



CAMBRIDGE ASSESSMENT

Cambridge Assessment Group

Annual Report and Accounts, 2010-2011

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Cambridge Assessment

Annual Report, 2010/2011

This is the one hundred and fifty-third Annual Report of Cambridge Assessment to the Council of the University of Cambridge. It covers the events of the year to 31 July 2011.

Introduction

Despite the constrained UK public spending environment and the fallout from the global financial crisis, the Group had another successful year.

Our strategic change programme entered a new phase with the development of an implementation roadmap. It marks a key stage of our transformation from an organisation whose primary activity is the delivery of paper-based exams via infrequent, large scale sessions to one that is primarily an 'information business' that delivers a wide variety of products and services through multiple channels to a richer mix of customers, audiences and commercial partners. This transformation is vital to our future success and is a very significant change, touching every aspect of our organisation.

In the UK, we are continuing to build strong relationships with education ministers in the new coalition government to ensure that our voice is heard and our expertise recognised. We believe that it is our role, as experts in assessment and a body independent of government, to influence, advise and guide on all aspects of education policy and strategy.

Our Group Director of Assessment Research and Development, Tim Oates, was appointed a key advisor on the National Curriculum Review. This is not only a testament to Tim but also an acknowledgment of the level of expertise that resides within the Group.

The much anticipated Wolf Report on vocational education was published and recommended a raft of changes to the infrastructure that currently dictates how vocational qualifications are developed, delivered and funded. We believe these changes will serve learners across the spectrum of achievement much better than the current system.

Regulation continues to be an area of great interest to the Group. In the UK, the exams regulator, Ofqual, decided to regulate awarding bodies, rather than individual qualifications, in a process called 'recognition'.

The English Baccalaureate (EBacc) was introduced as a recommendation of the Government's schools White Paper, 'The Importance of Teaching'. We voiced concerns over the removal of breadth from the learning experience in our findings submitted to the parliamentary select committee.

Internationally, in an uncertain global climate, Cambridge ESOL and University of Cambridge International Examinations continue to grow. This is primarily due to our commitment to supporting governments around the world on education reform. We continue to act as a trusted advisor to overseas ministries, a role made more complicated by recent political upheavals, helping them develop curricula for state schools systems. With our focus on education as a whole rather than simply assessment, we are becoming more involved in education at the primary level so that we are providing support for the learner throughout their educational journey.

In November we welcomed Mark Dawe as the new Chief Executive for OCR. Mark comes with a wealth of experience from within the sector particularly through his roles within the

Association of Colleges and as Principal and Chief Executive of Oaklands College.

Achievements and Performance

Influencing and Encouraging Debate

We continue to influence and improve education policy and strategy around the world by positioning the Group at the heart of key education topics.

To highlight the need for education and curricula to respond to changing global societal, individual and economic needs, we championed a debate on 'education in an interconnected world'. Attended by around 100 educational specialists – with a further 700 watching live online – it put the Group at the forefront of an important debate, further strengthening our position as experts in assessment, and providing a much-needed forum in which to air ideas and raise issues. The discussion was led by a panel of national and international experts from the worlds of work and education.

The Group also took the lead in another important educational debate – the role and value of testing students at age 14 instead of 16. The campaign, which was centred on a live debate at the British Library in London, tackled the pros and cons of a routed education system. Top education experts agreed that it is the content of a learning programme and not the system – academic, technical or vocational – that matters and we should not see the issue as vocational versus academic. More than 80 people attended the event and nearly 1,000 people watched and interacted with us live online.

We also held our 5th Cambridge Assessment conference which addressed the theme 'challenges of assessment reform'. Professor Paul Black of Kings College London and Dr Philip Davies from Oxford Evidentia Limited provided keynote talks. A new addition to the conference was a panel discussion, streamed live and watched online by over 400 people from around the world.

In his opening remarks at the conference, Group Chief Executive Simon Lebus called for: further collaboration between Higher Education and awarding bodies to ensure that A levels continue to offer adequate preparation for undergraduate study; politicians to stand aside and let assessment experts carry out full trials of any changes before they are implemented; and UK exams watchdog Ofqual to manage the regulatory cycle so to promote stability rather than entrench an expectation of automatic change.

Following our consultation on higher education and awarding body engagement, we produced a policy paper that called for greater involvement of university academics in setting the content of A levels in order to better guarantee standards and improve the university admissions process. Our proposals were welcomed by the Universities Minister, David Willetts.

Building on our policy paper, our UK exam board established a series of strategic forums to forge closer relationships between qualifications stakeholders. The forums – which have been positively received by UK universities – were also designed to give institutions a strong mechanism for presenting their concerns and requirements to us.

UK Education Secretary, Michael Gove, endorsed the Group's international curriculum analysis. He shared our view that recent reviews of the National Curriculum have failed to harness the insights emerging from high quality transnational comparisons. The Government called upon our educational expertise by appointing the Group Director of Assessment Research and Development as Chair of the National Curriculum Review Expert Panel.

There was a lively debate about the science of how children learn and the implications this has for education policy at Cambridge Assessment's seventh Parliamentary Research Enquiry at the House of Commons. Experts in neuroscience, psychology and education emphasised the importance of motivational and contextual influences, together with the importance of active, directed learning in ensuring that a child's potential is realised. Those attending agreed that neuroscience needs to have a bigger impact on policymakers than at present. A fair degree of consensus emerged around the need for discourse to shift to a focus on children and learning, both in terms of cognitive and emotional development.

Addressing the question, 'what do you think makes a good education' at one of our events, the UK Education Secretary Michael Gove said he believed all children should have had a broad academic education by the time they are 16. We shared this view and spoke of the need for students to have well recognised qualifications and that different teachers and students need different qualifications to reflect learning and teaching styles, and that attempts to put students through a 'single doorway' had not been successful. We also emphasised the need for proper user involvement in the development of qualifications, raising concerns about the gradual stepping back of Higher Education from what goes on in secondary schools.

The Group attends all three main UK political party conferences each year to engage with politicians and stakeholders on education policy. As well as holding events, we meet with ministers and other parliamentarians at party conferences to discuss issues around qualifications, curriculum and assessment.

We also contributed to public debate on the language skills of overseas medical professionals in the UK through a series of articles in high-profile publications including the British Medical Journal, The Lancet and Nursing Times, and ran a week of events in the European Parliament promoting the benefits of multilingualism.

Our UK exam board submitted evidence to the much anticipated Wolf Report on 14-19 vocational education. The findings of which, the Group wholeheartedly supports. The recommendations safeguard the interests of young people with measures that can support real progression, raise the quality of vocational provision and, crucially, secure core achievements in English and maths. We agree with the report's statement that no single, centrally defined option is likely to suit everyone; the proposals have the potential to sweep aside systemic barriers created by target-driven funding regimes, a plethora of quasi-official approval processes and invidious league table measures. We see this as a real opportunity to engage with schools, colleges, independent providers and employers to develop appropriate curriculum choices.

The Government's retrospective introduction of the English Baccalaureate (EBacc) as a new key indicator of how schools are performing certainly caused a reaction. Research conducted by our UK exam board suggested that many schools were responding quickly to the new EBacc criteria with planned changes to curriculum on offer to 14 to 16 year olds from September 2011.

The EBacc recognises the attainment of GCSE and IGCSE grades A* to C in five subject areas; English, Maths, Humanities, Science and Languages (Ancient or Modern). For many, the EBacc is a welcome and wholly appropriate means of rewarding young people who have succeeded across a number of strong academic subjects. However, in our findings which we submitted to the parliamentary select committee, we voiced concerns over the removal of breadth from the student learning experience, especially in applied learning routes, as well as the exclusion of qualifications such as Asset Languages.

Our views were recognised in the Review of Offender Learning report published by the UK Department for Business, Innovation and Skills (BIS). We emphasised the need to get as many prisoners as possible on an appropriate programme, and then to support them up to the highest level, right up to degree standard. We also defined five key principles: secure IT facilities and internet access for offenders; the integration of learning programmes with other prison activities to extend learning opportunities; relevant training and development for prison officers and other contributors to offender learning programmes; a service-wide database of transferable offender records; and incentives – in particular, equal or higher pay – for offenders to participate in education.

During the year we made sure our business and processes met the requirements of Ofqual's new approach to regulation; giving 'recognition' to awarding bodies, rather than individual qualifications. The new approach will mean big changes and challenges for all awarding bodies. We've been arguing for an approach that focuses on principles and high level outcomes for all qualification users, leading to greater flexibility and reduced costs. In the rapidly moving education sector, innovation and efficiency must drive the development of qualifications that meet learners' needs.

Our research continues to demonstrate that we have a strong research base from which to influence thinking, highlighting the organisation's academic integrity and educational values. In addition to sharing our research via our own publications *Research Matters*, *Research Notes* and *Studies in Language Testing*, the Group also contributed articles to a wide selection of well regarded books and journals published around the world. We are currently preparing a special publication on *Comparability* to give clarity to the definitions of comparability and its objectives – this will be available in the autumn. And in an attempt to make our research more accessible, we also produced *Research Matters: A selection of articles* for dissemination to a wider, non-technical audience.

Our researchers have also presented papers at many renowned research conferences around the world including British Educational Research Association's annual conference, European Conference on Educational Research, International Association for Educational Assessment Annual Conference and American Educational Research Association's conference.

We continue to work with governments around the world on education reform. We signed a Memorandum of Understanding with the Mongolian Ministry of Education, Culture and Science – to give Mongolia an education system of international standard. Cambridge international education programmes will be introduced into a new model of bilingual school in Mongolia, as well as development of the national schools' curriculum, resources and training for teachers.

Working in partnership with the Egyptian Ministry, our international exam board was asked to develop English and Arabic medium curriculum and assessments for the first five Nile Egyptian Schools, which will be fully open by July 2015. We are also providing extensive teacher training and resources to ensure that teachers are familiar with the learning and teaching approach required by the new curriculum.

