



CAMBRIDGE ASSESSMENT

Cambridge Assessment Group

Annual Report and Accounts, 2014-2015

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Cambridge Assessment

Annual Report, 2014/2015

This is the one hundred and fifty-seventh Annual Report of Cambridge Assessment to the Council of the University of Cambridge. It covers the events of the year to 31 July 2015.

Introduction

It has been a successful year for the Group. Our UK exam board held its smoothest-running summer series on record, while our international exam board enjoyed its largest summer series. At the same time, our English language exam board continued to expand.

Indeed, the Group as a whole continued to grow, opening new offices in New York, Shanghai and Singapore and moving our London office to a new location by the Houses of Parliament. March saw the opening by the University and the Group of a new data centre in West Cambridge, a world-class facility which will enable the dream of 'big data' to be turned into the reality of practical applications to improve learning and education.

Work progressed well on our planned new headquarters office in Cambridge, with the site cleared ready for construction to start. Investment was made too in new state-of-the-art printing and scanning lines, the latter of which enabled us to fulfil some of our scanning requirements for online marking in-house, improving our post exam turnaround performance for learners.

More than 800 job offers were made, the majority of them to people new to the organisation, but a third from within. It is nice to bring in new blood but important too to develop internal talent and so foster collective memory. To that end, we are investing heavily in developing our staff and in 2015 launched a new learning and development strategy which aims to build a culture of formal and informal learning.

We were also delighted in January when our Group Director of Assessment Research and Development Tim Oates was made a CBE in the New Year Honours. Tim of course chaired the National Curriculum review in England and the award is recognition of the research programme our Group continues to pursue. Indeed, much of our research made the headlines during the year, in particular papers on volatility in exams, examiner judgement and textbooks.

Our UK exam board OCR has always been proud of its vocational heritage and expertise and it was pleasing to see Charlotte Bosworth, its Skills and Employment Director, made a permanent member of the UK's Skills Commission. There was recognition too for our international exam board which was praised by England's Education Secretary for an innovative digital textbooks partnership.

In April Cambridge English Language Assessment received a Queen's Award for Enterprise in the international trade category. Further recognition of the board's importance in the field of English language assessment came with the news in February that the International English Language Testing System, which it jointly owns along with the British Council and IDP of Australia, would be one of only two approved providers of Secure English Language Testing for the UK government.

There was recognition too for our information services team which was awarded a prize for its innovative approach to using SAP technology solutions to perform the millions of calculations required to determine results from assessments. The \$3,000 prize in the SAP HANA Innovation Awards was donated to the Hope Foundation charity, which supports disadvantaged young people in India.

None of these achievements would be possible without the expertise of our staff, and this year saw the launch of an initiative designed to further harness their creativity. More than 100 employees put forward ideas for our digital future under a Digital Pilots scheme. We were extremely impressed by the quality of the ideas and the work that had gone into developing them, all of which made it quite tricky to select the six winners. The exciting work now begins to make their visions a reality.

Achievements and Performance

Authority on Assessment

It has been a year in which the Group's authority on assessment issues has been widely recognised. In the New Year Honours Tim Oates, Group Director of Assessment Research and Development, was made a Commander of the British Empire. It is testament to his work but also the significance of the on-going research programme the Group pursues.

In April 2015 our English language exam board won a Queen's Award for Enterprise in the category of international trade. The award is tribute to the impact that Cambridge English Language Assessment is having on people's lives around the world, opening up opportunities for employment, travel and further education.

We believe it is our duty to influence, advise and guide on all aspects of education policy and strategy around the world. We use our expertise in assessment to stimulate debate in important areas and help to shape thinking.

In the UK, we held our seventh biennial conference, this time on the topical theme of international education. More than 140 experts from across the globe met in October 2014 for a lively and constructive clash of ideas, hearing that while an international education used to be the preserve of a wealthy elite, it is now something that parents the world over want for their children.

March 2015 saw the launch of Cambridge Mathematics, a major project to develop a framework that will help support world-class mathematics education for students aged from five to 19. The project is a cross-University collaboration involving the Faculties of Maths and Education, Cambridge University Press and Cambridge Assessment. Commenting on the launch, the University Vice-Chancellor Professor Sir Leszek Borysiewicz said "the biggest surprise is why a conversation like this hasn't been held up until now" but that this will be a conversation with a clear end goal.

We are forward thinking about assessment, and in April 2015 the Chief Executive of our UK exam board launched a debate about how examinations might be conducted in the future.

Mark Dawe said that assessment needed to change to complement how education works in the 21st century, and that thought should be given to allowing students to use search engines such as Google in some exams.

Our UK exam board held debates around further education and skills at each of the three main party conferences in autumn 2014, highlighting the breadth of issues affecting the sector. Speakers on the panels included Skills Minister Nick Boles MP, Apprenticeship Ambassador Gordon Birtwistle MP and Shadow Skills Spokesperson Lord Young of Norwood Green. OCR's regular consultative forums also continued to grow, engaging directly with nearly 1,000 members of the educational community.

And in January our international exam board and our English language exam board joined together with Cambridge University Press as platinum partners for the largest gathering of education and skills ministers in the world, the Education World Forum in London. In a debate entitled 'Accelerating teaching quality improvement', the Chief Executive of Cambridge International Examinations, Michael O'Sullivan, said that there were three essential factors for success: curriculum, assessment and a supportive environment for teachers.

We have the largest research capability of its kind in Europe, with more than 60 researchers who pioneer the latest techniques and evaluate current assessments. Much of our research made the news during 2014/15 including work on exam centre volatility, the importance of examiner judgement, the role of textbooks in England's classrooms and the most popular topics studied by A Level History students in the UK. We presented research at a number of forums, including the British Educational Research Association (BERA) annual conference in London. One of the papers at BERA showed that many teenagers in England are embarking on Maths A Level courses with an inadequate grasp of algebra. Other events attended included the Association for Educational Assessment Europe conference in Tallinn, Estonia, and the European Conference on Educational Research in Porto, Portugal. We also published a series of statistical and research reports on our website.

In August 2014 we sponsored a major report by a British think tank, DEMOS, which concluded that England needs a National English for Speakers of Other Languages (ESOL) strategy. The study showed that the English language is a critical skill that helps improve economic and social outcomes for migrants, and by extension, wider society. It highlighted how responsibilities for ESOL policy are currently split between multiple government departments in England and called for a more joined-up approach.

Our training and professional development arm, the Cambridge Assessment Network, continues to run a seminar programme which both inspires and informs. In April 2015 it hosted a talk by an academic renowned for her work in the field of vocational education and training. Professor Linda Clarke argued that genuine improvement, both in the UK and internationally, can only be achieved by attending to the incentives and drivers operating in specific sectors.

In May 2015 the Network celebrated a decade of its popular Cambridge International Study Programme. Over the years, the programme has welcomed more than 200 delegates to share best practice in the development and administration of public exams. The anniversary was celebrated with delegates and guests in the setting of Madingley Hall in Cambridge.

The same month also saw the launch of a cross-University collaboration designed to raise the profile of learning about assessment. Created by Cambridge Assessment and the Faculty of Education, the Postgraduate Certificate in Educational Assessment and Examinations is a Master's level course designed for people working in assessment who want to enhance their knowledge and understanding of assessment and examinations.

The Network also provided a tailor-made course on formative assessment for primary school teachers from Singapore. The programme was developed in partnership with the Curriculum Planning division of the Singapore Ministry of Education and designed to align with competencies identified by the Ministry as increasingly important in the 21st century, such as critical and inventive thinking.

Our Admissions Testing Service arm, which provides evidence-based admissions tests and assessment services to support the selection process in higher education, hosted a conference in May 2015 for universities and employers in the UK healthcare sector. The seminar focused on the Cambridge Personal Styles Questionnaire (CPSQ) test which aims to provide a standardised and efficient way of assessing values and behaviours. City University London, which is using CPSQ for admission to undergraduate courses at its School of Health Sciences, said that early evidence showed that test results align closely with interviewers' evaluation of applicants.

Developments in Technology

In the fast moving world of education the one constant is change. We are forward thinking about learning and assessments, constantly researching and developing new technologies that will benefit education.

In November a partnership designed to set a new standard in digital education was launched by our Group Chief Executive in China. Cambridge Assessment and Cambridge University Press have joined forces with a Beijing-based educational technology firm, CollegePre Education, on a project designed to enable schools to provide a more dynamic and personalised approach to teaching and learning. Cambridge ClassServer software and technology aims to provide schools with high quality content and assessment together with a learning platform and enhanced data analysis.

In April 2015 we hosted the annual Higher Education and Research User Group (HERUG) conference, which brought together more than 150 representatives from 40 universities and colleges around the world for seminars and discussions about how educational and research bodies are making use of the enterprise-wide computer system SAP. Cambridge Assessment first began using SAP in 2012 and the HERUG conference was an appropriate setting for the announcement that our innovative approach to using SAP had received a major industry award. Hope Foundation, a charity which helps disadvantaged young people in India, was chosen by the Group as the recipient for its \$3,000 prize in the SAP HANA Innovation Awards.

Our international exam board's innovative approach to resources won praise in January 2015 from the Secretary of State for Education in England. The Stephen Perse Foundation in Cambridge has published 12 textbooks which support Cambridge IGCSE Biology for free online. Nicky Morgan MP told the BETT educational technology show that the partnership was an example of the way emerging technologies can "transform the world of education".

A pilot scheme in Zimbabwe has enabled our UK exam board to develop an innovative approach to moderation which overcomes difficulties posed by geographical location. The trial of Level 3 Cambridge Technicals in IT and Sport at one of its international pilot schools, St John's Educational Trust in Harare, Zimbabwe, uses an e-portfolio system which offers a huge amount of flexibility in managing and submitting student work.

During the year our UK exam board further developed a wide range of new technology-based products and services, including the launch of an online blended learning platform delivering training in maths and English (TiME) and a Scheme of Work builder, a service to

help teachers create their own schemes of work based on OCR's qualification specifications and resources.

Our websites receive more than four million visits a month, a quarter of which are from mobile devices. It was with mobile users in mind that we carried out a refresh of the Group's website and it is now more responsive for those viewing on a smartphone or tablet. A programme to create more short videos for the website was also launched, to add to the user experience.

Our social media presence continues to bring us closer to our global audience, with more than 15,000 people now connected to the Group via our LinkedIn and Twitter accounts. We enjoyed a high level of interaction via Twitter at our biennial conference last October, with our dedicated hashtag #CAconf being seen by over 1.6 million users.

