



CAMBRIDGE ASSESSMENT

Cambridge Assessment Group

Annual Report and Accounts, 2009-2010

Cambridge Assessment

Annual Report, 2009/2010

This is the one hundred and fifty-second Annual Report of Cambridge Assessment to the Council of the University of Cambridge. It covers the events of the year to 31 July 2010.

Introduction

The last 12 months have been challenging but successful. Public scrutiny of the exam and education systems has been particularly intense – and indeed remains so.

We responded to this in the UK by launching a campaign on standards the highlight of which was a well-attended debate which we arranged in London that was also streamed live on the internet. We made our own position very clear through statements on our website and encouraged further debate via a blog. The campaign, therefore, provided an excellent opportunity for us to demonstrate the depth and breadth of our knowledge in this area, supported by rigorous research.

We have called for a slimmer National Curriculum and tighter links between schools, exam boards and universities to ensure that A levels meet the needs of all stakeholders and help restore public confidence in these crucial high stakes qualifications.

However, the issue of standards is not just relevant to the UK. It also resonates internationally where more and more foreign governments are looking to reform their national curriculums and enhance their education systems.

This year has also been a major transition point for the organisation as our turnover passed £250m for the first time. It is in this context that we embarked on a three to five year strategy – named Project Threshold – to implement fundamental changes to our business processes and technology infrastructure. This modernisation of our infrastructure will enable us to continue to grow on a sustainable basis.

Other developments of note included the formal establishment of Ofqual and the coalition government's decision to provide funding for IGCSE in the state sector. This year has also seen the first awarding of A* at A level and the Cambridge Pre-U which, along with multiple timezone question papers, presented significant challenges to our international exam board which they were able to overcome successfully notwithstanding the additional logistical difficulties posed by the volcanic ash cloud.

Achievements and Performance

Influencing and Encouraging Debate

The Group continued to be influential in shaping thinking about the purpose and form of assessment.

During the year we provided vital thought leadership on key educational issues to ensure that our expertise in assessment was continuing to be listened to and acted upon.

We took an active role in lobbying members of both Houses of Parliament to seek their support for changes to the legislation setting up Ofqual. The changes that we suggested will enable Ofqual to act as a genuinely independent standards-orientated regulator.

Over the year we also campaigned for an open and frank debate on exam standards to clarify public understanding of the complex and varied issues involved. We believed that a comprehensive, unbiased and well-informed public debate on the issue was missing, and indeed, long overdue. We also felt that, as a topic of such central importance to our three examination boards, we wanted to take the lead.

There were three strands to our standards campaign, all of which attracted widespread media attention resulting in coverage in 11 national news outlets. It began with a Parliamentary research seminar for leading academics and policymakers to start tackling some of the trickiest questions. The second strand was a live debate in London attended by over 100 people. The debate was streamed live and nearly 1,000 people from around the world engaged with the proceedings online. The campaign was also supported through an online debate via a Cambridge Assessment blog. The blog stimulated discussion before the event and provided us with a post-event facility for continuing the debate throughout the summer. A report of our findings and recommendations will be shared with Government this autumn.

We responded to the Sykes Report for the Conservative Party on the future of academic qualifications and assessment. While we supported most of its recommendations on the role of HE and on the role that regulators should play and the National Curriculum, we had some concerns regarding the recommendations relating to assessment at age 16 and published our comments on our website.

We welcomed the then Shadow Education Secretary Michael Gove MP's comments on ending political control of A levels. For a long time we have believed that education should not be hindered by unnecessary regulation and political interference. Proposals to remove this kind of intervention and instead to empower experts in education – such as exam boards and HE – will create a system that engages and integrates the needs of HE into the design of courses and assessments that meet those needs.

The future of the Diploma – the new qualification for 14–19 year-olds, awarded for the first time last year – was the issue that topped the agenda when we staged debates on the theme of Education for Economic Recovery at all three 2009 main political party conferences. Opinion ranged from those who argued that the new 'middle way' qualifications should be given 'a fair wind' to others who said they had not been clearly thought through and would fail to meet the country's skills needs.

Our research on Emotional Intelligence and its impact on improving attainment was also put under the spotlight in private roundtables at the Labour and Conservative Conferences, stimulating lively discussion whilst demonstrating the breadth of the Group's expertise.