Our international exam board became a certified provider of board examination systems in the US for a pilot programme designed by the National Council on Education and Economy. From September 2011, schools in 11 US states can choose to offer Cambridge exams.

The full range of Cambridge English exams was included in the UK Border Agency's new list of qualifications which are recognised for all categories of visa for immigration to the UK. Seventeen of the twenty-six qualifications included in the list are produced by the Group. The French and German versions of our BULATS business English qualification were also

recognised by the French Ministry of the Interior and several German federal states for naturalisation purposes.

The Group won a tender from the Ministry of Education in Singapore to run a bespoke four-week course for Singaporean teachers. This builds on the success of our International Study Programme which continues to remain popular, providing a well-needed forum for assessment professionals to share their knowledge and expertise.

In order to set minimum standards of language ability for future graduates, our Business English Certificates (BEC) are being integrated into the Universidad Contemporánea (UCO) in Querétaro Mexico's business programmes. The adoption will mean that from 2011, those studying subjects such as business, marketing, accounting and finance will have to sit an internationally recognised BEC qualification.

We signed an agreement with STO – the Association of Civic Schools – to offer Cambridge English exams in schools throughout Poland, working with Warsaw-based exam centre Lang LTC. This large-scale project will raise the profile of language education in schools for students and teachers.

To increase the English language ability of future graduates, the Frankfurt School of Finance and Management is integrating a range of Cambridge English exams into its Master's programmes. From 2011, those enrolling onto the university's Master of Finance and Master of International Business courses will need to prove their English skills with a certificate in Cambridge English: Advanced or Proficiency.

We teamed up with International House World Organisation (IHWO) in an initiative which will result in IH students and clients having better access to the BULATS exam and increase the number of schools around the globe that offer the popular test.

200 Cambridge teachers from 40 countries, across all five continents, came to this year's sixth Cambridge International Teachers' Conference. Delegates came to the annual professional development and networking event for the Cambridge global learning community from as far away as the USA, New Zealand, Mexico, India and Sweden. Keynote speakers put the concept of global learning into context, preparing delegates for facilitated workshops that explored the nature of the global learner.

Leading voices in language assessment from around the world showcased how they are promoting multilingualism and fairness in language testing at a conference in Krakow organised by one of our exam boards and its partners in the Association of Language Testers in Europe (ALTE). The ALTE 4th International Conference focussed on the importance of using frameworks when testing language ability, especially in the case of examinations for high stakes purposes such as immigration.

As well as hosting our own knowledge sharing events we also participate in a plethora of external education events around the world either by speaking or exhibiting. In January we attended the British Education and Training Technology exhibition showcasing our group capabilities together for the first time at this major event in London. At Going Global in Hong Kong in March we supported the IELTS sponsorship and Simon Lebus, our Group Chief Executive presented at the e-Assessment Question Asia Pacific event in Singapore.

In the UK we participate in events aimed at policy makers, including Westminster Education Forum and Westminster Briefing where we often have a speaker presence. We are also visible at events held by the Association of Colleges, Association of School and College Leaders and Universities and Colleges Admissions Service. And, of course, it is important that we are also represented at the many subject specific events that take place annually.

The Central Office for Foreign Education in Germany, an institution of the Ministries of Education and Cultural Affairs, approved a resolution recognising Cambridge Pre-U Principal Subjects, Cambridge Pre-U Global Perspectives and Research and the Cambridge Pre-U Diploma. This is good news for students wishing to apply to undergraduate courses in Germany with Cambridge Pre-U qualifications.

Cambridge Pre-U also received recognition from Brown University in the US, meaning that every US Ivy League university – such as Harvard, Princeton and Yale - now welcomes applications from Cambridge Pre-U students.

Australian Minister for Immigration and Citizenship, Chris Bowen MP, announced that the Cambridge English Advanced exam (also known as Certificate in Advanced English) will be recognised for Australian student visas. The new rules give students who want to study in Australia the opportunity to use this high quality, secure international qualification to prove that they have the language skills they need for academic success. Previously, IELTS was the main English language test accepted by the Department of Immigration and Citizenship for Australian visa purposes.

The Vietnam National University in Ho Chi Minh City is the latest to join the 12,000 organisations around the world to adopt Cambridge English standards of language ability. From 2011, undergraduate and post-graduate students can prove their English language ability at the start and finish of their courses using Cambridge English: Key, Preliminary, First, Advanced and Proficiency. Our Business English Certificates and BULATS are also accepted under the new scheme.

Cambridge English is also helping to fuel the buoyant international student market in Canada. New additions to the list include Saint Mary's University, University of British Columbia (Okanagan) and Thompson Rivers University.

Meanwhile, the number of medical schools in the UK recognising Cambridge English language tests more than trebled in a 12 month period. As of December 2010, 26 medical schools from across the UK now accept the English language tests from Cambridge ESOL compared to just seven a year earlier.

The Bahrain Institute of Banking and Finance is the first institute in the region to adopt the popular Cambridge Financial English blended learning course to help develop the language skills in the finance sector. The move is part of a growing trend which is seeing English ability becoming an essential skill in the finance sector.

The UK exams regulator, Ofqual, confirmed that our Delta qualification for teachers is at the same level as a Master's degree or a professional diploma in the UK, Ireland and other European Countries. This is a result of Delta being placed at Level 7 of the UK government's Qualification and Credit Framework, making it the only English language teaching diploma currently included at this level.

We appointed a new Chief Executive of our UK exam board. Mark Dawe, who joined on 1 November 2010, was previously the Principal and Chief Executive of Oaklands College in Hertfordshire. He was a board member of the Association of Learning Providers, Chair of the Association of Colleges for the Eastern Region, a Trustee of awarding body VTCT and board member of the Principals' Professional Council. He also recently headed the Capital Task Group on behalf of the Association of Colleges and is now Chair of the National Capital Reference Group.

Developments in Technology

Concepts, including virtual learning environments, on-screen testing and marking systems, electronic portfolios and mobile technologies, have now become integral in modern education, helping to drive personalised learning and reach previously untapped areas of assessment. This provides benefits for learners, teachers and those involved with the administration of assessment within schools, colleges and training providers.

Our focus is not simply to make existing pen-and paper tests electronic but to explore ways that computers can add real value to assessment. Education not technology must dominate online exams.

We have a vital role to play not only in delivering technological solutions but also in reflecting on any shift in practice and influence thinking on how technology can best support assessment.

Over 350 centres from around the world have now registered to run computer-based versions of our English tests. Cambridge ESOL's network of computer-based testing centres now covers 52 countries and this figure is likely to increase further. As a result, we are continually reducing the time it takes from entering for an exam to receiving results, without compromising our rigorous quality controls or the thoroughness of the assessment.

We signed a six year contract with a leading supplier of educational software, RM. The company has been providing e-marking services to the Group since January 2004. The two organisations entered into a strategic managed service agreement in May 2007, which marked the Group's decision to adopt e-marking for a significant proportion of its activities. The new contract extends this relationship for a further six years, with increased marking volumes. RM will offer a comprehensive managed service including scanning of examination scripts, electronic distribution of script images to examiners, an on-screen marking application, and workflow management. The service will be backed up by telephone and online support for markers.

Trying to make the communication of exam data easier and more streamlined for schools and colleges is a constant driver of change. A major project, in which our UK exam board is participating, is now underway to simplify the exchange of exam entry and exam result data between all awarding bodies and their customers resulting in a new system by the end of 2014. The 'A2C' project will change the format and the way that data is exchanged resulting in a universal system which can be used between all schools and colleges and awarding bodies, replacing the need for separate transactions that currently exists.

Cambridge English exams are being increasingly used around the world within mainstream education in schools and universities, increasing the need for suitable preparation materials. Consequently, we launched four new Online Practice Tests aimed at the hundreds of thousands of candidates preparing for Cambridge English exams each year. The Online Practice Tests are for: Cambridge English: Key, Key for Schools, Preliminary and Preliminary for Schools, Cambridge English: Advanced and Cambridge English: First. The tests will help students to prepare for exam day by familiarising themselves with the format of the real exam.

Improvements were made to CIE Direct, our international exam board's online tool for its exams offices. New functionality was added to help make it easier for schools to make entries and administer our exams. For the June 2011 exam series 627 centres submitted a total of 89,699 entries or amendments using online entries.

We launched new support websites, which include tools to help teachers measure and assess students' performance, and new online introductory training courses for Cambridge Primary and Cambridge Secondary 1.

Active Results, our results analysis service for UK schools, continues to be popular. It helps teachers and learners by drilling down exam performance, per candidate, per specification and per unit. It also enables schools to compare their performance against other schools across the country.

In the UK we launched our first 'Online Training' pilot for teachers wishing to teach GCSE Maths, English and ICT plus OCR Functional Skills. We are delivering the training through 'Moodle', a well-known and widely used Virtual Learning Environment designed to provide a safe and secure portal for sharing information.

As a Group we are always looking for new ways to maintain the integrity of Cambridge exams, and during the year we deployed a new security technique. Detailed marks from paper-based GCSE, international GCSE, AS and A level examinations, offered by the Group that are marked online will be statistically screened for signs that might indicate malpractice. The latest advance, developed by our researchers, adds additional detection measures for exams on paper. In many cases papers are now scanned and marked online by examiners and the new screening service uses the detailed marks that are now captured.

Assessment Services

We continue to develop, design and deliver assessments that truly reflect our commitment to providing qualifications that engage and inspire learners around the world and help them to achieve their full potential.

To meet the rising demand from UK schools and pupils we launched the first ever Entry Level qualification in Latin. This pre-GCSE level qualification is funded for use by the state sector and can be used as a stand-alone qualification or as a stepping stone to further study of the subject at GCSE and A level.