A new dedicated blog page on the Group website has provided a platform for us to highlight the insights, expertise and work of our staff, as well as host contributions from guest bloggers all over the world. Our international exam board is also setting up a similar site which aims to provide teachers with advice and ideas as well as innovative approaches to improving teaching practice.

Meanwhile Cambridge English Language Assessment now has more than three million fans on Facebook and is the biggest English language learning Facebook page in the world. Its sister exam board OCR is also making full use of the opportunities offered by social media, establishing more than 15 dedicated Twitter accounts where its subject specialists can engage with teachers and stakeholders. It has also established a popular forum on the social media website Yammer which enables it to support and nurture its examiner community. Having been established in January 2014, the community welcomed its 5,000th member in July 2015.

Assessment Services

Our mission is to promote excellence in education and we do this by developing and delivering assessments to more than eight million learners in more than 170 countries. Our highly regarded research-led and evidence-based approach means our qualifications are recognised by universities, employers and official bodies across the globe and we have a strong track record in advising governments and education bodies on education reform.

In the UK, our exam board OCR was the first board to have all its 'Tranche 1' new and reformed GCSEs, AS and A Levels accredited by Ofqual, the regulator for England. This involved processing more than 2,000 pages of syllabuses and more than 4,000 pages of sample assessment materials and mark schemes ready for first teaching in autumn 2015. The board's subject specialists subsequently travelled the length and breadth of the country, holding well-attended exhibitions to bring teachers up to date with the changes that are involved.

OCR has also submitted to Ofqual 47 new qualifications for teaching from September 2016. These 'Tranche 2' subjects include GCSEs in French, German and Spanish, where OCR's emphasis was on refreshing tired language learning in the UK. They also included a new Computer Science GCSE designed to help cater for the growing demand for computing skills worldwide, including the need from intelligence agencies for so-called 'cyber-spooks'. And two draft new history GCSEs were submitted which will enable students to study migration into Britain over a period of 1,000 years. For first teaching in September 2016, one of the GCSEs is on the Modern World while the other is in conjunction with the Schools History Project – a partnership which was formalised in April 2015. By offering a choice of GCSEs, OCR is committed to making the study of history fascinating, challenging and accessible for

all learners.

In February 2015 OCR launched a new model for the assessment of A Level practical science in the UK. Under changes set out by the England exams regulator Ofqual, practical work will no longer contribute towards a student's final grade in science GCSEs or A Levels and instead students will be given a pass or fail as part of a separate endorsement. OCR believes the new endorsement approach will improve the current system and the launch at the Royal Institution in London followed a successful joint trial by four exam boards.

Globally there has been 15 per cent growth across all Cambridge International Examinations' qualifications this year, including eight per cent growth in entries for Cambridge International A Levels and 23 per cent for Cambridge IGCSEs. There are now more than 10,000 Cambridge schools around the world in more than 160 countries.

In May 2015 a school district in the US announced that it would be adopting Cambridge international programmes in a number of elementary, middle and high schools. North Carolina-based Charlotte-Mecklenburg Schools, which supports more than 144,000 students, said the high academic standards and the emphasis on developing independent thinkers would create greater opportunities for students to be successful in college and in their careers.

In response to the reform of GCSEs, the board redeveloped its Cambridge IGCSEs in English Language, English Literature and Maths for schools in England. The new qualifications offer the same breadth and depth as the reformed GCSEs in England and have a 9-1 grading scale as opposed to A*-G. All syllabuses were published in September 2014, a full year ahead of first teaching in September 2015.

As part of its commitment to offering qualifications that meet the needs of schools worldwide, Cambridge International Examinations announced an International AS Level in Nepal Studies. Available for first examination in June 2016, the qualification develops awareness of contemporary social, cultural and political issues in Nepal, and focuses attention on the importance of considering the issues in a rigorous, reasoned and analytical way.

Recognition continues to grow for our English language exam board's qualifications. In April a US aeronautical university, Embry-Riddle, became the 20,000th institution worldwide to officially recognise Cambridge English exams. The university said it chose Cambridge English exams because they have a strong record of predicting student proficiency levels accurately.

January 2015 saw the launch of a better way to report English ability. The Cambridge English Scale – a new system of reporting exam results on a single numerical scale - was successfully used for Cambridge English: First, First for Schools, Advanced and Proficiency and then phased in for other exams over the course of the year. It offers candidates a clearer picture of their overall performance and a chance to see how their achievement relates to internationally recognised standards and other Cambridge English exams.

In February 2015 the UK government announced that IELTS (International English Language Testing System) would be one of only two approved providers of Secure English Language Testing. The move reflects the UK Home Office's confidence in the test, which is jointly owned by Cambridge English Language Assessment, the British Council and IDP: IELTS Australia.

And our English language exam board was asked in spring 2015 to co-ordinate a major project to compare national language tests across Europe. The project, which is designed to see how comparable existing language systems are and how they could be made more

directly comparable, will build on the results of the European Survey on Language Competences, which Cambridge English Language Assessment carried out between 2008 and 2011.

Vocational qualifications in the UK have also been subject to reform. Working closely with universities, employers and professional bodies, our UK exam board has been redeveloping eight of its Cambridge Technical vocational qualifications. Designed for students aged 16-19, Cambridge Technicals provide a strong base for progression to either university, apprenticeships or directly into work. Art and Design, Business, Digital Media, Health and Social Care, IT, Performing Arts, Science and Sport were all overhauled to meet new requirements set out by England's Department for Education and are eligible for first teaching from September 2016.

In October 2014 OCR announced a partnership with industrial giant Siemens which is designed to help tackle the UK skills gap in engineering and manufacturing. The partnership, which is the first of its kind in the UK, has been developed in conjunction with England's Cabinet Office, Department of Education and Department for Business, Innovation and Skills. It will focus on the development of joint education resources for 14-16 year olds and will deliver a curriculum in schools designed to increase the skills of prospective engineers.

OCR was also one of three awarding organisations selected to work with Tech Partnership, a network of employers and the sector skills council for the digital industry, to develop assessments for new 'Trailblazer' Apprenticeships in Network Engineering and Software Development.

The year saw our international exam board reach key milestones in its work advising governments and education bodies. In Kazakhstan, it is continuing to work with Nazarbayev Intellectual Schools (NIS) on curriculum and assessment reform. The board completed a second exam series with NIS schools in 2015 and is now working with state schools to widen out the reforms.

The first stage of work to introduce new maths and science curricula in all Macedonian state primary schools was marked when teachers started implementing new curricula for Grades 1-3 in September 2014. Following the success of this stage of the project, Cambridge International Examinations is working with the government and teachers on the introduction of new maths and science curricula for Grades 4-6.

In February the British Council and Cambridge International Examinations formalised their global relationship. The two organisations have been working closely together for many years around the world, but the contract lays the foundations for future joint growth. It was signed at a ceremony at King's College, Cambridge, by Ciarán Devane, CEO of the British Council, and Group Chief Executive Simon Lebus.

And in June Cambridge International Examinations successfully completed a project to set up a Bahrain National Examinations Unit to develop and deliver assessments at Grades 3, 6, 9 and 12. This project was the first education reform initiative taken on by the board, and the partnership has been so successful it is set to continue at a consultancy level.

Meanwhile, our UK exam board is increasingly looking to build partnerships with socially responsible projects. One example is a scheme in London which helps vulnerable women get ready for employment by teaching them how to bake. OCR is providing support to the Luminary Bakery in the form of relevant qualifications including OCR's Life and Living Skills, as well as guidance on approaches to teaching and learning.

In 2014, virtually every prison in England delivered either an OCR academic or vocational

programme. Building on this heritage, OCR has formed a partnership with digital healthcare provider Breaking Free Group. Offenders who are recovering from drug and alcohol misuse will now be able to work towards Life and Living Skills qualifications recognising their efforts.

Since 2013, OCR's Sector Specialist team has built or developed links with more than 200 employers in fields including communications (British Telecom), banking (Barclays) and energy (E.ON). The exam board continues to make progress towards its vision of being an awarding body of choice for employers.

Our English language exam board continues to forge strong partnerships and in May 2015 launched a collaboration to help strengthen the learning, teaching and assessment of the English language in Malta. The two-year partnership between the Government of Malta and Cambridge English Language Assessment will involve a benchmarking exercise to investigate how the English skills of Maltese pupils compare to international standards.

Another innovative partnership saw every 15-year-old pupil in Portugal sit a Cambridge English exam at no cost to them, their parents or the government. Cambridge English Language Assessment developed the Key for Schools Portugal programme by working with the national exams authority IAVE. The initiative is funded by major companies within the country's financial, publishing and communication sectors.

And in January 2015 Cambridge English Language Assessment announced that it had signed an agreement to work closely with the Ukrainian Center for Educational Quality Assessment on a project of reform. The first phase saw an appraisal of a national test taken by university-bound school leavers in the country.

The Cambridge Schools Conference is the highlight of our international exam board's professional development calendar and in 2014 it held two events, the first in Cambridge and the second in Sri Lanka. In Cambridge, more than 200 delegates and in Sri Lanka more than 350 Cambridge principals and teachers from more than 30 countries explored the theme of 'Inspiring Teaching, Inspiring Learning'.

Cambridge International Examinations is also helping support teachers that are new to its IGCSE and A Level syllabuses with the launch of a new series of interactive self-study courses. The syllabus-specific courses contain interactive activities, audio recordings of teachers talking about their own practice, teaching ideas and reflective tasks.

The number of teachers attending our UK exam board's face-to-face and online courses increased by more than 60 per cent last year, with delegate satisfaction increasing to 98 per cent. Feedback from the board's annual Customer Satisfaction Survey covering all continuing professional development (CPD) services also increased, with one of the biggest improvements highlighted as the "ease of finding information". More teachers are also accessing OCR's online materials via a CPD hub, with figures up by nearly a third.

And in December Cambridge English Language Assessment launched a new programme of online training courses for teachers. The Language for Teaching courses are designed to improve the skills of non-native English teachers already working in the classroom and give them the language they need to teach English with confidence.

Continuous Improvement and Efficiency

Our purpose is to drive access to the benefits of education and we aim to be respected around the world for quality, innovation and delivery.

Both Cambridge International Examinations and its sister board OCR enjoyed successful

summer 2015 series. Our UK exam board learned the lessons of a challenging 2014 summer series and this was reflected in its smoothest summer series on record in 2015. A report by the England exams regulator Ofqual confirmed that OCR had taken the right steps to improve its system resilience.

A reflection of how greatly we value our relationship with Cambridge schools in the southern hemisphere came in August 2014 when our international exam board announced that it would be bringing forward the November exam series results release dates for Cambridge International AS and A Level. The change, designed to align more closely with university admission deadlines, was announced by Group Chief Executive Simon Lebus in South Africa.

