(2.3)	1.2
Money market deposits	48.1	2.2	50.3
Total	51.6	(0.1)	51.5

16. PENSION COSTS

The Group participates in three final salary defined benefit pension schemes. Each scheme is valued every three years by professionally qualified independent actuaries.

The CPS and USS schemes are not closed, nor is the age profiles of their active membership rising significantly. The RSAEB scheme is a closed scheme which has 11 (2007: 12) active members. The rates of contribution payable are determined by the trustees on the advice of the actuaries.

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

USS 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%

The results of the March 2008 actuarial valuation of the USS scheme are not yet available.

16. PENSION COSTS (continued)

RSAEB pension scheme

During the year the results of the latest full actuarial valuation of the scheme as at 31 July 2007 were received. This showed an ongoing deficit of £1.8m and a funding level of 76%. The employers agreed to make a single payment to fund the deficit before 31 July 2008. A new schedule of contributions was agreed under which an employer contribution rate of 31.8% of pensionable pay will apply in future years and, following the July 2008 single payment, no further deficit funding payments will be required.

In addition to the £1.8m deficit funding payment, the employers paid lump sum contributions totalling £0.3m in the period in accordance with the previous schedule of contributions dated July 2005.

The results of the actuarial valuation have been updated to 31 July 2008 by a qualified independent actuary in accordance with the requirements of FRS 17.

The major assumptions used by the actuary were:

	At 31 July 2008	At 31 July 2007
Discount rate	6.3%	5.7%
Retail price inflation	3.6%	3.2%
Salary increase rate	5.6%	5.2%
Pensions increases (at Limited Price Indexation)	3.8%	3.4%
Deferred pension revaluation	3.6%	3.2%

The mortality assumption for the current year end includes medium cohort mortality improvements. The liabilities for the previous year end had been increased by 5% to allow for improvements in mortality for scheme members.

Life expectancy in years, assuming retirement at 60:

Male aged 60 now	26.7	25.4
At 60 for male aged 40 now	27.9	27.4
Female aged 60 now	29.7	28.8
At 60 for a female aged 40 now	30.7	30.8

Expected return on assets at beginning of period:	At 1 Aug 2007	At 1 Oct 2006
Equities	8.1%	7.4%
Bonds	5.4%	4.7%
Other	5.8%	4.8%

The overall expected long term return on the scheme assets is a weighted average of the expected long term returns for equity securities, debt securities and other assets. Expected returns on equities have been determined by reference to the long term historical relative performance to gilt edged securities, adjusted for current conditions. Expected bond returns are derived from weighted average yields on UK government fixed interest bonds and AA rated corporate bonds to reflect the schemes portfolio. Other returns are determined relative to bank base rates.

Analysis of amounts recognised in the balance sheet

	At 31 July 2008 £m	At 31 July 2007 £m
Fair value of scheme assets	7.5	5.8
Value of funded obligations	(7.5)	(7.2)
	<u>-</u>	<u>(1.4)</u>

16. PENSION COSTS (continued)

Analysis of amounts recognised in the Income and Expenditure account

	Year ended July 2008 £m	10 months ended July 2007 £m
Current service cost	0.2	0.2
Interest on obligation	0.4	0.3
Expected return on assets	<u>(0.4)</u>	<u>(0.3)</u>
	0.2	0.2
Actual return on assets	(0.2)	0.2

Amounts recognised in the statement of total recognised gains and losses

	Year ended July 2008 £m	10 months ended July 2007 £m
Actual return less expected return on pension scheme assets	(0.6)	(0.1)
Experience losses on the liabilities	0.1	-
Change in assumptions	0.2	0.6
Surplus not recoverable	<u>(0.3)</u>	<u>-</u>
Actuarial (loss)/gain	<u>(0.6)</u>	<u>0.5</u>

Analysis of change in the defined benefit obligation

	Year ended July 2008 £m	10 months ended July 2007 £m
Opening defined benefit obligation	7.2	7.6
Current service cost	0.2	0.2
Interest on obligation	0.4	0.3
Actuarial losses/ (gains)	-	(0.6)
Benefits paid	<u>(0.3)</u>	<u>(0.3)</u>
	7.5	7.2

Analysis of change in the fair value of scheme assets

	Year ended July 2008 £m	10 months ended July 2007 £m
Opening fair value of scheme assets	5.8	5.5
Expected return on assets	0.4	0.3
Actuarial gains/ (losses)	(0.6)	(0.1)
Contributions	2.2	0.4
Benefits paid	<u>(0.3)</u>	<u>(0.3)</u>
	7.5	5.8

16. PENSION COSTS (continued)

The Group expects to contribute £0.18m to this defined benefit pension scheme in the year to 31 July 2009.