For students who want to extend their maths studies beyond GCSE, without committing to an in-depth two-year course, we launched a new Cambridge Pre-U Short Course in Mathematics (Statistics with Pure Mathematics), first examination in June 2012.

In response to the rise of entrepreneurialism, we launched a Cambridge IGCSE in Enterprise. This is the first Cambridge IGCSE syllabus which asks learners to adopt the thoughts and actions of entrepreneurs, developing their knowledge and understanding of the practicalities of setting up and running their own new enterprise.

We strengthened our Global Perspectives offering – which develops students' independent research and thinking skills, and prepares them for higher education – with the launch of an AS level in the subject. We also gained UK accreditation of our Cambridge Pre-U Short Course in Global Perspectives which was launched in response to schools requesting a one-year standalone course.

We listened to the needs of teachers, learners and professionals in the UK Health and Social Care sector and launched two new Post 19 Health and Social Care Qualifications - Children and Young People's Workforce (Levels 2 and 3) and Dementia Care (Levels 2 and 3).

United Arab Emirates-based students at Higher Colleges of Technology (HCT) planning to study on Higher Education courses in English speaking environments will be able to prove they have the necessary language skills by taking the newly developed Higher Education

Admissions (HEA) Test. Developed by experts from Cambridge ESOL and the Higher Colleges of Technology in Abu Dhabi, the HEA Test will allow students to prove their language ability in line with international standards recognised by universities all over the world.

A new partnership with the Institute of Career Guidance (ICG) reflects a shared commitment to the delivery of careers advice and guidance. Our UK exam board has launched three new Advice and Guidance qualifications which would suit a variety of people working in careers roles. The partnership also benefits those taking the ICG's own qualifications which have now been mapped to OCR's to encourage stronger progression and reduce assessment burden.

We continued to work with leading companies such as Microsoft, Cisco and Oracle to help ensure that vocational qualifications stay relevant to the needs of both employers and employees. During the year, our UK exam board joined forces with Adobe to integrate the Adobe Certified Associate qualification into two of our IT qualifications – Creative iMedia and ITQ. This means that those with skills in Adobe's creative software can now achieve two nationally-recognised IT qualifications.

To help Italian universities differentiate between highly able candidates, we worked in partnership with the Italian Ministry of Higher Education and Research to deliver an admissions test for medical courses – the International Medical Admissions Test. The Group also continued to work in partnership with the University of Oxford to jointly administer its undergraduate Aptitude Tests for History and Physics entry in November 2011. The tests are taken by all candidates for History and for Physics or Engineering courses at Oxford.

In September, we announced a major collaboration with the University of Michigan in the USA to establish Cambridge-Michigan Language Assessments. This will provide a wide range of services for universities and other sectors and brings into our portfolio a range of internationally recognised qualifications in American English.

The UK government's decision earlier this year to fund Cambridge IGCSE in state maintained schools has led to a huge increase in the numbers of UK schools offering the qualification. In recent years, the growth of Cambridge IGCSE in the UK has mirrored worldwide growth trends. However, this year we have seen exceptional growth in the UK; it was up by 104 per cent on last year. Worldwide, the number of Cambridge schools offering Cambridge IGCSE rose by 17 per cent. In particular there was strong growth in China, Egypt, Indonesia, Malaysia, and UK. The qualification is now taught in 550 UK schools (200 state and 350 independent).

Cambridge IGCSEs are also increasingly being adopted in schools throughout Europe as a means of educating students bilingually, often alongside a national curriculum.

The number of schools making Cambridge Pre-U entries rose from 60 last year to 90 in 2011. Overall, entries for Cambridge Pre-U, the Group's alternative qualification to the A level, are up by 34 per cent compared to last year. 148 schools registered to teach Cambridge Pre-U in July 2011 (up from 101 in 2010) – 55 per cent independent; 45 per cent state. Increase in demand for this qualification follows research by our international exam board, which showed that many students felt unprepared for university study after their school education.

We successfully delivered the first year of time zoned question papers on all Cambridge international qualifications – independently and externally audited for security.

We launched an Arabic website to provide an introduction to Cambridge qualifications and

programmes for our audiences in the Middle East and North Africa. The Arabic website is the fourth non-English website to be launched since last year, in addition to Chinese, Hindi and Vietnamese complementing the existing range of multilingual websites around the world.

Cambridge Primary, our integrated education and assessment programme for primary stage learners, underwent some exciting new developments. Revised curriculum frameworks, expanded assessment and reporting, and new support tools and resources for teachers have all been introduced in the way that customers want.

In the UK we launched a new digital tool to support science teachers. Our World of Science is the first virtual world to be launched by an exam board, and can be thought of as "Sims meets Science" for schools and colleges. Players learn in part through completing a range of tasks, which reflect the decisions you make to keep your world alive. The main link back to our science specifications, however, comes from the work shed, where you have to go to earn money. While in there, a range of scientific facts will appear on screen, all of which relate to OCR science topics.

We have been working with Doublestruck, market leaders in creating databases of assessment material, to product the first Cambridge Qkit. Cambridge Qkit for Mathematics is an easy-to-use, subject specific database of authentic Cambridge exam questions, related mark schemes and examiner commentary.

A brand new pack of teaching materials for use in the classroom is now available online for our Certificate in Employability Skills, part of our UK Ready Steady Work suite of qualifications. The qualification suite offers core employment skills ranging from interviews and practical tasks, to learning how to be financially capable.

A partnership between our UK exam board and the British Library provided teaching professionals with an exclusive opportunity last July to attend informed workshops and presentations on our GCSE specifications in Citizenship and Religious Studies. The key aim of the day was to promote community cohesion within schools and to demonstrate how the teaching of both subjects has a critical part to play in the process.

Process Improvement

We pride ourselves on designing world class processes and systems to ensure we deliver the right assessments to the right candidate on time. And we believe that it is our role, as experts in assessment and a body independent of government, to influence, advise and guide on all aspects of education policy and strategy around the world.

Extensive works are in progress at our state of the art warehouse, DC10, to optimise space and workflows to create a fully centralised operation. Warehouse capacity will increase from 3,000 to 4,800 pallet spaces and Goods-in/Goods-out area will be separated to provide more efficient workflows.

One of the major highlights is the new Post examinations processing area. Previously occupying the ground floor only with offices, this area has been transformed to provide a new first and second floor area of over 900 sq metres per floor. All post examinations processing for scripts, Optical Mark Recognition and art marking are now consolidated in one area. The top floor will provide a large area for onsite art marking with provision of natural light.

Another impressive structure is the high level walkway, currently under construction. This will provide safe access for staff to the ESOL marking area and our print management partner Océ's operation. This will separate pedestrian and fork lift traffic in the new goods-in area.

New smart warehouse lighting is being installed, improving our carbon footprint. Automatic sensing of movement and light levels result in a 75 per cent efficiency saving in comparison with existing lighting.

Works to allow our UK exam board's operation in Birmingham to move to DC10 are complete, the remainder of the program including site sprinkler installation is planned for completion in early 2012.

The building work to extend Three Crowns House to around 26,000 sq ft was completed in March 2011. We renamed the building 72 Hills Road in line with its postal address and our other buildings at 1,7 and 9 Hills Road. The interior fit out works are currently underway and it is planned that our international exams board will move into the building in September 2011 allowing other refurbishment works to proceed elsewhere within Group properties. The finished building has achieved a BREEAM 'Very Good' rating which is an indication of the attention to detail and the management processes that were applied throughout the project to turn the original 1970's building into a modern fully insulated and air conditioned office block.

Continuous Improvement and Efficiency

Project Threshold, a strategic three to four year programme designed to undertake the comprehensive renewal of the legacy technology infrastructure and complementary modernisation of our business processes, is making good progress in ensuring that the Group is capable of continued, sustainable growth.

During 2010/11 Project Threshold was mobilised fully under the leadership of an Executive Programme Board comprising the Operations Directors of all three of our exam boards. The focus in the first phase has been on the tools and processes used across the Group to manage and support its relationships with customers. To achieve this, the project concentrated on the redesign and renewal of all customer-facing web sites and proposals to introduce formal processes for customer relationship management. In parallel, the project selected a new technology platform which is intended to become the backbone of the Group's administrative processes as Threshold progresses. Delivery of new capability to the business will commence in January 2012 followed by further Releases every six months through to 2014.

Elsewhere, our exam boards continue to work collaboratively on projects. For instance, our admissions test team worked in conjunction with ESOL subject officers, to ensure that the linguistic content of assessments being developed were at a suitable level for international candidates who have English as their second language. And our UK and international exam boards continue to promote the benefits of each other's qualifications to their existing customers.

The revised Environment Policy was agreed by the Corporate Board in October 2010. Since then we have achieved the awarding of the Carbon Trust Standard and are continuing to put in place systems and equipment to enable accurate monitoring of energy use. The fitting of half hourly meters has identified energy usage patterns and as part of the development project at DC10, motion and ambient light sensitive lighting has been installed in the warehouse with an anticipated payback period of less than three years. Dry Mixed Recycling of waste has been rolled out across all our sites to enable us to achieve our target of 0 per cent waste to landfill by 2015. We are currently achieving over 92 per cent of waste being recycled and are focussing on our food and replacement computer packaging to achieve further reductions.

Support for Staff

As a vital and integral part of education and training worldwide, it matters to us that people rise to bigger challenges, reach their potential and gain new skills. Our training and development plans are also there to make sure staff across the Group have the necessary skills and abilities to perform to their full potential.

Staff continue to make the most of the training and development opportunities on offer with well over 2,000 people having attended soft skills courses this year. We introduced advanced telephone training to ensure customer service staff have the skills and the confidence to respond effectively to customers.