Cambridge International Examinations successfully held its first March exam series in India in 2015. Designed to help learners meet local college and admission deadlines, the first series was for Cambridge IGCSE and will be followed in 2016 by a selection of Cambridge International AS Level and A Level syllabuses.

The value of a project to move the scanning of exam scripts in-house was proven in May and June 2015. Some 10 million images for our English language and international exam boards were successfully scanned, demonstrating the capability of our distribution and logistics centre DC10 to work safely at large volumes. It reduces our dependency on third parties but most importantly, enables us to offer a faster turnaround to learners.

The first stage of a migration to inkjet printing has also proved successful. Inkjet technology is faster, more cost-effective and better for the environment than traditional toner-based printing. To prepare for the summer series, our suite of Canon inkjet printers were called upon to deliver up to one kilometre of question papers every 150 seconds, and did so without any discernible change in quality from material produced with toner. As a result of this initial success we will continue to expand our innovative use of printing technology.

We work closely with examiners to ensure the consistency and reliability of our results. To support the 2015 summer series we hosted 15,750 examiner visits and 2,200 standardisation meetings. Examiners may be located in any part of the country and it is not always feasible or efficient to hold meetings in a single location. Accordingly, in 2015 we successfully introduced online standardisation meetings.

Last year we reported that we had obtained certification to international safety management standard OHSAS 18001 for our DC10 distribution centre. Following this year's annual inspection, which included our newly-opened second site DC20, we maintained this standard with no non-conformances.

Scholarships and Bursaries

As a department of the University of Cambridge and a not-for-profit organisation, our purpose is to drive access to the benefits of education.

In September 2014 our UK exam board announced the recipients of 10 bursaries towards their studies at the University. The gifts of £3,000 for each year of undergraduate study go to some of the most talented students from the UK's West Midlands region, recognition of the Group's historical association with the West Midlands Exam Board. One recipient said the award had taken a "huge burden" off his shoulders and helped make the dream of study at Cambridge a reality.

In March 2015 our UK exam board celebrated five years of a partnership with a charity set up by one of Britain's most distinguished lawyers. The Helena Kennedy Foundation provides

financial bursaries, mentoring and support to disadvantaged students from the further and adult education sectors enabling them to complete their studies in higher education and move on successfully into employment. More than 85 students were chosen to receive a bursary of £1,500 to help cover the costs of their study at university as well as ongoing guidance and training from the Foundation. OCR supported a celebration of their achievements at the House of Lords.

Meanwhile a bursary from our international exam board is enabling a teacher in Turkey to look at how the teaching of Shakespeare in secondary schools can develop the cognitive growth of students. Anne Akay, who teaches English at the Bilkent Laboratory and International School in Ankara is taking a Master of Studies (MSt) in Advanced Subject Teaching at the University of Cambridge Institute of Continuing Education.

Each year our English language exam board provides scholarships for language teaching professionals to attend a leading event in the English Language Teaching calendar. This year the IATEFL (International Association of Teachers of English as a Foreign Language) conference was held in Manchester and nearly 1,000 applications were made for scholarships – a record number. The four winners were from the University of Kurdistan in Iraq, Popodoo English School and Australia International School in Vietnam and the University of British Columbia in Canada.

Synergies and Collaboration

The Threshold project, a partnership between our technology and business functions which is designed to transform the Group's ways of working, has made good progress. In the period covered, the partnership built and tested new capabilities for the end-to-end processing of exams on SAP.

Cambridge English Language Assessment exam centres around the world will benefit from a new web-based portal, which will make results for its Young Learners tests available online for the first time and offer improvements in procedures. The solution will also make back office processes faster and more reliable through better automation.

The Threshold project also made significant progress towards the launch of a Group-wide database of all the assessment specialists who work with us and a new portal which they will use to maintain personal information and availability details. The project also delivered a SAP Customer Relationship Management solution, which enables field-based teams to share information in real time about the needs of our customers, and a new customer support and knowledge-sharing system, which improves the efficiency with which we manage customer enquiries.

A partnership between Cambridge University Press and our English language exam board celebrated its fourth year of operation in July 2015. Cambridge Exams Publishing, which combines the expertise of both partners to develop official exam preparation resources, is enjoying exceptional growth. The two organisations are also working together effectively on Cambridge English Teacher, which helps teachers at all levels around the world with their online continuous professional development. Cambridge University Press and Cambridge English have also joined together with the UK's largest provider of technology-assisted learning and skills, learndirect, to create a new online course that immerses learners in a 3D game-like learning environment. And in March 2015 the two partners launched Testbank, a new series of online practice tests, and Cambridge English Empower, a ground-breaking general English adult course for language schools and tertiary institutions.

In November 2014 Cambridge English Language Assessment and Cambridge University Press celebrated a milestone in their Cambridge English Schools programme when four

schools became the first in China to join. Guangdong Country Garden School, Guangzhou Huamei International School, South Foreign Language School of Songshan Lake and Phoenix City International School will all now be a part of the global programme to help schools raise standards of English language learning.

Another example of successful collaboration came at the start of 2015 with the introduction in Mauritius of a qualification which recognises both the academic and vocational achievements of 18-year-olds. The HSC Pro (Higher School Certificate Professional) is the result of a partnership between our UK exam board OCR, its sister board Cambridge International Examinations and the Mauritius Ministry of Education.

Property

Having secured outline planning permission in September 2014, we have just announced the awarding of a £120 million contract to design and build our new international headquarters in Cambridge, on a site known as The Triangle. The building has been designed by award-winning Eric Parry Architects and work to clear the site – previously occupied by Cambridge University Press – has now been completed.

Together with the University, Cambridge Assessment formed a partnership to invest £20m in a bespoke world-class facility to support business operations, teaching and learning, and research communities for years to come. The West Cambridge Data Centre was opened in March by the University's Chancellor, Lord Sainsbury, alongside our Group Chief Executive Simon Lebus. It houses part of our IT estate but will also provide back-up in any emergency, further enhancing the security and reliability of our services.

Just three months later saw the opening of a new £9m distribution centre, DC20, which both enhances our capacity and provides a back-up to its sister distribution centre DC10. And internationally we also grew, opening new offices in New York, Shanghai and Singapore. Finally, here in the UK we were also on the move, transferring our London office to a prime site in Millbank, just a stone's throw from the Houses of Parliament.

Environment

We continue to strive to improve our environmental standards every year. More than one in four of our Cambridge city staff already cycle to work. To encourage even more people to take up cycling, we installed showers, drying rooms and bicycle maintenance stations at our main offices. We also introduced an innovative scheme of "pool bikes" which can be borrowed by any member of staff.

We also introduced a car-sharing initiative that gives priority parking to people who share lifts to work. And the solar panels we have now installed at both our distribution centres are generating a significant amount of the electricity we require on site.

Support for Staff

Our people are the key to our present and future success. We take great pride in their achievements and aim to set them up for accomplishment. With a strong global focus, we aspire to be an employer of choice and recognise that everyone has an important role to play. We offer wide-ranging learning and development opportunities to enable our people to obtain new skills and progress their careers within the Group. More than 300 people took advantage of new internal opportunities last year.

We are committed to developing talent and offer opportunities for individualised learning and development to help everyone to achieve their full potential. We share our knowledge and

skills and support a culture of continuous professional development, from learning initiatives through to mentoring, secondments and coaching.

The wellbeing of our people is of paramount importance and we want our employees to have the best possible experience of working at Cambridge Assessment. In 2015 we conducted an all staff survey in conjunction with workplace engagement specialists Best Companies. The Your Work, Your Say survey achieved an 82 per cent response rate and showed that we are 'one to watch'. Our aspiration is to become a Sunday Times Top 100 Best Company to Work For by 2018 and we have already put in place a range of activities to help us achieve this. These include a successful Healthy Steps wellbeing programme, launched in 2013, which has involved 60 events covering topics from nutrition to mindfulness.

In 2015 we launched our new Learning and Development strategy. Building a Culture of Learning is underpinned by a comprehensive range of initiatives. These have been developed in response to a Learning Needs Analysis and include courses, programmes, networks and resources to support learning across the Group. We are committed to encouraging informal as well as formal learning in order to meet the range of diverse needs of our people, while also ensuring all initiatives are aligned to our overall organisational goals. Our activities are founded on three key learning priorities: Leadership and Management Development, Our Context and Business Effectiveness.

Developing our leaders of the future is a strategic imperative, both in the UK and internationally. We run a successful Aspiring Managers development programme, now in its third year, which aims to give those who want to become managers an insight into what being a manager means, together with opportunities to learn and practise line management skills. We have also established a New Managers Network to encourage knowledge-sharing and best practice. We have built on the success of our Specialist to Manager programme, launched last year, and developed a similar offering for our future Operations leaders. We successfully re-launched our Senior Management Forum for our top 250 leaders, including the creation of Collaborative Innovation Groups to work on strategic priorities and help lead positive cultural change.

Our Group values are at the heart of everything we do and are incorporated into our performance management system. In autumn 2015 we are launching an enhanced system in response to staff feedback. We have also produced a new Group Code of Conduct to better reflect the ethical underpinning of our work and introduced mandatory data protection and anti-bribery and corruption training for all staff. Later this year we will launch online goal setting and performance management, on a cloud-based platform provided by an American firm called SuccessFactors. This represents a significant investment in our ability to manage and develop our growing global workforce.

We help our people build their expertise in assessment and appreciate wider assessment issues through specialist training events and courses from our Cambridge Assessment Network. This also enables them to keep up-to-date with the latest research and best practice.

People

The Group is heavily reliant on the knowledge and experience of its staff and external assessors. 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

It has been a successful year for the Group as a whole and the consolidated financial statements show that the Cambridge Assessment Group reported a surplus of £58.2 million for the financial year ended 31 July 2015 (2014: £53.9 million). This was achieved after the inclusion of an operating loss by OCR of £6.6m. This was a consequence of the continued downward pressure on OCR's revenue arising as a result of the continuing impact of government policies designed to streamline the number and variety of qualifications being taken in schools and colleges, and of further investment in additional resources to improve operational capability, and OCR is taking action to address its cost base accordingly.

Income from examination fees and other educational and assessment services increased from £342.1 million to £368.3 million.

The overall expenditure for the year, before taxation and surplus/loss on tangible fixed assets disposal, were higher at £319.4 million than for the preceding year (£296.6 million). Expenditure is mainly incurred in maintaining and developing qualifications, registration and certification of candidates, and the quality control of examined and assessed schemes. Expenditure has also been incurred on continuous improvements and additions to systems, mainly relating to the Threshold programme.