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	Assets at 31 July 2008	Assets at 31 July 2007
Equities	37%	53%
Bonds	37%	46%
Other	26%	1%

Amounts for the current and previous four periods:

	31 July 2008 £m	31 July 2007 £m	30 Sept 2006 £m	30 Sept 2005 £m	30 Sept 2004 £m
Defined benefit obligation	(7.5)	(7.2)	(7.6)	(7.4)	(6.4)
Scheme assets	7.5	5.8	5.5	5.5	4.4
Surplus/ (deficit)	<u>-</u>	<u>(1.4)</u>	<u>(2.1)</u>	<u>(1.9)</u>	<u>(2.0)</u>
Experience adjustments on scheme liabilities	0.1	-	(0.1)	(0.1)	0.4
Experience adjustments on scheme assets	(0.6)	(0.1)	0.1	0.6	0.1

Total Group pension cost for the Year

	Year ended July 2008 £m	10 months ended July 2007 £m
USS	3.3	2.6
CPS	2.7	2.2
RSAEB	0.2	0.2
	<u>6.2</u>	<u>5.0</u>

17. OPERATING LEASES

At 31 July 2008 the Group had annual commitments under non-cancellable operating leases as follows:

	Group		Cambridge Assessment	
	2008 £m	2007 £m	2008 £m	2007 £m
Amounts payable under operating leases which fall due in the next financial year:				
Land and buildings, commitments expiring:				
In 1 year	-	0.2	-	0.2
Between 2 & 5 years	0.1	0.1	0.3	0.2
After 5 years	0.4	0.3	0.3	0.3
Plant, machinery and equipment, commitments expiring:				
In 1 year	0.2	0.1	0.1	0.1
Between 2 & 5 years	0.2	0.4	0.1	0.1
	<u>0.9</u>	<u>1.1</u>	<u>0.8</u>	<u>0.9</u>

18. FORWARD CURRENCY CONTRACTS

As at 31 July 2008 the Group had forward exchange contracts for the sale of €16.8m (2007: € 17.5m, US\$6.6m).

19. CAPITAL COMMITMENTS

There were £1.1m (2007: £1m) capital commitments for the Group and £1.1m (2007: £1m) for Cambridge Assessment as at 31 July 2008 in respect of building work, machinery and equipment and computer software.

20. CONTINGENT LIABILITIES

There were no (2007: £nil) contingent liabilities as at 31 July 2008.

21. RELATED PARTY TRANSACTIONS

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

During the year, the Group entered into the following transactions with related parties:

Transactions with Cambridge University Press ("CUP") and its subsidiaries, another Syndicate of the University of Cambridge were as follows:- purchase of printing services £10.5m (2007: £8.28m), purchase of other services £0.28m (2007: £0.19m), receipt of royalties £0.39m (2007: £0.32m), sale of services £0.26m (2007: £0.22m). At 31 July 2008 a balance of £0.76m (2007: £0.89m) was due to CUP and its subsidiaries.

21. RELATED PARTY TRANSACTIONS (continued)

The total transfer to the University of Cambridge in respect of 2008 was £12.4m. The balance due at 31 July was £11.1m (2007: total £9.33m including £0.07m in respect of 2006).

The group paid £0.44m (2007: £0.21m) to the University in respect of rentals and other services. Examination fees of £0.04m (2007: £0.04m) were charged to the University. At 31 July 2008 £0.06m (2007: £0.05m) was due to the University in respect of these transactions.

A total of £0.95m (2007: £0.48m) was paid to Colleges of the University in respect of venue hire and scholarships. Property rental of £0.06m (2007: £0.06m) was receivable from Downing College and sundry income of £2,402 in total was received from twelve colleges (2007: £1,740). At 31 July 2008 £0.22m (2007: £0.17m) was owed to Colleges.

£0.07m (2007: £0.08m) was paid to the Cambridge Overseas Trust in respect of scholarships.

£6,000 (2007: £7,250) was paid to one Syndic in respect of consultancy services, £1,379 (2007: £271) to one Syndic in respect of examination services; no other remuneration was paid to Syndics or to any connected persons (2007: £nil). Total travel expenses of £2,253 (2007: £1,740) were reimbursed during the year to 7 (2007: 6) Syndics.

22. ULTIMATE PARENT UNDERTAKING

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