We also piloted bite sized training courses with a number of volunteers across the Group. The idea of scheduling three short, fast-paced sessions in one day for people to slot one, two or three into their busy schedules appealed to all who attended. We plan to run more next year. We continue to work closely with teams where some managers use established meetings to introduce a short training session on a business specific subject - fully embracing the 'just-in-time' approach to development.

Microsoft e-learning was successfully trialled; this will enhance a blended approach to our continuous learning and development activities. However, classroom based IT events, on-site as well as external, continue as part of our formal training environment.

The Cambridge Assessment Network's Certificate of Continuing Education in the Principles and Practice of Assessment continued to be popular among staff. It offers an excellent opportunity for both employees and other awarding bodies' staff to develop their knowledge and understanding of the theories of assessment that underpin their day-to-day work. In 2010-11, six members of staff participated in the programme, learning not just from the tutors, but also from the experiences of the other participants.

People

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

Finance and Reserves

The consolidated financial statements show that the Cambridge Assessment Group reported a surplus of £47.6 million for the financial year ended 31 July 2011 (2010: £49.4 million). Each of the three business streams recorded an operating surplus.

Income from examination fees and other educational and assessment services increased from £261.0 million to £268.2 million.

The overall costs for the year, before taxation and loss on asset disposals, were higher at £224.5 million than for the preceding period (£215.8 million). Expenditure is incurred in maintaining and developing qualifications, registration and certification of candidates, together with the quality control of examined and assessed schemes. Expenditure has also been incurred on changes and additions to systems, including increased levels of on-line administration.

As described earlier in the annual report the Group makes contributions to research and understanding of assessment issues and provides qualifications and related services to customers in around 160 countries. This brings with it challenges related to exchange rate exposures and economic difficulties which are reviewed and managed by the Corporate Board. Note 19 in the financial statements shows the organisation's exposure to exchange risks from forward exchange contracts.

The Group has £43.5 million in cash and short term deposits at the year end (£75.3 million at 31 July 2010). The deposits are invested by the University, mainly in its deposit pool, which is managed by the University Finance Division. The Group has £164.8 million invested in the Cambridge University Endowment Fund (£106.8 million at 31 July 2010), 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 to the financial statements). As a consequence the Syndics believe that it is well placed to manage its risks successfully, despite the continuing uncertain economic outlook. 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.

During the year £14.7 million was transferred to the University from reserves compared with £14.9 million for the previous year.

In addition, the Group has given financial assistance on a smaller scale to support scholarships run by the Cambridge Overseas Trust and Cambridge Commonwealth Trust.

Since 1981 the Group has transferred £222 million from its reserves and investment income - £200 million to general University funds; £19 million to the Cambridge Commonwealth and Overseas Trusts; and £3 million to establish the Research Centre for English and Applied Linguistics.

Risk Management

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

a. Policies and Procedures

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

b. Risk Register

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

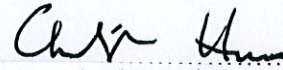
Conclusion

We have had another very busy and successful year. We have been particularly active in debates on educational and assessment issues which help to raise our profile and reinforce our position as a leading authority in the UK and overseas.

We are pleased that our continued successful growth has enabled us to support the University's educational outreach as well as giving us the opportunity to invest in our infrastructure and provide a better service to our customers. We also feel that this has put us in a good position to deal with the impact of the global financial crisis on our markets and the challenges posed by a more active regulator in the UK and policy changes introduced by the Coalition Government.

Signed:

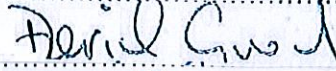
Sir C Hum (Chairman)



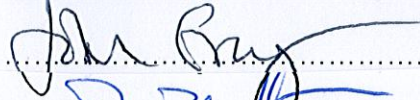
Mrs S Coutu



Dr D Good



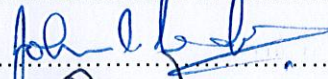
Professor J Gray



Ms D Hall



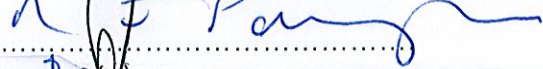
Dr J Leake



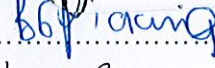
Mr D Mansfield



Mr R Partington



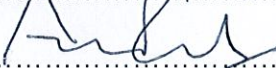
Mr B Picking



Dr K Pretty



Mr A Reid



Dr N White



Mr P Williams



17 November 2011. Syndicate Buildings, 1 Hills Road, Cambridge, CB1 2EU

Auditors

PricewaterhouseCoopers LLP
Castle Park, Gloucester Street, Cambridge CB3 0AN

Bankers

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

Appendix A: The Local Examinations Syndicate

| | | |
|-----------------------------------|---|-------------------|
| Sir Christopher Hum (Chairman) | Master of Gonville and Caius College | |
| Mrs Sherry Coutu | Investor and Independent Non-Executive Director | |
| Mr Patrick Derham | Head Master, Rugby School | Resigned 05.01.11 |
| Dr David Good | Fellow of King's College | |
| Professor John Gray | Professor of Education in the Faculty of Education, University of Cambridge | |
| Ms Denise Hall | Director of Marketing and Sales, SpecialSteps | |
| Dr John Leake | Fellow of St John's College | |
| Mr David Mansfield | Headteacher, Coopers' Company & Coborn School | |
| Mr Richard Partington | Senior Tutor, Churchill College | |
| Mr Bruce Picking | Former Chairman of Governors of Havering College of Further and Higher Education | |
| Dr Kate Pretty | Principal of Homerton 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 P Williams | Former Finance Director of Daily Mail and General Trust plc | From 29.09.11 |

Appendix B: The OCR Board

| | | |
|------------------------------|---|-------------------|
| Mr Simon Lebus (Chairman) | Cambridge Assessment Group Chief Executive | |
| Mrs Sherry Coutu | Investor and Independent Non-Executive Director | |
| Mr Patrick Derham | Head Master, Rugby School | Resigned 05.01.11 |
| Dr David Good | Fellow of King's College | |
| Professor John Gray | Professor of Education in the Faculty of Education, University of Cambridge | |
| Ms Denise Hall | Director of Marketing and Sales, SpecialSteps | |
| Sir Christopher Hum | Master of Gonville and Caius College | |
| Dr John Leake | Fellow of St John's College | |
| Mr David Mansfield | Headteacher, Coopers' Company & Coborn School | |
| Mr Richard Partington | Senior Tutor, Churchill College | |
| Mr Bruce Picking | Former Chairman of Governors of Havering College of Further and Higher Education | |
| Dr Kate Pretty | Principal of Homerton 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 P Williams | Former Finance Director of Daily Mail and General Trust plc | From 29.09.11 |

Appendix C: Cambridge Assessment Group Corporate Board

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

Appendix D: List of Acronyms

| | |
|--------|---|
| ALTE | Association of Language Testers in Europe |
| BEC | Business English Certificate |
| BIS | (Department for) Business, Innovation and Skills |
| BREEAM | Building Research Establishment Environmental Assessment Method |
| BULATS | Business Language Testing Service |
| CIE | Cambridge International Examinations |
| EBacc | English Baccalaureate |
| ESOL | English for Speakers of Other Languages |
| GCSE | General Certificate of Secondary Education |
| HCT | Higher Colleges of Technology (United Arab Emirates) |
| HEA | Higher Education Admissions (Test) |
| ICG | Institute of Career Guidance |
| ICT | Information and Communication Technology |
| IELTS | International English Language testing System |
| IGCSE | International General Certificate of Secondary Education |
| IHWO | International House World Organisation |
| ITQ | IT user Qualifications |
| OCR | Oxford, Cambridge and RSA Examinations |
| Ofqual | Office of the Qualifications and Examinations Regulator |
| UCLES | University of Cambridge Local Examinations Syndicate |

**UNIVERSITY OF CAMBRIDGE
LOCAL EXAMINATIONS SYNDICATE**

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2011**

CAMBRIDGE ASSESSMENT

CORPORATE GOVERNANCE AND INTERNAL CONTROL STATEMENT

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

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

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

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

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

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

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

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

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

CAMBRIDGE ASSESSMENT

RESPONSIBILITIES OF THE SYNDICS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2011

The Syndics are responsible for preparing the Annual Report and the financial statements for each financial year in accordance with Statute FII.4 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 United Kingdom Law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Under 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company 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 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.

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.

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

We have audited the Group and Cambridge Assessment financial statements (the "financial statements") of University of Cambridge Local Examinations Syndicate for the year ended 31 July 2011 which comprise the Consolidated Income and Expenditure Account, the Statement of Group Total Recognised Gains and Losses, the Consolidated and Cambridge Assessment Balance Sheets, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice – Accounting for Further and Higher Education.

Respective responsibilities of the Syndics and auditors

As explained more fully in Responsibilities of the Syndics for the Preparation of the Financial Statements, 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 International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, has been prepared for and only for the Syndics as a body in accordance with Statute F II.4 of the University of Cambridge and for no other purpose. We do not, in giving this opinion, 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.

Scope of the audit of the financial statements

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 and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and Cambridge Assessment's affairs as at 31 July 2011 and of the Group's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matter where the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992 requires us to report to you if, in our opinion:

- the Corporate Governance and Internal Control Statement is inconsistent with our knowledge of Cambridge Assessment and the Group.