The Group continues to make contributions to research and understanding of assessment issues and provides qualifications and related services to customers in around 170 countries. This brings with it challenges related to exchange rate exposures and economic difficulties which are reviewed and managed by the Corporate Board.

The Group has £92.8 million in cash and short term deposits at the year end (£75.8 million at 31 July 2014). The deposits are mainly invested by the University, in its deposit pool, which is managed by the University's Finance Division. The Group has £194.7 million invested in the Cambridge University Endowment Fund (£213.3 million at 31 July 2014), which is managed by the University's Investment Office with the advice and oversight of the Investment Board.

Cambridge Assessment's activities, together with factors likely to affect its future development and position are set out in this Annual Report. The financial position of the Group is set out above.

The Group has considerable financial resources and its income is geographically diversified (see note 2 of the financial statements). As a consequence the Syndics believe that it is well placed to manage its risks successfully. The Syndics have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

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.

The transfer to the University from reserves for the year ended 31 July 2015 is £16.8 million (2014: £15.9 million). In addition, the Group has given financial assistance on a smaller scale to support scholarships run by the Cambridge Commonwealth, European and

International Trust.

Since 1981 the Group has transferred £304.1 million from its reserves and investment income; £281.7 million to general University funds; £19.2 million to the Cambridge Commonwealth, European and International Trust; and £3.2 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.

Approved by:

Professor J Rallison (Chairman)

Mrs S Coutu

Mr E Elliott

Dr D Good

Ms D Hall

Dr J Keeler

Mr R Partington

Mr B Picking

Professor R Prager

Mr I Pryce

Mr A Reid

Dr N White

Mr P Williams

Professor S Young

12 November 2015. Syndicate Buildings, 1 Hills Road, Cambridge, CB1 2EU

Auditors

PricewaterhouseCoopers LLP
Abacus House
Castle Park
Cambridge
CB3 0AN

Bankers

Barclays Bank PLC
9-11 St Andrew's Street
Cambridge
CB2 3AA

Appendix A: The Local Examinations Syndicate

| | | |
|---------------------------------------|--|---------------|
| Professor John Rallison (Chairman) | Fellow of Trinity College, University of Cambridge | |
| Mrs Sherry Coutu | Investor and Independent Non-Executive Director | |
| Mr Edward Elliott | Head, The Perse School | |
| Dr David Good | Fellow of King's College | |
| Ms Denise Hall | Former Director of Marketing and Sales, SpecialSteps | |
| Dr James Keeler | Senior Tutor, Selwyn College | |
| Mr Richard Partington | Senior Tutor, Churchill College | |
| Mr Bruce Picking | Former Chairman of Governors of Havering College of Further and Higher Education | |
| Professor Richard Prager | Head of Cambridge University School of Technology | From 27.07.15 |
| Mr Ian Pryce | Principal and Chief Executive, Bedford College | |
| Mr Andrew Reid | Director of Finance, University of Cambridge | |
| Dr Nick White | Fellow and Director of Studies in Modern and Medieval Languages, Emmanuel College | |
| Mr Peter Williams | Former Finance Director of Daily Mail and General Trust plc | |
| Professor Steve Young | Information Engineering Division, Department of Engineering, University of Cambridge | |

Appendix B: The OCR Board

| | | |
|------------------------------|--|---------------|
| Mr Simon Lebus (Chairman) | Cambridge Assessment Group Chief Executive | |
| Mrs Sherry Coutu | Investor and Independent Non-Executive Director | |
| Mr Edward Elliott | Head, The Perse School | |
| Dr David Good | Fellow of King's College | |
| Ms Denise Hall | Former Director of Marketing and Sales, SpecialSteps | |
| Dr James Keeler | Senior Tutor, Selwyn College | |
| Mr Richard Partington | Senior Tutor, Churchill College | |
| Mr Bruce Picking | Former Chairman of Governors of Havering College of Further and Higher Education | |
| Professor Richard Prager | Head of Cambridge University School of Technology | From 27.07.15 |
| Mr Ian Pryce | Principal and Chief Executive, Bedford College | |
| Professor John Rallison | Fellow of Trinity College, University of Cambridge | |
| Mr Andrew Reid | Director of Finance, University of Cambridge | |
| Dr Nick White | Fellow and Director of Studies in Modern and Medieval Languages, Emmanuel College | |
| Mr Peter Williams | Former Finance Director of Daily Mail and General Trust plc | |
| Professor Steve Young | Information Engineering Division, Department of Engineering, University of Cambridge | |

Appendix C: Cambridge Assessment Group Corporate Board

| | | |
|-----------------------|---|-------------------|
| Mr Simon Lebus | Group Chief Executive | |
| Mrs Liz Allan | Group HR Director | |
| Mr William Burton | Interim Chief Executive, OCR | From 21.09.15 |
| Mr Mark Dawe | Chief Executive, OCR | Resigned 30.09.15 |
| Mr Bruno Laquet | Group Infrastructure Services Director | |
| Mr Michael O'Sullivan | Chief Executive, Cambridge International Examinations | |
| Mr Saul Nassé | Chief Executive, Cambridge English | |
| Mr Tim Oates | Group Director, Assessment Research & Development | |
| Mrs Jackie Rippeth | Group Finance Director | |

Appendix D: List of Acronyms

| | |
|---------|--|
| BERA | British Educational Research Association |
| BETT | British Educational Training and Technology |
| CBE | Commander of the British Empire |
| CPD | Continuing Professional Development |
| CPSQ | Cambridge Personal Styles Questionnaire |
| ESOL | English for Speakers of Other Languages |
| GCSE | General Certificate of Secondary Education |
| HERUG | Higher Education and Research User Group |
| HSC Pro | Higher School Certificate Professional |
| IATEFL | International Association of Teachers of English as a Foreign Language |
| IAVE | Instituto de Avaliação Educativa (Portuguese national exams authority) |
| IELTS | International English Language Testing System |
| IGCSE | International General Certificate of Secondary Education |
| IT | Information Technology |
| MSt | Master of Studies |
| NIS | Nazarbayev Intellectual Schools |
| OCR | Oxford, Cambridge and RSA |
| Ofqual | Office of the Qualifications and Examinations Regulator |
| TiME | Training in Maths and English |

CAMBRIDGE ASSESSMENT GROUP
ANNUAL REPORT
FOR THE YEAR ENDED 31 JULY 2015

CAMBRIDGE ASSESSMENT GROUP

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CAMBRIDGE ASSESSMENT GROUP

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 (the Governing Body of the University, which comprises the resident senior members of the University and the Colleges, together with the Chancellor, the High Steward, the Deputy High Steward, and the Commissary) 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. From January 2014, the Syndics are entitled to an annual honorarium of £6,000, payable in a single instalment in December each year. Syndics who are employees of the University or a College of the University will receive the Honorarium in the form of an allowance toward their research expenses and held by their department, faculty or college on that basis. All Syndics have the option of waiving the honorarium.

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. 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 units, 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.

CAMBRIDGE ASSESSMENT GROUP

RESPONSIBILITIES OF THE SYNDICS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2015

The Syndics are responsible for preparing the non-statutory group financial statements in accordance with Statute F Chapter I paragraph 6 of the University of Cambridge.

Under that Statute the Syndics have elected to prepare the University of Cambridge Local Examinations Syndicate and Cambridge Assessment financial statements in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education and applicable accounting standards in the United Kingdom. Under the Statute, the Syndics must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Cambridge Assessment and of the income or expenditure of the Group for that period. In preparing these financial statements, the Syndics are required to:

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

The Syndics are responsible for keeping adequate accounting records that are sufficient to show and explain Cambridge Assessment's transactions and disclose with reasonable accuracy at any time the financial position of Cambridge Assessment and the Group and enable them to ensure that the financial statements comply with the university statutes. They are also responsible for safeguarding the assets of Cambridge Assessment and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Syndics certify that:

- So far as each Syndic is aware, there is no relevant audit information of which Cambridge Assessment's auditors are unaware; and
- Each Syndic has taken all the steps that he or she ought to have taken as a Syndic in order to make him or herself aware of any relevant audit information and to establish that Cambridge Assessment's auditors are aware of that information.

The Syndics are responsible for the maintenance and integrity of Cambridge Assessment's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

CAMBRIDGE ASSESSMENT GROUP

Independent auditors' report to the Syndics of University of Cambridge Local Examinations Syndicate ("Cambridge Assessment")

Report on the financial statements

Our opinion

In our opinion, the financial statements, defined below:

- give a true and fair view of the state of the group's and of Cambridge Assessment's affairs as at 31 July 2015 and of the group's and Cambridge Assessment's income and expenditure, recognised gains and losses, and cash flows for the year then ended;
- have been properly prepared in accordance with the requirements of the Statement of Recommended Practice – Accounting for Further and Higher Education issued in July 2007; and
- have been properly prepared in accordance with applicable Accounting Standards in the United Kingdom.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The group financial statements and Cambridge Assessment financial statements (the "financial statements"), which are prepared by University of Cambridge Local Examinations Syndicate, comprise:

- the consolidated and Cambridge Assessment Balance Sheets as at 31 July 2015;
- the consolidated Income and Expenditure Account for the year then ended;
- the consolidated Statement of Total Recognised Gains and Losses for the year then ended;
- the consolidated Cash Flow Statement for the year then ended;
- the group statement of historical cost surpluses and deficits for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is the Statement of Recommended Practice Accounting for Further and Higher Education issued in July 2007, incorporating United Kingdom Generally Accepted Accounting Practice.

In applying the financial reporting framework, the Syndics have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, it has made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and Cambridge Assessment's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Syndics; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

CAMBRIDGE ASSESSMENT GROUP

Responsibilities for the financial statements and the audit

Respective responsibilities of the Syndics and auditors

As explained more fully in the Syndics Responsibilities Statement set out on page 4, the Syndics are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Cambridge Assessment Syndics as a body, in accordance with our engagement letter dated 1 October 2014 (and subsequent refresher letter dated 9 March 2015) to assist in discharging its obligations under Statute F Chapter 1 paragraph 6 of the University of Cambridge and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



Simon Ormiston (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cambridge
12 November 2015

CAMBRIDGE ASSESSMENT GROUP

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 JULY 2015

| | Note | 2015 £m | 2014 £m |
|---|------|----------------|----------------|
| Income | | | |
| Examination fees | 2 | 324.0 | 306.7 |
| Other educational and assessment services | 2 | 44.3 | 35.4 |
| Endowment and investment income | 3 | 7.6 | 8.0 |
| Total income | | <u>375.9</u> | <u>350.1</u> |
| Expenditure | | | |
| Staff costs | 4 | (102.5) | (91.2) |
| Other operating expenses | 5 | (198.1) | (188.7) |
| Depreciation | 8 | (18.7) | (16.7) |
| Total expenditure | | <u>(319.3)</u> | <u>(296.6)</u> |
| Surplus after depreciation of tangible fixed assets and before tax | | 56.6 | 53.5 |
| Taxation (overseas taxation) | | (0.2) | (0.2) |
| Surplus after depreciation of tangible fixed assets and tax | | <u>56.4</u> | <u>53.3</u> |
| Disposal of tangible fixed assets | | 2.1 | 0.8 |
| Surplus on continuing operations after depreciation of assets and disposal of assets and tax | | <u>58.5</u> | <u>54.1</u> |
| Minority interest | | (0.3) | (0.2) |
| Surplus after minority interest | 6 | <u>58.2</u> | <u>53.9</u> |
| Transfer from accumulated income within specific endowments | 14 | - | - |
| Surplus for the year retained within general reserves | 15 | <u>58.2</u> | <u>53.9</u> |

All income and expenditure relates to continuing activities.