PricewaterhouseCoopers LLP

Registered Auditors

Cambridge

Date: 17 November 2011

CAMBRIDGE ASSESSMENT

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 JULY 2011

| | Note | 2011 £m | 2010 £m |
|--|------|--------------|--------------|
| Income | | | |
| Examination fees | 2 | 253.3 | 245.4 |
| Other educational and assessment services | 2 | 14.9 | 15.6 |
| Endowment and investment income | 3 | 5.6 | 4.6 |
| Total income | | <u>273.8</u> | <u>265.6</u> |
| Expenditure | | | |
| Staff costs | 4 | 73.3 | 68.8 |
| Other operating expenses | 5 | 139.9 | 136.6 |
| Depreciation | | 11.3 | 10.4 |
| Total expenditure | | <u>224.5</u> | <u>215.8</u> |
| Surplus after depreciation of tangible fixed assets and before tax | | 49.3 | 49.8 |
| Taxation | | (0.4) | (0.1) |
| Surplus after depreciation of tangible fixed assets and tax | | <u>48.9</u> | <u>49.7</u> |
| Loss on disposal of fixed assets | | (1.4) | (0.3) |
| Surplus for the year after depreciation of tangible fixed assets and disposal of assets and tax | 6 | <u>47.5</u> | <u>49.4</u> |
| Transfer from accumulated income within specific endowments | 14 | 0.1 | - |
| Surplus for the year retained within general reserves | | <u>47.6</u> | <u>49.4</u> |

All income and expenditure relates to continuing activities.

CAMBRIDGE ASSESSMENT

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 JULY 2011

| | Note | 2011 £m | 2010 £m |
|--|------|-------------|-------------|
| Surplus for the year | | 47.5 | 49.4 |
| Increase in market value of investment assets | | 8.3 | 8.7 |
| Actuarial loss on defined benefit pension scheme | 17 | (0.6) | (0.4) |
| Total recognised gains for the year | | <u>55.2</u> | <u>57.7</u> |

| | 2011 £m | 2010 £m |
|-------------------------------------|--------------|--------------|
| Reconciliation | | |
| Opening reserves and endowments | 224.4 | 181.6 |
| Total recognised gains for the year | 55.2 | 57.7 |
| Transfer to the University | (14.7) | (14.9) |
| Closing reserves and endowments | <u>264.9</u> | <u>224.4</u> |

STATEMENT OF HISTORICAL COST SURPLUSES AND DEFICITS FOR THE YEAR ENDED 31 JULY 2011

| | 2011 £m | 2010 £m |
|---|-------------|-------------|
| Surplus for the year | 47.5 | 49.4 |
| Realisation of investment revaluation gains of previous years | - | - |
| Historical cost surplus for the year | <u>47.5</u> | <u>49.4</u> |

CAMBRIDGE ASSESSMENT

BALANCE SHEETS AS AT 31 JULY 2011

| | Note | 2011 £m | Group 2010 £m | Cambridge Assessment 2011 £m | Cambridge Assessment 2010 £m |
|---|------|--------------|---------------------|------------------------------------|------------------------------------|
| Fixed assets | | | | | |
| Tangible fixed assets | 7 | 88.8 | 78.1 | 79.5 | 68.3 |
| Investments | 8 | 166.3 | 108.3 | 72.2 | 48.7 |
| | | <u>255.1</u> | <u>186.4</u> | <u>151.7</u> | <u>117.0</u> |
| Endowment assets | 9 | 4.4 | 4.2 | 4.4 | 4.2 |
| Current assets | | | | | |
| Debtors | 10 | 64.9 | 68.7 | 58.1 | 48.8 |
| Short term deposits | | 40.3 | 73.3 | 22.9 | 36.4 |
| Cash at bank and in hand | | 3.2 | 2.0 | 1.8 | 0.2 |
| | | <u>108.4</u> | <u>144.0</u> | <u>82.8</u> | <u>85.4</u> |
| Creditors: amounts falling due within one year | 11 | (102.0) | (109.1) | (49.8) | (44.6) |
| Net current assets | | <u>6.4</u> | <u>34.9</u> | <u>33.0</u> | <u>40.8</u> |
| Total assets less current liabilities | | 265.9 | 225.5 | 189.1 | 162.0 |
| Creditors: amounts falling due after one year | 12 | - | - | (0.1) | (0.1) |
| Provisions for liabilities and charges | 13 | (1.0) | (0.2) | (0.4) | (0.2) |
| Net assets excluding pension scheme liability | | <u>264.9</u> | <u>225.3</u> | <u>188.6</u> | <u>161.7</u> |
| Pension liability | 17 | - | (0.9) | - | - |
| Total net assets | | <u>264.9</u> | <u>224.4</u> | <u>188.6</u> | <u>161.7</u> |
| Restricted expendable endowments | 14 | 4.4 | 4.2 | 4.4 | 4.2 |
| Reserves | | | | | |
| Revaluation reserve | 15 | 17.9 | 9.9 | 7.8 | 4.3 |
| Investment property revaluation reserve | 15 | 0.2 | 0.2 | 0.2 | 0.2 |
| General reserve | 15 | 242.4 | 211.0 | 176.2 | 153.0 |
| Total reserves excluding pension reserve | | <u>260.5</u> | <u>221.1</u> | <u>184.2</u> | <u>157.5</u> |
| Pension reserve | 15 | - | (0.9) | - | - |
| Total reserves including pension reserve | | <u>260.5</u> | <u>220.2</u> | <u>184.2</u> | <u>157.5</u> |
| | | <u>264.9</u> | <u>224.4</u> | <u>188.6</u> | <u>161.7</u> |

The financial statements on pages 5 to 24 were approved by the Syndics on 17 November 2011 and were signed on their behalf by:

Sir Christopher Hum KCMG



Chairman of the Local
Examinations Syndicate

Dr Katharine Pretty CBE



Member of the Local
Examinations Syndicate

CAMBRIDGE ASSESSMENT

**CONSOLIDATED CASHFLOW STATEMENT
FOR THE YEAR ENDED 31 JULY 2011**

| | Note | 2011 | | 2010 | |
|--|------|---------------|---------------|---------------|-------------|
| | | £m | £m | £m | £m |
| Net cash inflow from operating activities | 16a | | 51.5 | | 58.0 |
| Returns on investments and servicing of finance | | | | | |
| Investment income | | 5.0 | | 4.1 | |
| Interest received | | <u>0.3</u> | | <u>0.2</u> | |
| | | | 5.3 | | 4.3 |
| Taxation | | | (0.2) | | (0.1) |
| Capital expenditure and financial investment | | | | | |
| Payments to acquire tangible fixed assets | | (23.6) | | (15.6) | |
| Payments to acquire investments | | <u>(50.0)</u> | | <u>(12.0)</u> | |
| | | | (73.6) | | (27.6) |
| Transfer to University | | | (14.9) | | (12.4) |
| Cash (outflow)/inflow before use of liquid resources | | | <u>(31.9)</u> | | <u>22.2</u> |
| Management of liquid resources | | | | | |
| Net movement on short term deposits | 16c | | 33.1 | | (20.8) |
| Increase in cash in the year | 16b | | <u>1.2</u> | | <u>1.4</u> |

**CAMBRIDGE ASSESSMENT
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2011**

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education issued in July 2007, and in accordance with applicable Accounting Standards in the United Kingdom.

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

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

Basis of consolidation

The Group financial statements incorporate the results of Cambridge Assessment and its subsidiary undertakings. Cambridge Assessment is the brand name of the University of Cambridge Local Examinations Syndicate which is a department of the University of Cambridge which is governed by the Local Examinations Syndicate which is formed under the statutes of the University. Certain subsidiaries of the University are also governed by Cambridge Assessment, including Oxford Cambridge and RSA Examinations, and are included in the Cambridge Assessment Group. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal.

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

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

Deferral of income and expenditure

Income from session-based qualifications (such as GCSE's) 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 into 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.

Pension schemes

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

For two of the schemes, CPS and USS, Cambridge Assessment is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17, accounts for these schemes as if they were defined contribution schemes. As a result, the amount charged to the income and expenditure account represents the contributions payable to each scheme in respect of the accounting period.

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

**CAMBRIDGE ASSESSMENT
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2011**

1. ACCOUNTING POLICIES (continued)

Research and Development

Development work on IT projects is capitalised within tangible fixed assets when the overall project is expected to give rise to future economic benefits. Other expenditure on research and development is written off in the year in which it is incurred.

Fixed assets and depreciation

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

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

Freehold land is not depreciated.

Where there has been an indication that the carrying amount of a fixed asset may not be recoverable, an impairment review is carried out in accordance with the requirements of FRS11, "Impairment of Assets". If the carrying amount is higher than the recoverable amount, the asset is written down accordingly.

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.

Investment properties are properties held for their investment potential and are measured at fair value. Surpluses arising from revaluation are dealt with in the Investment Property Revaluation Reserve. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases a decrease in carrying amount is charged to the income and expenditure account. In accordance with Statement of Standard Accounting Practice No. 19, no depreciation is provided in respect of freehold investment properties. This is a departure from the requirements of UK GAAP that all properties should be depreciated. These properties are not held for consumption but for investment and the Syndics consider that to depreciate them would not give a true and fair view. Depreciation is only one of many factors reflected in the annual valuation of properties and accordingly the amount of depreciation which might otherwise have been charged cannot be separately identified or quantified.

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

Unrealised gains and losses on investments are taken through the Statement of Total Recognised Gains and Losses to the revaluation reserve or the investment property revaluation reserve. Realised gains and losses are recognised in the Income and Expenditure Account.

Endowments

Endowment funds are funds 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 not accessible within 24 hours.

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.

**CAMBRIDGE ASSESSMENT
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2011**

1. ACCOUNTING POLICIES (continued)

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

| | 2011 Group £m | 2010 Group £m |
|---|------------------------------|------------------------------|
| Examination fees and other educational and assessment services: | | |
| United Kingdom | 151.3 | 153.5 |
| European Union | 27.1 | 26.3 |
| Rest of the world | 89.8 | 81.2 |
| | <u>268.2</u> | <u>261.0</u> |

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

3. ENDOWMENT AND INVESTMENT INCOME

| | 2011 Group £m | 2010 Group £m |
|--|------------------------------|------------------------------|
| Income from specific endowment asset investments | 0.1 | 0.1 |
| Other investment income | 5.2 | 4.3 |
| Other interest receivable | 0.3 | 0.2 |
| | <u>5.6</u> | <u>4.6</u> |

CAMBRIDGE ASSESSMENT
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2011

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 | |
|-------------------------------------|--------------|--------------|----------------------|--------------|
| | 2011 No. | 2010 No. | 2011 No. | 2010 No. |
| Examination services | 1,425 | 1,383 | 744 | 708 |
| Administration and central services | 444 | 438 | 444 | 438 |
| Premises | 90 | 88 | 90 | 88 |
| | <u>1,959</u> | <u>1,909</u> | <u>1,278</u> | <u>1,234</u> |

Staff costs for the above persons comprise:

| | Group | | Cambridge Assessment | |
|-------------------------------|-------------|-------------|----------------------|-------------|
| | 2011 £m | 2010 £m | 2011 £m | 2010 £m |
| Salaries and wages | 57.5 | 54.3 | 38.1 | 35.6 |
| Social security costs | 4.8 | 4.5 | 3.2 | 2.9 |
| Other pension costs (note 17) | 12.3 | 11.7 | 8.5 | 7.7 |
| | <u>74.6</u> | <u>70.5</u> | <u>49.8</u> | <u>46.2</u> |

Of the above costs £1.3m (2010: £1.7m) was capitalised as internally developed software.

Staff costs charged to the Income and Expenditure Account

| | Group | | Cambridge Assessment | |
|-------------------------------------|-------------|-------------|----------------------|-------------|
| | 2011 £m | 2010 £m | 2011 £m | 2010 £m |
| Examination services | 52.1 | 49.0 | 27.3 | 24.7 |
| Administration and central services | 18.8 | 17.6 | 18.8 | 17.6 |
| Premises | 2.4 | 2.2 | 2.4 | 2.2 |
| | <u>73.3</u> | <u>68.8</u> | <u>48.5</u> | <u>44.5</u> |

Staff emoluments over £70,000

(Excluding employer's pension contributions)

| | Group | | Cambridge Assessment | |
|---------------------|-------------------|-------------------|----------------------|-------------------|
| | 2011 No. staff | 2010 No. staff | 2011 No. staff | 2010 No. staff |
| £70,001 - £80,000 | 10 | 14 | 6 | 10 |
| £80,001 - £90,000 | 9 | 6 | 9 | 5 |
| £90,001 - £100,000 | 6 | 3 | 5 | 3 |
| £100,001 - £110,000 | - | 5 | - | 4 |
| £110,001 - £120,000 | 2 | 3 | 2 | 1 |
| £120,001 - £130,000 | 4 | - | 1 | - |
| £130,001 - £140,000 | - | 1 | - | 1 |
| £140,001 - £150,000 | 1 | 1 | 1 | 1 |
| £150,001 - £160,000 | 2 | 1 | 2 | 1 |
| £170,001 - £180,000 | - | 1 | - | - |
| £190,001 - £200,000 | 1 | - | 1 | - |
| £310,001 - £320,000 | - | 1 | - | 1 |
| £330,001 - £340,000 | 1 | - | 1 | - |

**CAMBRIDGE ASSESSMENT
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2011**

5. OTHER OPERATING EXPENSES

| | 2011 Group £m | 2010 Group £m |
|---|------------------------------|------------------------------|
| Examination services | 110.0 | 111.6 |
| Administration and central services | 20.9 | 16.5 |
| Premises | 9.0 | 8.5 |
| | <u>139.9</u> | <u>136.6</u> |
| | 2011 Group £m | 2010 Group £m |
| Other operating expenses include: | | |
| Auditors' remuneration - audit of annual report and subsidiary undertakings | 0.1 | 0.1 |
| Internal audit fee | 0.1 | 0.1 |
| Operating leases - land & buildings | 0.9 | 0.7 |
| - plant, machinery & equipment | 0.5 | 0.6 |
| Foreign exchange losses | 0.2 | 0.6 |
| | <u>0.2</u> | <u>0.6</u> |

6. SURPLUS ON CONTINUING OPERATIONS FOR THE YEAR

| | 2011 £m | 2010 £m |
|---|--------------------|--------------------|
| Cambridge Assessment's surplus for the year | 33.8 | 30.2 |
| Group level adjustments re: defined benefit schemes | 1.5 | 0.1 |
| Surplus retained in subsidiary undertakings | 12.2 | 19.1 |
| | <u>47.5</u> | <u>49.4</u> |

7. TANGIBLE FIXED ASSETS

GROUP

| | Land & buildings | | | Plant & equip. furniture & fittings £m | Assets under construction £m | Total £m |
|-----------------------|-----------------------------|---------------------------------------|--|---|---|---------------------|
| | Freehold £m | Long term leasehold £m | Short term leasehold £m | | | |
| COST | | | | | | |
| At 1 August 2010 | 64.3 | 8.3 | 1.8 | 40.7 | 3.4 | 118.5 |
| Additions | 2.6 | 0.2 | - | 6.3 | 14.3 | 23.4 |
| Transfers | - | - | - | 1.1 | (1.1) | - |
| Disposals | - | - | - | (0.3) | (1.2) | (1.5) |
| At 31 July 2011 | <u>66.9</u> | <u>8.5</u> | <u>1.8</u> | <u>47.8</u> | <u>15.4</u> | <u>140.4</u> |
| DEPRECIATION | | | | | | |
| At 1 August 2010 | 14.4 | 2.3 | 0.6 | 23.1 | - | 40.4 |
| Disposals | - | - | - | (0.1) | - | (0.1) |
| Charge for the year | 2.0 | 0.2 | 0.1 | 9.0 | - | 11.3 |
| At 31 July 2011 | <u>16.4</u> | <u>2.5</u> | <u>0.7</u> | <u>32.0</u> | <u>-</u> | <u>51.6</u> |
| NET BOOK VALUE | | | | | | |
| At 31 July 2011 | <u>50.5</u> | <u>6.0</u> | <u>1.1</u> | <u>15.8</u> | <u>15.4</u> | <u>88.8</u> |
| At 31 July 2010 | <u>49.9</u> | <u>6.0</u> | <u>1.2</u> | <u>17.6</u> | <u>3.4</u> | <u>78.1</u> |

CAMBRIDGE ASSESSMENT
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2011

7. TANGIBLE FIXED ASSETS (continued)

CAMBRIDGE ASSESSMENT

| | Land & buildings | | Plant & equip. furniture & fittings £m | Assets under construction £m | Total £m |
|-----------------------|------------------|----------------------------|---|---------------------------------|--------------|
| | Freehold £m | Short term leasehold £m | | | |
| COST | | | | | |
| At 1 August 2010 | 60.6 | 1.4 | 35.5 | 3.2 | 100.7 |
| Additions | 2.6 | - | 5.8 | 13.8 | 22.2 |
| Transfers | - | - | 0.9 | (0.9) | - |
| Disposals | - | - | (0.2) | (1.2) | (1.4) |
| At 31 July 2011 | <u>63.2</u> | <u>1.4</u> | <u>42.0</u> | <u>14.9</u> | <u>121.5</u> |
| DEPRECIATION | | | | | |
| At 1 August 2010 | 11.6 | 0.2 | 20.6 | - | 32.4 |
| Disposals | - | - | (0.1) | - | (0.1) |
| Charge for the year | 1.9 | 0.1 | 7.7 | - | 9.7 |
| At 31 July 2011 | <u>13.5</u> | <u>0.3</u> | <u>28.2</u> | <u>-</u> | <u>42.0</u> |
| NET BOOK VALUE | | | | | |
| At 31 July 2011 | <u>49.7</u> | <u>1.1</u> | <u>13.8</u> | <u>14.9</u> | <u>79.5</u> |
| At 31 July 2010 | <u>49.0</u> | <u>1.2</u> | <u>14.9</u> | <u>3.2</u> | <u>68.3</u> |

8. INVESTMENTS

| | Group | | Cambridge Assessment | |
|---|--------------|--------------|----------------------|-------------|
| | 2011 £m | 2010 £m | 2011 £m | 2010 £m |
| At 1 August 2010 | 108.3 | 87.9 | 48.7 | 44.3 |
| Additions | 50.0 | 12.0 | 20.0 | - |
| Increase in market value of investments | 8.0 | 8.4 | 3.5 | 4.4 |
| At 31 July 2011 | <u>166.3</u> | <u>108.3</u> | <u>72.2</u> | <u>48.7</u> |
| Represented by: | | | | |
| University Endowment Fund units | 164.8 | 106.8 | 70.6 | 47.1 |
| Investment properties | 1.4 | 1.4 | 1.4 | 1.4 |
| Investment in subsidiary undertakings | - | - | 0.1 | 0.1 |
| Loan to Joint Venture | 0.1 | 0.1 | 0.1 | 0.1 |
| | <u>166.3</u> | <u>108.3</u> | <u>72.2</u> | <u>48.7</u> |

Investments at market value comprise Cambridge University Endowment Fund units. The market value at 31 July 2011 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 historic cost of these investments at 31 July 2011 amounted to: Group £148.8m (2010: £98.8m); Cambridge Assessment £64.8m (2010: £44.8m).

Investment properties are stated at fair value. The valuation at 31 July 2011 was provided by the Group Finance Director, based on local property indices and comparative data.