CAMBRIDGE ASSESSMENT GROUP

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 JULY 2015

| | Note | 2015 £m | 2014 £m |
|---|-------------|--------------------|--------------------|
| Surplus for the year | | 58.2 | 53.9 |
| Increase in market value of investment assets | 9,10 | <u>19.6</u> | <u>5.6</u> |
| Total recognised gains for the year | | <u>77.8</u> | <u>59.5</u> |

| | Note | 2015 £m | 2014 £m |
|-------------------------------------|-------------|--------------------|--------------------|
| Reconciliation | | | |
| Opening reserves and endowments | | 400.0 | 356.4 |
| Total recognised gains for the year | | 77.8 | 59.5 |
| Transfer to the University | 15 | <u>(16.8)</u> | <u>(15.9)</u> |
| Closing reserves and endowments | | <u>461.0</u> | <u>400.0</u> |

STATEMENT OF HISTORICAL COST SURPLUSES AND DEFICITS FOR THE YEAR ENDED 31 JULY 2015

| | Note | 2015 £m | 2014 £m |
|---|-------------|--------------------|--------------------|
| Surplus for the year | | 58.2 | 53.9 |
| Realisation of investment revaluation gains of previous years | 15 | <u>8.4</u> | <u>10.2</u> |
| Historical cost surplus for the year | | <u>66.6</u> | <u>64.1</u> |

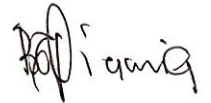
CAMBRIDGE ASSESSMENT GROUP
BALANCE SHEETS AS AT 31 JULY 2015

| | Note | Group | | Cambridge Assessment | |
|--|------|--------------|--------------|----------------------|--------------|
| | | 2015 £m | 2014 £m | 2015 £m | 2014 £m |
| Fixed assets | | | | | |
| Intangible assets | 7 | 0.6 | 1.0 | - | - |
| Tangible assets | 8 | 173.6 | 119.3 | 167.0 | 112.8 |
| Investments | 9 | 196.8 | 214.1 | 114.5 | 140.8 |
| | | <u>371.0</u> | <u>334.4</u> | <u>281.5</u> | <u>253.6</u> |
| Endowment assets | 10 | 5.4 | 5.0 | 5.4 | 5.0 |
| Current assets | | | | | |
| Debtors | 11 | 85.5 | 82.5 | 83.7 | 82.1 |
| Short term deposits | | 74.3 | 67.5 | 53.0 | 32.7 |
| Cash at bank and in hand | | 18.5 | 8.3 | 14.2 | 4.6 |
| | | <u>178.3</u> | <u>158.3</u> | <u>150.9</u> | <u>119.4</u> |
| Less: creditors amounts falling due within one year | 12 | (93.0) | (97.1) | (73.1) | (71.8) |
| Net current assets | | <u>85.3</u> | <u>61.2</u> | <u>77.8</u> | <u>47.6</u> |
| Total assets less current liabilities | | <u>461.7</u> | <u>400.6</u> | <u>364.7</u> | <u>306.2</u> |
| Less: provisions for liabilities | 13 | (0.4) | (0.4) | (0.4) | (0.4) |
| Net assets | | <u>461.3</u> | <u>400.2</u> | <u>364.3</u> | <u>305.8</u> |
| Endowment funds: expendable | 14 | 5.4 | 5.0 | 5.4 | 5.0 |
| Reserves | | | | | |
| General reserve | 15 | 408.5 | 358.7 | 336.5 | 281.2 |
| Revaluation reserve | 15 | 47.1 | 36.3 | 22.4 | 19.6 |
| | | <u>455.6</u> | <u>395.0</u> | <u>358.9</u> | <u>300.8</u> |
| Reserves and endowments | | <u>461.0</u> | <u>400.0</u> | <u>364.3</u> | <u>305.8</u> |
| Minority interest in subsidiary undertakings | | 0.3 | 0.2 | - | - |
| Total funds | | <u>461.3</u> | <u>400.2</u> | <u>364.3</u> | <u>305.8</u> |

The financial statements on pages 7 to 25 were approved by the Syndics on 12 November 2015 and were signed on their behalf by:



Professor John Rallison
*Chairman of the Local
Examinations Syndicate*



Mr Bruce Picking
*Member of the Local
Examinations Syndicate*

CAMBRIDGE ASSESSMENT GROUP

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 JULY 2015

| | Note | 2015 | | 2014 | |
|--|------|--------|-------------|--------|------------|
| | | £m | £m | £m | £m |
| Net cash inflow from operating activities | 16a | | 59.1 | | 37.0 |
| Returns on investments and servicing of finance: | | | | | |
| Investment income | | 7.8 | | 7.7 | |
| Interest received | | 0.1 | | 0.1 | |
| Dividends paid to minority interests | | (0.2) | | - | |
| | | | 7.7 | | 7.8 |
| Taxation | | | (0.2) | | (0.2) |
| Capital expenditure and financial investment: | | | | | |
| Payments to acquire tangible assets | | (40.3) | | (35.5) | |
| Payments to acquire investments | | - | | (60.0) | |
| Proceeds from sale of fixed asset investment | | 7.5 | | 35.0 | |
| Repayment of loan | | - | | 0.1 | |
| Loan to joint ventures | | (0.1) | | - | |
| | | | (32.9) | | (60.4) |
| Acquisitions and disposals: | | | | | |
| Investment in joint ventures and associates | 9 | (0.9) | | - | |
| | | | (0.9) | | - |
| Transfer to University | | | (15.9) | | (15.9) |
| Cash inflow/(outflow) before use of liquid resources | | | 16.9 | | (31.7) |
| Management of liquid resources: | | | | | |
| Net movement on short term deposits | 16c | | (6.7) | | 31.8 |
| Increase in cash in the year | 16b | | <u>10.2</u> | | <u>0.1</u> |

CAMBRIDGE ASSESSMENT GROUP
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2015

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.

After reviewing the 2015/16 budget and longer term plans, the Syndics are satisfied that, at the time of approving the financial statements, it is appropriate to adopt the going concern basis in preparing the financial statements of both the Group and Cambridge Assessment.

Principles of consolidation

Cambridge Assessment is the brand name of the University of Cambridge Local Examinations Syndicate which is a department of the University of Cambridge. Certain subsidiaries of the University are governed by Cambridge Assessment, including Oxford Cambridge and RSA Examinations ("OCR"), and are included in the Cambridge Assessment Group.

The Group financial statements incorporate the results of Cambridge Assessment and its subsidiary undertakings. Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than 50% of the voting rights.

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. Intra-group transactions, including sales, surpluses, receivables and payables, have been eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those of the Group. Amounts attributable to minority interests represent the share of the profit or losses on ordinary activities attributable to the interest of equity shareholders in subsidiaries which are not wholly owned by the Group.

A joint venture is an undertaking in which the Group has a long-term interest and over which it exercises joint control. Investments in joint ventures are accounted for using the gross equity method of accounting. 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 gross assets and liabilities is included in investments in the consolidated balance sheet. The accounting periods of the joint venture undertakings are not coterminous with that of the parent undertaking but the effect is not material.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the Group has a participating interest and over whose operating and financial policies the Group exercises a significant influence. The results of associates are accounted for using the equity method of accounting.

Deferral of income and expenditure

Income from session based qualifications (such as GCSEs) is recognised when all services associated with the qualification are substantially completed. Income received in advance is deferred and recognised in subsequent financial periods when the relevant qualification session takes place.

Other types of qualifications, not based on examination sessions (such as NVQs) typically involve the candidate progressing through a series of modules. For these qualifications income is recognised on the basis of the proportion of the total number of modules required for the qualification that have been achieved by the candidate. Income in respect of modules that the candidate is yet to undertake is deferred to subsequent periods.

Revenue for consulting or related arrangements is recognised on a proportional performance basis.

Where expenditure can be identified as relating to examination sessions or assessments after the year end, it is carried forward and charged against the period in which the sessions or assessments take place.

CAMBRIDGE ASSESSMENT GROUP
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2015

1. ACCOUNTING POLICIES (continued)

Pension schemes

Cambridge Assessment participated in two pension schemes providing benefits based on final pensionable pay or career re-valued average. The assets of the schemes are held separately from those of Cambridge Assessment.

For these two schemes, USS and CPS, 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 "Retirement Benefits", 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.

Pensions – overseas offices

Some overseas employees are members of state-managed retirement benefit schemes operated by the respective local governments. Depending on location, the relevant subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the subsidiary involved with respect to the retirement benefit schemes is to make the specified contributions as required by law.

Research and Development

Development work on IT projects is capitalised within tangible assets when the overall project is expected to give rise to future economic benefits and the criteria set out in SSAP13 and FRS15 are deemed to be met. Other expenditure on research and development is written off in the year in which it is incurred.

Tangible assets

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

| | |
|---|--|
| Freehold buildings: | 2% - 5% per annum on a straight line basis. |
| Long and short term leasehold: | over the term of the lease or 2% - 5% per annum on a straight line basis in line with the policy applied to equivalent freehold buildings, whichever is shorter. |
| Plant and equipment, furniture and fittings, and computer software: | 15% - 25% per annum on a straight line basis. |

Freehold land and assets under construction are not depreciated.

Where there has been an indication that the carrying amount of a tangible asset may not be recoverable, an impairment review is carried out in accordance with the requirements of FRS 11, "Impairment of Assets". If the carrying amount is higher than the recoverable amount, the asset is written down accordingly.

Intangible assets

Goodwill represents the excess of the fair value of the consideration paid on acquisition of a business over the fair value of the assets, including any intangible assets identified, and liabilities acquired. Goodwill is amortised down to zero over its estimated useful economic life (currently assessed as five years) on a straight line basis.