**CAMBRIDGE ASSESSMENT
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2011**

8. INVESTMENTS (continued)

Subsidiary undertakings:

| Name of subsidiary undertaking | Country of registration & operation | Class of share | Proportion held | Nature of business | Note |
|---|--|-----------------------|------------------------|-----------------------------------|-------------|
| Oxford Cambridge and RSA Examinations | England | Member | 100% | Examination & assessment services | 1 |
| The West Midlands Examinations Board | England | Member | 100% | Examination services | 2 |
| Sandonian Properties Limited | England | Ordinary | 100% | Property Holding | 4 |
| Cambridge Assessment Overseas Limited | England | Ordinary | 100% | Overseas office services | 4 |
| OCIAS Limited | England | Ordinary | 100% | Overseas office services | 4 |
| Fundacion UCLES | Spain | Member | 100% | Overseas office services | 5 |
| Cambridge Assessment Overseas Association Inc | Australia | Member | 100% | Overseas office services | 7 |
| Cambridge Assessment | England | Member | 100% | Dormant | 3 |
| Cambridge ESOL Inc | US | Member | 100% | Not trading | 6 |
| CUAPTS Limited | Hong Kong | Ordinary | 100% | Dormant | 4 |
| Mill Wharf Limited | England | Ordinary | 100% | Dormant | 4 |
| OCR Nationals | England | Member | 100% | Dormant | 3 |
| Progress House Printers Limited | England | Ordinary | 100% | Dormant | 4 |
| 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 |

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

Joint Ventures:

| | | | | | |
|--|----|--------|-----|----------------------|---|
| IELTS Inc | US | Member | 33% | Examination services | 6 |
| Cambridge Michigan Language Assessment LLC | US | Member | 65% | Examination services | 6 |

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-stock non-profit corporation.
- 7 Australian incorporated entity.

**CAMBRIDGE ASSESSMENT
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2011**

9. ENDOWMENT ASSETS

| | Group | | Cambridge Assessment | |
|--|------------|------------|----------------------|------------|
| | 2011 £m | 2010 £m | 2011 £m | 2010 £m |
| At 1 August 2010 | 4.2 | 3.9 | 4.2 | 3.9 |
| Increase in market value of University Endowment Fund units | 0.3 | 0.3 | 0.3 | 0.3 |
| Disposal of assets to support expenditure | (0.1) | - | (0.1) | - |
| At 31 July 2011 | <u>4.4</u> | <u>4.2</u> | <u>4.4</u> | <u>4.2</u> |
| Represented by: | | | | |
| University Endowment Fund units | 3.4 | 3.1 | 3.4 | 3.1 |
| Short term deposits | 1.0 | 1.1 | 1.0 | 1.1 |
| | <u>4.4</u> | <u>4.2</u> | <u>4.4</u> | <u>4.2</u> |

10. DEBTORS

| | Group | | Cambridge Assessment | |
|--------------------------------|-------------|-------------|----------------------|-------------|
| | 2011 £m | 2010 £m | 2011 £m | 2010 £m |
| Trade debtors | 48.9 | 55.2 | 45.6 | 38.7 |
| Other debtors | 0.5 | 0.2 | 0.5 | 0.1 |
| Prepayments and accrued income | 15.5 | 13.3 | 12.0 | 10.0 |
| | <u>64.9</u> | <u>68.7</u> | <u>58.1</u> | <u>48.8</u> |

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | Group | | Cambridge Assessment | |
|---|--------------|--------------|----------------------|-------------|
| | 2011 £m | 2010 £m | 2011 £m | 2010 £m |
| Trade creditors | 7.8 | 6.8 | 6.2 | 5.3 |
| Other taxes and social security | 5.6 | 5.8 | 2.3 | 2.0 |
| Other creditors | 0.7 | 0.5 | 0.6 | 0.4 |
| Accruals and deferred income (see below) | 87.9 | 96.0 | 40.7 | 36.9 |
| | <u>102.0</u> | <u>109.1</u> | <u>49.8</u> | <u>44.6</u> |
| Deferred income is analysed as: | | | | |
| At 1 August 2010 | 62.7 | 44.5 | 19.0 | 20.1 |
| Movement in the year | (5.7) | 18.2 | 2.8 | (1.1) |
| At 31 July 2011 | <u>57.0</u> | <u>62.7</u> | <u>21.8</u> | <u>19.0</u> |

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

**CAMBRIDGE ASSESSMENT
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2011**

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

| | Group | | Cambridge Assessment | |
|------------------|------------|------------|----------------------|------------|
| | 2011 £m | 2010 £m | 2011 £m | 2010 £m |
| Loan from CUAPTS | - | - | 0.1 | 0.1 |
| | <u>-</u> | <u>-</u> | <u>0.1</u> | <u>0.1</u> |
| | <u>-</u> | <u>-</u> | <u>0.1</u> | <u>0.1</u> |

The loan from CUAPTS is unsecured and has no fixed repayment date. No interest was charged on the loan in the year to 31 July 2011 (2010: £nil).

13. PROVISIONS FOR LIABILITIES AND CHARGES

GROUP

| | Staffing £m | Other £m | Total £m |
|---------------------|----------------|-------------|-------------|
| At 1 August 2010 | 0.1 | 0.1 | 0.2 |
| Charges in the year | 0.6 | 0.2 | 0.8 |
| At 31 July 2011 | <u>0.7</u> | <u>0.3</u> | <u>1.0</u> |

CAMBRIDGE ASSESSMENT

| | Staffing £m | Other £m | Total £m |
|---------------------|----------------|-------------|-------------|
| At 1 August 2010 | 0.1 | 0.1 | 0.2 |
| Charges in the year | - | 0.2 | 0.2 |
| At 31 July 2011 | <u>0.1</u> | <u>0.3</u> | <u>0.4</u> |

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

CAMBRIDGE ASSESSMENT
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2011

14. RESTRICTED EXPENDABLE ENDOWMENTS

GROUP and CAMBRIDGE ASSESSMENT

| | 2011 £m | 2010 £m |
|--|--------------|--------------|
| At 1 August 2010 | 4.2 | 3.9 |
| Income receivable from endowment asset investments | 0.1 | 0.1 |
| Expenditure | <u>(0.2)</u> | <u>(0.1)</u> |
| | (0.1) | - |
| Increase in market value of investments | 0.3 | 0.3 |
| At 31 July 2011 | <u>4.4</u> | <u>4.2</u> |
| Representing | | |
| WMEB Fund | 4.3 | 4.1 |
| Scholarship Funds | 0.1 | 0.1 |
| | <u>4.4</u> | <u>4.2</u> |

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

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

15. RESERVES

GROUP

| | General reserves £m | Revaluation reserve £m | Investment property revaluation reserve £m | Total excluding pension reserve £m | Pension reserve £m | Total £m |
|---|---------------------------|------------------------------|--|--|--------------------------|--------------|
| At 1 August 2010 | 211.0 | 9.9 | 0.2 | 221.1 | (0.9) | 220.2 |
| Surplus retained for the year | 46.1 | - | - | 46.1 | 1.5 | 47.6 |
| Increase in market value of investments | - | 8.0 | - | 8.0 | - | 8.0 |
| Transfer to University | (14.7) | - | - | (14.7) | - | (14.7) |
| Actuarial loss | - | - | - | - | (0.6) | (0.6) |
| At 31 July 2011 | <u>242.4</u> | <u>17.9</u> | <u>0.2</u> | <u>260.5</u> | <u>-</u> | <u>260.5</u> |

CAMBRIDGE ASSESSMENT
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2011

15. RESERVES (continued)

CAMBRIDGE ASSESSMENT

| | General reserves £m | Revaluation reserve £m | Investment property revaluation reserve £m | Total £m |
|--|---------------------------|------------------------------|--|--------------|
| At 1 August 2010 | 153.0 | 4.3 | 0.2 | 157.5 |
| Surplus retained for the year | 33.9 | - | - | 33.9 |
| Increase in market value of investments | - | 3.5 | - | 3.5 |
| Transfer to University | (10.7) | - | - | (10.7) |
| At 31 July 2011 | <u>176.2</u> | <u>7.8</u> | <u>0.2</u> | <u>184.2</u> |

16. NOTES TO CONSOLIDATED CASHFLOW STATEMENT

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

| | 2011 £m | 2010 £m |
|---|-------------|-------------|
| Surplus on continuing operations before tax | 49.3 | 49.8 |
| Endowment and investment income | (5.6) | (4.6) |
| Depreciation of tangible fixed assets | 11.3 | 10.4 |
| Movements in provisions | 0.5 | (0.2) |
| (Decrease)/increase in creditors | (6.5) | 17.5 |
| Decrease/(increase) in debtors | 4.0 | (14.8) |
| Pension costs (FRS17) | (1.5) | (0.1) |
| Net cash inflow from operating activities | <u>51.5</u> | <u>58.0</u> |

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

| | 2011 £m | 2010 £m |
|---|---------------|-------------|
| Increase in cash in the year | 1.2 | 1.4 |
| Net cash (outflow)/ inflow from short term deposits | (33.1) | 20.8 |
| Change in net funds resulting from cashflows | <u>(31.9)</u> | <u>22.2</u> |
| Net funds at 1 August 2010 | 76.4 | 54.2 |
| Net funds at 31 July 2011 | <u>44.5</u> | <u>76.4</u> |

**CAMBRIDGE ASSESSMENT
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2011**

16. NOTES TO CONSOLIDATED CASHFLOW STATEMENT (continued)

c. Analysis of change in net funds

| | At 1 August 2010 £m | Cash flows £m | At 31 July 2011 £m |
|--------------------------|---------------------------|---------------------|--------------------------|
| Cash at bank and in hand | 2.0 | 1.2 | 3.2 |
| Short term deposits | 74.4 | (33.1) | 41.3 |
| Total | <u>76.4</u> | <u>(31.9)</u> | <u>44.5</u> |

The short term deposits above include £1.0m (2010: £1.1m) held as endowment assets.

17. PENSION COSTS

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

The CPS and USS schemes are not closed, nor are the age profiles of their active membership rising significantly. The RSAEB scheme is a closed scheme which has no active members (2010: 7). The rates of contribution payable are determined by the trustees on the advice of the actuaries.