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 units are valued at market value at the reporting date.

Investments in subsidiary undertakings are stated at cost in Cambridge Assessment, less impairment loss where applicable.

Unrealised gains and losses on investments are taken through the Statement of Total Recognised Gains and Losses to the revaluation reserve. Realised gains and losses are recognised in the income and expenditure account.

CAMBRIDGE ASSESSMENT GROUP
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2015

1. ACCOUNTING POLICIES (continued)

Endowments

Endowment funds are those where the donor has specified a particular objective and these funds are classified as restricted expendable endowments. Endowment assets are included in the balance sheet at market value at the reporting date.

Short term deposits

Short term deposits relate to cash on deposit with the University of Cambridge and money market deposits in foreign currency that are readily convertible into known amounts of cash at or close to their carrying amounts.

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 UK 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.

The charge for taxation is based on the net income for the year on activities which are not covered by charitable exemptions.

Recognition of liabilities

Provisions are recognised under FRS 12, "Provisions, Contingent Liabilities and Contingent Assets", and are not discounted.

2. INCOME BY GEOGRAPHICAL SEGMENTS

| | 2015 | 2014 |
|---|--------------|--------------|
| | Group | Group |
| | £m | £m |
| Examination fees and other educational and assessment services: | | |
| United Kingdom | 167.7 | 156.0 |
| European Union | 42.4 | 41.0 |
| Rest of the world | 158.2 | 145.1 |
| | <u>368.3</u> | <u>342.1</u> |

The Syndics have determined that there is only one class of business and the majority of activities are UK by origin.

3. ENDOWMENT AND INVESTMENT INCOME

| | 2015 | 2014 |
|--|--------------|--------------|
| | Group | Group |
| | £m | £m |
| Income from specific endowment asset investments | 0.2 | 0.2 |
| Other investment income | 7.3 | 7.7 |
| Other interest receivable | 0.1 | 0.1 |
| | <u>7.6</u> | <u>8.0</u> |

CAMBRIDGE ASSESSMENT GROUP
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2015

4. STAFF COSTS

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

| | Group | | Cambridge Assessment | |
|-------------------------------------|--------------|--------------|----------------------|--------------|
| | 2015 No. | 2014 No. | 2015 No. | 2014 No. |
| Examination services | 1,622 | 1,435 | 952 | 831 |
| Administration and central services | 630 | 574 | 630 | 574 |
| Premises | 92 | 90 | 92 | 90 |
| | <u>2,344</u> | <u>2,099</u> | <u>1,674</u> | <u>1,495</u> |

Staff costs for the above persons comprise:

| | Group | | Cambridge Assessment | |
|-----------------------------------|--------------|-------------|----------------------|-------------|
| | 2015 £m | 2014 £m | 2015 £m | 2014 £m |
| Salaries and wages | 80.1 | 69.0 | 57.9 | 50.3 |
| Social security costs | 7.6 | 6.5 | 5.3 | 4.5 |
| Other pension costs (see note 17) | 18.7 | 16.6 | 14.0 | 12.4 |
| | <u>106.4</u> | <u>92.1</u> | <u>77.2</u> | <u>67.2</u> |

Of the above costs £3.9m (2014: £0.9m) was capitalised as internally developed software.

Staff costs charged to the income and expenditure account

| | Group | | Cambridge Assessment | |
|-------------------------------------|--------------|-------------|----------------------|-------------|
| | 2015 £m | 2014 £m | 2015 £m | 2014 £m |
| Examinations services | 72.5 | 62.5 | 43.3 | 37.6 |
| Administration and central services | 27.1 | 25.8 | 27.1 | 25.8 |
| Premises | 2.9 | 2.9 | 2.9 | 2.9 |
| | <u>102.5</u> | <u>91.2</u> | <u>73.3</u> | <u>66.3</u> |

Staff emoluments over £100,000
(Excluding employer's pension contributions)

| | Group | | Cambridge Assessment | |
|---------------------|-------------|-------------|----------------------|-------------|
| | 2015 No. | 2014 No. | 2015 No. | 2014 No. |
| £100,000 - £110,000 | 4 | 4 | 4 | 2 |
| £110,001 - £120,000 | 4 | 4 | 4 | 3 |
| £120,001 - £130,000 | 2 | 2 | 1 | 2 |
| £130,001 - £140,000 | 1 | 1 | 1 | 1 |
| £140,001 - £150,000 | 3 | - | 3 | - |
| £150,001 - £160,000 | - | 1 | - | 1 |
| £160,001 - £170,000 | - | 1 | - | 1 |
| £170,001 - £180,000 | 1 | 1 | 1 | 1 |
| £190,001 - £200,000 | 2 | - | 1 | - |
| £200,001 - £210,000 | 1 | 1 | 1 | - |
| £220,001 - £230,000 | - | 1 | - | 1 |
| £240,001 - £250,000 | 1 | - | 1 | - |
| £400,001 - £410,000 | - | 1 | - | 1 |
| £420,001 - £430,000 | 1 | - | 1 | - |

CAMBRIDGE ASSESSMENT GROUP
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2015

5. OTHER OPERATING EXPENSES

| | 2015 | 2014 |
|-------------------------------------|--------------|--------------|
| | Group | Group |
| | £m | £m |
| Examination services | 149.5 | 146.0 |
| Administration and central services | 38.9 | 33.4 |
| Premises | 9.7 | 9.3 |
| | <u>198.1</u> | <u>188.7</u> |

| | 2015 | 2014 |
|--|--------------|--------------|
| | Group | Group |
| | £m | £m |
| Other operating expenses include: | | |
| Operating leases - other | 2.0 | 0.9 |
| - plant and machinery | 0.4 | 0.4 |
| Foreign exchange losses | 0.2 | 1.5 |
| Restructuring costs | 0.3 | 2.4 |

During the year the Group (including its overseas subsidiaries) obtained the following services from the company's auditors and its associates:

| | | |
|---|------------|------------|
| - Fees payable to company's auditors and its associates for the audit of parent company and consolidated financial statements | 0.1 | 0.1 |
| - Fees payable to the company's auditors and its associates for the audit of company's subsidiaries and other services | 0.1 | 0.1 |
| | <u>0.1</u> | <u>0.1</u> |

6. SURPLUS AFTER MINORITY INTEREST

| | 2015 | 2014 |
|---|-------------|-------------|
| | £m | £m |
| Cambridge Assessment's surplus for the year | 64.7 | 56.8 |
| Deficit in subsidiary undertakings | (6.5) | (2.9) |
| | <u>58.2</u> | <u>53.9</u> |

7. INTANGIBLE ASSETS

| GROUP | Goodwill |
|---------------------------------|-----------------|
| | £m |
| COST | |
| At 1 August 2014 | 1.2 |
| Currency adjustments | (0.2) |
| At 31 July 2015 | <u>1.0</u> |
| ACCUMULATED AMORTISATION | |
| At 1 August 2014 | 0.2 |
| Charge for the year | 0.2 |
| At 31 July 2015 | <u>0.4</u> |
| NET BOOK VALUE | |
| At 31 July 2015 | <u>0.6</u> |
| At 31 July 2014 | <u>1.0</u> |

On 15 March 2013, the Group purchased a majority shareholding of the Australian Occupational English Test ("OET") by means of buying a 70% share of a newly formed Australian Unit Trust, called Cambridge Boxhill Language Assessment Unit Trust ("Trust"). The sole trustee of the Trust is Cambridge Boxhill Language Assessment Pty Limited, a wholly owned subsidiary of Cambridge English (Aus), which is wholly owned by Cambridge Assessment. The OET is an English language test designed specifically to assess the skills of foreign-trained health practitioners wishing to practise in English-speaking countries.

The total consideration paid by the Group was £1.5m (AUS\$ 2.2m) and the transaction gave rise to goodwill of £1.5m. This purchase has been accounted for as an acquisition, fully consolidating the subsidiary with a minority interest of 30%. The minority interest holder's contribution was subsumed within the goodwill calculation and did not give rise to goodwill on the basis that it did not meet the definition of an identifiable asset.

CAMBRIDGE ASSESSMENT GROUP
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2015

8. TANGIBLE ASSETS

GROUP

| | Land & buildings | | | | | | |
|-------------------------------------|------------------|---------------------------------|----------------------------------|---|---|---------------------------------------|--------------|
| | Freehold £m | Long term leasehold £m | Short term leasehold £m | Plant and equipment & furniture and fittings £m | Computer software & equipment £m | Assets under construction £m | Total £m |
| COST | | | | | | | |
| At 1 August 2014 | 85.9 | 14.1 | 1.4 | 7.8 | 78.1 | 14.3 | 201.6 |
| Additions | 33.0 | 4.3 | 0.5 | 0.6 | 9.4 | 25.3 | 73.1 |
| Transfers within tangible assets | - | 0.3 | - | - | 4.3 | (4.6) | - |
| Disposals | - | - | - | (0.8) | (0.4) | (0.1) | (1.3) |
| At 31 July 2015 | <u>118.9</u> | <u>18.7</u> | <u>1.9</u> | <u>7.6</u> | <u>91.4</u> | <u>34.9</u> | <u>273.4</u> |
| ACCUMULATED DEPRECIATION | | | | | | | |
| At 1 August 2014 | 20.8 | 3.2 | 0.7 | 4.6 | 53.0 | - | 82.3 |
| Charge for the year | 2.6 | 0.5 | 0.2 | 0.9 | 14.5 | - | 18.7 |
| Disposals | - | - | - | (0.7) | (0.5) | - | (1.2) |
| At 31 July 2015 | <u>23.4</u> | <u>3.7</u> | <u>0.9</u> | <u>4.8</u> | <u>67.0</u> | <u>-</u> | <u>99.8</u> |
| NET BOOK VALUE | | | | | | | |
| At 31 July 2015 | <u>95.5</u> | <u>15.0</u> | <u>1.0</u> | <u>2.8</u> | <u>24.4</u> | <u>34.9</u> | <u>173.6</u> |
| At 31 July 2014 | <u>65.1</u> | <u>10.9</u> | <u>0.7</u> | <u>3.2</u> | <u>25.1</u> | <u>14.3</u> | <u>119.3</u> |