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

| USS and CPS | USS | CPS |
|--|-------------------------------------|------------|
| Latest actuarial valuations | Mar 2008 | Jul 2009 |
| Investment returns per annum | 4.4% | 6.6% |
| Salary scale increases per annum | 4.3% | 4.9% |
| Pension increases per annum | 3.3% | 3.4% |
| Market value of assets at date of last valuation | £28,842m | £276m |
| Funding level | 103% | 67% |
| Employer's contribution rate | 14% to 31/09/2009 16% thereafter | 23.7% |

RSAEB pension scheme

The latest full actuarial valuation of the scheme, as at 31 July 2010, showed a funding deficit of £1.4m. The employers made payments to fund the deficit in May and July 2011 as a consequence of which no further deficit funding payments were required.

The scheme was closed to further benefit accrual from March 2011, after which no further contributions were required. The employer's contribution rate for the scheme up to March 2011 was 31.8% of pensionable pay.

The results of the actuarial valuation have been updated to 31 July 2011 by a qualified independent actuary in accordance with the requirements of FRS 17.

**CAMBRIDGE ASSESSMENT
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2011**

17. PENSION COSTS (continued)

The major assumptions used by the actuary were:

| | At 31 July 2011 | At 31 July 2010 |
|--|----------------------------|----------------------------|
| Discount rate | 5.5% | 5.5% |
| Retail price inflation | 3.7% | 3.4% |
| Consumer price inflation | 3.0% | - |
| Salary increase rate | - | 5.4% |
| Pensions increases (at Limited Price Indexation) | 3.2% | 3.6% |
| Deferred pension revaluation | 3.0% | 3.4% |

At 31 July 2011 the mortality assumption followed the standard table known as S1PA with medium cohort mortality improvements subject to a 1% minimum to the annual improvements. The mortality assumptions used at the previous year end followed the PA92 table with medium cohort mortality improvements subject to a 1.5% minimum to the annual improvements.

Life expectancy in years, assuming retirement at 65:

| | At 31 July 2011 | At 31 July 2010 |
|--------------------------------|----------------------------|----------------------------|
| Male aged 65 now | 21.4 | 23.7 |
| At 65 for male aged 45 now | 23.3 | 26.8 |
| Female aged 65 now | 24.0 | 27.4 |
| At 65 for a female aged 45 now | 25.9 | 30.7 |

| | At 1 Aug 2010 | At 1 Aug 2009 |
|---|--------------------------|--------------------------|
| Expected return on assets at beginning of year: | | |
| Equities | 7.3% | 7.4% |
| Bonds | 5.0% | 5.3% |
| Other | 0.5% | 0.5% |

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

Analysis of amounts recognised in the balance sheet

| | 2011 £m | 2010 £m |
|---|--------------------|--------------------|
| Fair value of scheme assets | 10.2 | 8.0 |
| Value of funded obligations | (7.7) | (8.9) |
| Adjustment for non-recoverability of net asset by the Group | (2.5) | - |
| | <u>-</u> | <u>(0.9)</u> |

Analysis of amounts recognised in the Income and Expenditure account

| | 2011 £m | 2010 £m |
|-----------------------------|--------------------|--------------------|
| Current service cost | 0.1 | 0.1 |
| Interest on obligation | 0.5 | 0.5 |
| Expected return on assets | (0.5) | (0.4) |
| Settlements or curtailments | (0.1) | - |
| | <u>-</u> | <u>0.2</u> |
| Actual return on assets | 1.0 | 1.1 |

**CAMBRIDGE ASSESSMENT
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2011**

17. PENSION COSTS (continued)

Amounts recognised in the statement of total recognised gains and losses

| | 2011 £m | 2010 £m |
|---|--------------------|--------------------|
| Actual return less expected return on pension scheme assets | 0.5 | 0.7 |
| Experience gains on the scheme liabilities | 0.5 | 0.1 |
| Adjustment for non-recoverability of net asset by the Group | (2.5) | - |
| Change in assumptions | 0.9 | (1.2) |
| Actuarial loss | <u>(0.6)</u> | <u>(0.4)</u> |

Analysis of change in the defined benefit obligation

| | 2011 £m | 2010 £m |
|------------------------------------|--------------------|--------------------|
| Opening defined benefit obligation | 8.9 | 7.6 |
| Current service cost | 0.1 | 0.1 |
| Interest on obligation | 0.5 | 0.5 |
| Actuarial (gains)/ losses | (1.4) | 1.1 |
| Settlements or curtailments | (0.1) | - |
| Benefits paid | (0.3) | (0.4) |
| | <u>7.7</u> | <u>8.9</u> |

Analysis of change in the fair value of scheme assets

| | 2011 £m | 2010 £m |
|-------------------------------------|--------------------|--------------------|
| Opening fair value of scheme assets | 8.0 | 7.0 |
| Expected return on assets | 0.5 | 0.4 |
| Actuarial gains | 0.5 | 0.7 |
| Contributions | 1.5 | 0.3 |
| Benefits paid | (0.3) | (0.4) |
| | <u>10.2</u> | <u>8.0</u> |

The Group expects to make no contributions to this defined benefit pension scheme in the year to 31 July 2012.

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

| | Assets at 31 July 2011 | Assets at 31 July 2010 |
|----------|---------------------------------------|---------------------------------------|
| Equities | 44% | 48% |
| Bonds | 54% | 51% |
| Other | 2% | 1% |

CAMBRIDGE ASSESSMENT
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2011

17. PENSION COSTS (continued)

Amounts for the current and previous four periods:

| | 31 July 2011 £m | 31 July 2010 £m | 31 July 2009 £m | 31 July 2008 £m | 31 July 2007 £m |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Defined benefit obligation | (7.7) | (8.9) | (7.6) | (7.2) | (7.2) |
| Scheme assets | 10.2 | 8.0 | 7.0 | 7.5 | 5.8 |
| Net asset not recoverable | (2.5) | - | - | (0.3) | - |
| Deficit | <u>-</u> | <u>(0.9)</u> | <u>(0.6)</u> | <u>-</u> | <u>(1.4)</u> |
| Experience adjustments on scheme liabilities | 0.5 | 0.1 | - | 0.1 | - |
| Experience adjustments on scheme assets | 0.5 | 0.7 | (0.8) | (0.6) | (0.1) |

Total Group pension cost for the Year

| | 2011 £m | 2010 £m |
|-------|-------------|-------------|
| USS | 7.1 | 6.6 |
| CPS | 5.2 | 5.0 |
| RSAEB | - | 0.1 |
| | <u>12.3</u> | <u>11.7</u> |

18. OPERATING LEASES

At 31 July 2011 the Group had annual commitments under non-cancellable operating leases as follows:

| | Group | | Cambridge Assessment | |
|---|------------|------------|----------------------|------------|
| Amounts payable under operating leases which fall due in the next financial year: | 2011 £m | 2010 £m | 2011 £m | 2010 £m |
| Land and buildings, commitments expiring: | | | | |
| In 1 year | - | - | 0.1 | - |
| Between 2 & 5 years | 0.8 | 0.1 | 0.8 | 0.1 |
| After 5 years | 0.1 | 0.8 | - | 0.7 |
| Plant, machinery and equipment, commitments expiring: | | | | |
| In 1 year | 0.1 | - | - | - |
| Between 2 & 5 years | 0.3 | 0.4 | 0.2 | 0.2 |
| | <u>1.3</u> | <u>1.3</u> | <u>1.1</u> | <u>1.0</u> |

19. FORWARD CURRENCY CONTRACTS

As at 31 July 2011 the Group had forward exchange contracts for the sale of €23.0m (2010: €19.3m).

20. CAPITAL COMMITMENTS

There were £2.5m capital commitments for Cambridge Assessment and the Group as at 31 July 2011 in respect of construction projects (2010: £10.3m in respect of freehold property purchases).

**CAMBRIDGE ASSESSMENT
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2011**

21. CONTINGENT LIABILITIES

There were no (2010: £nil) contingent liabilities as at 31 July 2011.

22. RELATED PARTY TRANSACTIONS

The Group has taken advantage of the exemption in Financial Reporting Standard 8, "Related Parties" to not 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 2011 was £14.7m (2010: £14.9m). The balance due at 31 July was £14.7m (2010: total £14.9m).

The group paid £0.28m (2010: £0.40m) to the University in respect of rentals and other services. Examination fees and sales of other services amounting to £0.03m (2010: £0.05m) were charged to the University. At 31 July 2011 £0.07m (2010: £0.08m) 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:- purchase of services £0.58m (2010: £0.44m), receipt of royalties £1.28m (2010: £0.70m), sale of services £0.34m (2010: £0.11m). At 31 July 2011 a balance of £0.29m (2010: £0.15m) was due to CUP and its subsidiaries.

A total of £0.78m (2010: £0.89m) was payable to Colleges of the University in respect of venue hire and scholarships. Property rental of £0.05m (2010: £0.07m) was receivable from Downing College and sundry income of £2,100 (2010: £3,180) in total was received from fourteen (2010: fourteen) colleges. At 31 July 2011 £0.09m (2010: £0.22m) was owed to Colleges.

£0.04m (2010: £0.1m) was paid to the Cambridge Commonwealth Trust, and £0.05m (2010: £nil) to Cambridge Overseas Trust in respect of scholarships.

£nil (2010: £1,405 to two Syndics) was paid to Syndics in respect of consultancy services; £1,517 to one Syndic (2010: £1,816 to two Syndics) in respect of examination services. No other remuneration was paid to Syndics or to any connected persons (2010: £nil). Total travel expenses of £727 (2010: £2,851) were payable to 4 (2010: 7) Syndics. At 31 July 2011, £nil was owed to Syndics (2010: £nil).

23. ULTIMATE PARENT UNDERTAKING

Cambridge Assessment is a constituent part of the University of Cambridge. It is governed by the Statutes and Ordinances of the University. The results of Cambridge Assessment are consolidated into the 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.