CAMBRIDGE ASSESSMENT

| | Land & buildings | | | | | | |
|-------------------------------------|------------------|---------------------------------|----------------------------------|---|---|---------------------------------------|--------------|
| | Freehold £m | Long term leasehold £m | Short term leasehold £m | Plant and equipment & furniture and fittings £m | Computer software & equipment £m | Assets under construction £m | Total £m |
| COST | | | | | | | |
| At 1 August 2014 | 85.9 | 4.8 | 1.4 | 7.5 | 72.4 | 14.3 | 186.3 |
| Additions | 33.0 | 3.9 | 0.5 | 0.6 | 9.4 | 25.2 | 72.6 |
| Transfers within tangible assets | - | 0.3 | - | - | 4.3 | (4.6) | - |
| Disposals | - | - | - | (0.6) | (0.1) | (0.1) | (0.8) |
| At 31 July 2015 | <u>118.9</u> | <u>9.0</u> | <u>1.9</u> | <u>7.5</u> | <u>86.0</u> | <u>34.8</u> | <u>258.1</u> |
| ACCUMULATED DEPRECIATION | | | | | | | |
| At 1 August 2014 | 20.8 | 0.2 | 0.7 | 4.5 | 47.3 | - | 73.5 |
| Charge for the year | 2.6 | 0.3 | 0.2 | 0.9 | 14.3 | - | 18.3 |
| Disposals | - | - | - | (0.6) | (0.1) | - | (0.7) |
| At 31 July 2015 | <u>23.4</u> | <u>0.5</u> | <u>0.9</u> | <u>4.8</u> | <u>61.5</u> | <u>-</u> | <u>91.1</u> |
| NET BOOK VALUE | | | | | | | |
| At 31 July 2015 | <u>95.5</u> | <u>8.5</u> | <u>1.0</u> | <u>2.7</u> | <u>24.5</u> | <u>34.8</u> | <u>167.0</u> |
| At 31 July 2014 | <u>65.1</u> | <u>4.6</u> | <u>0.7</u> | <u>3.0</u> | <u>25.1</u> | <u>14.3</u> | <u>112.8</u> |

CAMBRIDGE ASSESSMENT GROUP
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2015

9. INVESTMENTS

| | Group | | Cambridge Assessment | |
|---|--------------|--------------|----------------------|--------------|
| | 2015 £m | 2014 £m | 2015 £m | 2014 £m |
| At 1 August | 214.1 | 182.3 | 140.8 | 78.3 |
| Additions | 1.3 | 60.1 | 1.0 | 60.0 |
| Disposals | (37.8) | (33.8) | (38.3) | (0.5) |
| Increase in market value of investments | 19.2 | 5.5 | 11.2 | 3.2 |
| Currency adjustments | - | - | (0.2) | (0.2) |
| At 31 July | <u>196.8</u> | <u>214.1</u> | <u>114.5</u> | <u>140.8</u> |
| Represented by: | | | | |
| University Endowment Fund units | 194.7 | 213.3 | 112.9 | 139.6 |
| Loans to subsidiary undertakings | - | - | 0.6 | 1.2 |
| Investment in joint ventures | 1.5 | 0.8 | 0.4 | - |
| Investment in associates | 0.5 | - | 0.5 | - |
| Loan to joint ventures | 0.1 | - | 0.1 | - |
| | <u>196.8</u> | <u>214.1</u> | <u>114.5</u> | <u>140.8</u> |

Investments at market value comprise Cambridge University Endowment Fund units. The market value at 31 July 2015 is based on the valuation as at that date provided by the Finance Division of the University of Cambridge. The investments are managed by the University of Cambridge through external investment managers. The historical cost of these investments at 31 July 2015 amounted to: Group £151.5m (2014: £181.1m); Cambridge Assessment £94.4m (2014: £124.0m).

**CAMBRIDGE ASSESSMENT GROUP
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2015**

9. INVESTMENTS (continued)

| Name of subsidiary undertaking | Country of registration & operation | Class of share | Percent held | Nature of business | Foot note |
|--|--|-----------------------|---------------------|--------------------------------------|------------------|
| Oxford Cambridge and RSA Examinations | England | Member | 100% | Examinations and assessment services | 1 |
| The West Midlands Examinations Board | England | Member | 100% | Examination services | 2 |
| Cambridge Assessment Overseas Limited | England | Ordinary | 100% | Overseas office services | 4 |
| Oxford and Cambridge International Assessment Services Limited | England | Ordinary | 100% | Overseas office services | 4 |
| Fundacion UCLES | Spain | Member | 100% | Overseas office services | 5 |
| Cambridge English (Aus) | Australia | Member | 100% | Examination services | 7 |
| Cambridge Boxhill Language Pty Limited | Australia | Ordinary | 100% | Examination services | 8 |
| Cambridge Assessment | England | Member | 100% | Dormant | 3 |
| Cambridge Assessment Inc. | US | Member | 100% | Overseas office services | 6 |
| Mill Wharf Limited | England | Ordinary | 100% | Dormant | 4 |
| OCR Nationals | England | Member | 100% | Dormant | 3 |
| Progress House Printers Limited | England | Ordinary | 100% | Dormant | 4 |
| Quick Placement Tests Limited | England | Ordinary | 100% | Dormant | 4 |
| RSA Examinations Board | England | Member | 100% | Dormant | 1 |
| World Class Tests Limited | England | Ordinary | 100% | Dormant | 4 |
| Cambridge Assessment Singapore | Singapore | Member | 100% | Overseas office services | 2 |
| Cambridge Avaliacao Representacao e Promocao Ltda | Brazil | Ordinary | 100% | Overseas office services | 4 |

All of the subsidiary undertakings have been included in the consolidation. The Syndics believe that the carrying value of the investments is supported by their underlying net assets.

The former subsidiary Sandonian Properties Limited which had ceased trading on 31 July 2013, was dissolved on 17 June 2015.

CAMBRIDGE ASSESSMENT GROUP
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2015

9. INVESTMENTS (continued)

| Joint Ventures: | Country of registration & operation | Class of share | Percent held | Nature of business | Foot note |
|--|--|-----------------------|---------------------|---------------------------|------------------|
| IELTS Inc. | US | Member | 33% | Examination services | 6 |
| Cambridge Michigan Language Assessment LLC | US | Member | 65% | Examination services | 6 |
| Cambridge ClassServer LLP | UK | Member | 33% | Examination services | 9 |
| Associates: | | | | | |
| English Language iTutoring Limited | UK | Ordinary | 25% | Examination services | 4 |
| Trusts: | | | | | |
| Cambridge Boxhill Language Assessment Unit Trust | Australia | Units | 70% | Trust | 10 |

Foot 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 *Spanish non-profit foundation.*
- 6 *US non-profit corporation with no share capital.*
- 7 *Australian company limited by guarantee and holding charitable status.*
- 8 *Australian company having share capital.*
- 9 *Member of a UK Limited Liability Partnership.*
- 10 *Australian registered trust.*

10. ENDOWMENT ASSETS

| | Group | | Cambridge Assessment | |
|---|--------------------|--------------------|-----------------------------|--------------------|
| | 2015 £m | 2014 £m | 2015 £m | 2014 £m |
| At 1 August | 5.0 | 4.9 | 5.0 | 4.9 |
| Increase in market value of University Endowment Fund units | 0.4 | 0.1 | 0.4 | 0.1 |
| At 31 July | <u>5.4</u> | <u>5.0</u> | <u>5.4</u> | <u>5.0</u> |
| Represented by: | | | | |
| University Endowment Fund units | 4.5 | 4.0 | 4.5 | 4.0 |
| Short term deposits | 0.9 | 1.0 | 0.9 | 1.0 |
| | <u>5.4</u> | <u>5.0</u> | <u>5.4</u> | <u>5.0</u> |

11. DEBTORS

| | Group | | Cambridge Assessment | |
|--------------------------------|--------------------|--------------------|-----------------------------|--------------------|
| | 2015 £m | 2014 £m | 2015 £m | 2014 £m |
| Trade debtors (fee debtors) | 67.0 | 58.9 | 65.6 | 57.2 |
| Other debtors | 2.6 | 1.9 | 2.6 | 1.7 |
| Owed by Group undertakings | - | - | 0.1 | 0.2 |
| Prepayments and accrued income | 15.9 | 21.7 | 15.4 | 23.0 |
| | <u>85.5</u> | <u>82.5</u> | <u>83.7</u> | <u>82.1</u> |

CAMBRIDGE ASSESSMENT GROUP
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2015

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | Group | | Cambridge Assessment | |
|--|--------------|-------------|-----------------------------|-------------|
| | 2015 | 2014 | 2015 | 2014 |
| | £m | £m | £m | £m |
| Trade creditors | 13.1 | 14.4 | 9.3 | 13.0 |
| Other taxes and social security | 3.1 | 3.4 | 1.2 | 1.3 |
| Other creditors | 2.3 | 3.2 | 1.9 | 2.8 |
| Accruals and deferred income (see below) | 74.5 | 76.1 | 60.7 | 54.7 |
| | <u>93.0</u> | <u>97.1</u> | <u>73.1</u> | <u>71.8</u> |

Deferred income is analysed as:

| | | | | |
|----------------------|-------------|-------------|-------------|-------------|
| At 1 August | 33.0 | 41.8 | 25.8 | 20.2 |
| Movement in the year | (1.4) | (8.8) | 0.2 | 5.6 |
| At 31 July | <u>31.6</u> | <u>33.0</u> | <u>26.0</u> | <u>25.8</u> |

Income is deferred in accordance with the income recognition policy (see note 1).

13. PROVISIONS FOR LIABILITIES

GROUP

| | Staffing | Other | Total |
|----------------------|-----------------|--------------|--------------|
| | £m | £m | £m |
| At 1 August 2014 | 0.2 | 0.2 | 0.4 |
| Utilised in the year | - | (0.1) | (0.1) |
| Charges in the year | 0.1 | - | 0.1 |
| At 31 July 2015 | <u>0.3</u> | <u>0.1</u> | <u>0.4</u> |

CAMBRIDGE ASSESSMENT

| | Staffing | Other | Total |
|----------------------|-----------------|--------------|--------------|
| | £m | £m | £m |
| At 1 August 2014 | 0.2 | 0.2 | 0.4 |
| Utilised in the year | - | (0.1) | (0.1) |
| Charges in the year | 0.1 | - | 0.1 |
| At 31 July 2015 | <u>0.3</u> | <u>0.1</u> | <u>0.4</u> |

Provisions were made in respect of employment issues and overseas taxation.

CAMBRIDGE ASSESSMENT GROUP
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2015

14. ENDOWMENT FUNDS: EXPENDABLE

GROUP and CAMBRIDGE ASSESSMENT

| | 2015 £m | 2014 £m |
|--|--------------|--------------|
| At 1 August | 5.0 | 4.9 |
| Income receivable from endowment asset investments | 0.2 | 0.2 |
| Expenditure | <u>(0.2)</u> | <u>(0.2)</u> |
| | 5.0 | 4.9 |
| Increase in market value of investments | 0.4 | 0.1 |
| | <u>5.4</u> | <u>5.0</u> |
| At 31 July | | |
| Representing | | |
| WMEB Fund | 5.3 | 4.9 |
| Scholarship funds | <u>0.1</u> | <u>0.1</u> |
| | <u>5.4</u> | <u>5.0</u> |

The WMEB Fund is a trust fund created from assets transferred from the West Midlands Examinations Board. 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.

15. RESERVES

GROUP

| | General reserve £m | Revaluation reserve £m | Total £m |
|---|--------------------------|------------------------------|---------------|
| At 1 August 2014 | 358.7 | 36.3 | 395.0 |
| Surplus retained for the year | 58.2 | - | 58.2 |
| Increase in market value of investments | - | 19.2 | 19.2 |
| Transfer between reserves | 8.4 | (8.4) | - |
| Transfer to University | <u>(16.8)</u> | <u>-</u> | <u>(16.8)</u> |
| At 31 July 2015 | <u>408.5</u> | <u>47.1</u> | <u>455.6</u> |

CAMBRIDGE ASSESSMENT

| | General reserve £m | Revaluation reserve £m | Total £m |
|---|--------------------------|------------------------------|---------------|
| At 1 August 2014 | 281.2 | 19.6 | 300.8 |
| Surplus retained for the year | 64.7 | - | 64.7 |
| Increase in market value of investments | - | 11.2 | 11.2 |
| Transfer between reserves | 8.4 | (8.4) | - |
| Transfer to University | <u>(17.8)</u> | <u>-</u> | <u>(17.8)</u> |
| At 31 July 2015 | <u>336.5</u> | <u>22.4</u> | <u>358.9</u> |

CAMBRIDGE ASSESSMENT GROUP
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2015

16. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

a. Reconciliation of operating surplus to net cash inflow from operating activities

| | 2015 £m | 2014 £m |
|--|-------------|-------------|
| Surplus after depreciation of tangible fixed assets and before tax | 56.6 | 53.5 |
| Endowment and investment income | (7.6) | (8.0) |
| Depreciation of tangible assets | 18.7 | 16.7 |
| Amortisation of goodwill | 0.2 | 0.2 |
| Movements in provisions | - | 0.1 |
| Decrease in creditors | (5.5) | (14.3) |
| Increase in debtors | (3.1) | (11.1) |
| Non-cash items included in the movement of joint ventures | (0.2) | (0.1) |
| Net cash inflow from operating activities | <u>59.1</u> | <u>37.0</u> |

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

| | 2015 £m | 2014 £m |
|---|-------------|---------------|
| Increase in cash in the year | 10.2 | 0.1 |
| Net cash flow from increase/(decrease) in short term deposits | 6.7 | (31.8) |
| Change in net funds resulting from cash flows | <u>16.9</u> | <u>(31.7)</u> |
| Net funds at 1 August | 76.8 | 108.5 |
| Net funds at 31 July | <u>93.7</u> | <u>76.8</u> |

c. Analysis of change in net funds

| | At 1 August 2014 £m | Cash flows £m | At 31 July 2015 £m |
|--------------------------|------------------------------|---------------------|-----------------------------|
| Cash at bank and in hand | 8.3 | 10.2 | 18.5 |
| Short term deposits | 68.5 | 6.7 | 75.2 |
| Total | <u>76.8</u> | <u>16.9</u> | <u>93.7</u> |

The short term deposits above include £0.9m (2014: £1.0m) held as endowment assets.

17. PENSION COSTS

USS and CPS schemes

The Group participates in two defined benefit pension schemes, the Universities Superannuation Scheme ("USS") and the Cambridge University Assistants' Contributory Pension Scheme ("CPS").

Each scheme is valued every three years by professionally qualified independent actuaries. The USS and CPS schemes are not closed, nor are the age profiles of their active membership rising significantly.

The Group's contributions to the USS and CPS 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, "Employee Benefits".

**CAMBRIDGE ASSESSMENT GROUP
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2015**

17. PENSION COSTS (continued)

The assumptions and other data that have the most significant effect on the determination of contribution levels are as follows:

USS

| | |
|--|------------|
| Latest actuarial valuation | March 2014 |
| Salary scale increases | 4.4% |
| Pension increases per annum | 2.6% |
| Market value of assets at date of last valuation | £41,605m |
| Funding level | 89% |

The employer contribution rate payable by Cambridge Assessment in the year ended 31 July 2015 was 16% of pensionable pay. The scheme's trustees have determined a recovery plan to pay off the shortfall shown by the 31 March 2014 valuation by 31 March 2031; under the recovery plan Cambridge Assessment's contribution rate will increase to 18% of pensionable pay from 1 April 2016. The contribution rate will be reviewed as part of each triennial valuation and may be reviewed more frequently.

CPS

| | |
|--|-----------|
| Latest actuarial valuation | July 2012 |
| Salary scale increases | 4.25% |
| Pension increases per annum | 2.75% |
| Market value of assets at date of last valuation | £377m |
| Funding level | 74% |

Employer's contribution rate in respect of:

| | | <u>Pre 31 July 2013</u> | <u>1 Aug 2013 onwards</u> |
|------------------|--|-------------------------|---------------------------|
| Salary sacrifice | - pre 2013 paying additional voluntary contributions | 28.8% | 20.0% |
| | - pre 2013 other members | 25.3% | 16.5% |
| | - post 2013 members | 23.3% | 8.8% |
| Other members | - pre 2013 members | 20.3% | 11.5% |
| | - post 2013 members | 20.3% | 5.8% |

The results of the triennial actuarial valuation as at 31 July 2015 are awaited.

Other schemes – overseas offices

Some overseas employees are members of state-managed retirement benefit schemes operated by the respective local governments. Depending on location, the relevant subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the subsidiary involved with respect to the retirement benefit schemes is to make the specified contributions as required by law.

Total Group pension cost for the year

Employer's contributions:

| | 2015 | 2014 |
|--------------------------|-------------|-------------|
| | £m | £m |
| USS | 11.4 | 9.8 |
| CPS | 7.1 | 6.7 |
| Other – overseas offices | 0.2 | 0.1 |
| | <u>18.7</u> | <u>16.6</u> |

At 31 July 2015, the Group and Cambridge Assessment had outstanding pension contributions amounting to £0.6m (2014: £1.7m) and £0.5m (2014: £1.3m) respectively.

**CAMBRIDGE ASSESSMENT GROUP
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2015**

18. OPERATING LEASES

At 31 July 2015, the Group had annual commitments under non-cancellable operating leases as follows:

| | Group | | Cambridge Assessment | |
|--|------------|------------|----------------------|------------|
| | 2015 | 2014 | 2015 | 2014 |
| | £m | £m | £m | £m |
| Land and buildings commitments expiring: | | | | |
| In 1 year | 0.1 | - | - | - |
| Between 2 and 5 years | 1.7 | 0.8 | 1.2 | 0.7 |
| After 5 years | 0.1 | - | - | - |
| Other commitments expiring: | | | | |
| In 1 year | 0.1 | 0.1 | - | 0.1 |
| Between 2 and 5 years | 0.2 | 0.2 | 0.1 | 0.1 |
| | <u>2.2</u> | <u>1.1</u> | <u>1.3</u> | <u>0.9</u> |

19. FORWARD CURRENCY CONTRACTS

As at 31 July 2015, the Group had no forward exchange contracts (2014: forward contracts for the sale of €47.5m and \$39.5m).

20. CAPITAL COMMITMENTS

There were £6.5m (2014: £13.0m) capital commitments for Cambridge Assessment and the Group as at 31 July 2015 in respect of construction projects, equipment and computer software.

21. CONTINGENT LIABILITIES

There were no (2014: £nil) material contingent liabilities as at 31 July 2015.

22. RELATED PARTY TRANSACTIONS

The Group has taken advantage of the exemption in Financial Reporting Standard 8, "Related Parties", not to disclose transactions or balances with entities which form part of the Cambridge Assessment Group (or investees of the Group qualifying as related parties). However, transactions or balances with the rest of the University of Cambridge are disclosed.

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

The total transfer to the University of Cambridge in respect of 2015 was £16.8m (2014: £15.9m). The balance due at 31 July 2015 was £16.8m (2014: £15.9m).

The Group paid £2.20m to the University in respect of rentals and other services (2014: £7.80m in respect of construction work, rental and other services). Examination fees and sales of other services amounting to £0.02m (2014: £0.02m) were charged to the University. At 31 July 2015, £0.59m (2014: £2.20m) was due to the University in respect of these transactions.

Transactions with Cambridge University Press ("CUP") and its subsidiaries, another Syndicate of the University of Cambridge were as follows: amounts payable in respect of joint arrangement, overseas offices and other services of £3.11m (2014: £5.17m); amounts receivable in respect of joint arrangement and other services of £6.91m (2014: £5.44m). At 31 July 2015, a balance of £3.14m (2014: £2.28m) was owed by CUP and its subsidiaries.

A total of £1.05m (2014: £1.00m) was payable to Colleges of the University in respect of rent, venue hire and scholarships. £nil was received from the Colleges (2014: £0.003m received in respect of examination services). At 31 July 2015, £0.04m was owed to the Colleges (2014: £0.04m).

**CAMBRIDGE ASSESSMENT GROUP
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2015**

22. RELATED PARTY TRANSACTIONS (continued)

The Group paid £nil to JBS Executive Education Ltd, a subsidiary of the University of Cambridge (2014: £0.003m for training services).

£0.08m (2014: £0.10m) was paid to the Cambridge Commonwealth, European and International Trust, a charity linked to the University of Cambridge, in respect of scholarships.

The Group received £0.09m (2014: £0.06m) from the Joint Council for Qualifications CIC ("JCQ"), a not-for-profit Community Interest Company of which OCR is a member, in respect of rent and other services, and paid £0.24m (2014: £0.28m) for subscriptions and services. At 31 July 2015, £0.13m was owed by JCQ (2014: owed to JCQ £0.04m).

As more fully described in the Corporate Governance and Internal Control Statement, the Syndics are entitled to an annual honorarium of £6,000. In 2015, six Syndics received honorarium of £36,000 (2014: £nil) from the Group. No further remuneration was paid to the Syndics or to any connected persons (2014: £nil). Travel expenses of £782 (2014: £888) were payable to five (2014: three) Syndics. At 31 July 2015, £nil was owed to Syndics (2014: £nil).

23. ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking and ultimate controlling party is the University of Cambridge.

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 financial statements of the University of Cambridge, which may be obtained from the Cambridge University Reporter, Cambridge University Press Bookshop, 1 Trinity Street, Cambridge CB2 1SZ.