We were also asked to contribute to the debate 'too many exams, not enough education?' at The Sunday Times Festival of Education, run in partnership with Wellington College, at which the recently appointed Education Secretary Michael Gove MP held up Cambridge Pre-U as a model for post-16 education.

Internationally, we continue to play a leading role in the discussion of language qualifications for migration. We organised events on the subject of language assessment for migration and integration in the UK, Germany and Italy.

We also provided advice on how the health profession can ensure that overseas medical personnel have appropriate language skills, following a call for tougher English tests for overseas doctors before they can become out of hours general practitioners.

Overseas, we continued to share ideas and experiences with education professionals. Teachers from all over the world were given the opportunity to address the challenges of teaching an international curriculum – in particular science and languages – through the medium of English, at the 5th International Teachers' Conference held in Singapore. New approaches to integrating technology into science and language teaching were also discussed at the conference.

The annual event to support curriculum developers and assessment experts from ministries and exam boards in Southern Africa continued to be popular. It attracted 55 delegates from Swaziland, Namibia, Lesotho, South Africa and Botswana. Presentations on active learning and formative assessment by University of Cambridge Faculty of Education experts were well received by delegates.

Over 300 educators from schools across the United Arab Emirates participated in the *Towards a student-centred classroom* conference in Abu Dhabi in March, hosted jointly by two of our exam boards under the patronage of Abu Dhabi Education Council.

In the UK we held our 4th Cambridge Assessment Conference, which brought together nearly 200 assessment professionals and public policy experts to debate the crucial issue: *how far should the state control educational assessment?* Keynote presentations were made by Professor Alison Wolf from King's College London, who has a special interest in the relationship between education and the labour market, and Professor Robin Alexander, who is responsible for the Cambridge Primary Review.

We also hosted the 32nd Language Testing Research Colloquium. The theme, *Crossing the threshold: investigating levels, domains and frameworks in language assessment*, reflected contemporary research interests and concerns within the language testing and assessment community, at both national and international level, about proficiency levels, language domains, and the role of interpretative frameworks of reference for language learning, teaching and assessment. An unprecedented number of nearly 300 submissions were received for the 2010 conference and 326 delegates attended from 40 countries.

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

Speaking at The 8th e-Assessment Question Conference in London, Simon Lebus told the gathering that despite continuous improvements to technology the public are still uncertain whether e-assessment can provide a true test of learning. And that interestingly, the same challenge is not found within the professional world.

We attended and spoke at two conferences - the 12th International Conference on Interactive Computer-Aided Learning in Austria and the e-assessment in Practice Conference at the Defence Academy at Cranfield University, UK – to support aspects of the Cambridge Approach in relation to the development of assessment services.

We were also asked to present our research in developing online ESOL speaking tests at an important EU conference on computer-based assessment of speaking in Brussels. Our work in this area highlights the importance of addressing issues of test quality and fitness for purpose, which are crucial for an exam's soundness and fairness.

Furthermore, through our connections to the UK-based e-Assessment Association, we were invited to speak and participate at several events, including the IMS Learning Impact Awards in the US and the Scottish e-Assessment Awards.

Opportunities were sought to increase awareness, recognition and appreciation of our HE admissions tests portfolio via targeted presence and exhibiting at events, such as those run by UCAS, policy seminar organisers, as well as exhibiting at HE institutions' own open days. We ran a seminar on the topic of competitive university admissions, featuring guest speaker Dr Robert Wilkins, Coordinator for Admissions to Medicine at Oxford University.

Overall, our level of engagement with HE increased during the year. OCR included more HE representatives in its main advisory and consultative groups and set up subject qualifications development forums, including subject associations and learned societies, with a focus upon Key Stage 3 and 4 curriculum content and assessment. The intention of these forums is to ensure HE has a significant say in the development of our thinking about curriculum and qualifications.

The Group continues to be a major influencer in global education. The Banking Institute in Bahrain became the first institute in the region to adopt the Cambridge Financial English (CFE) blended learning course. Developed by Cambridge ESOL, Cambridge University Press and the Association of Chartered Certified Accountants, it helps students and financial professionals to develop their English language skills. The Institute will be starting the CFE blended learning course from September 2010.

The French Ministry of National Education once more awarded Cambridge ESOL an important contract to test the English language skills of students in state secondary schools. The Cambridge English Certificate gives French high school students an international certification of their language level. From 2008 to 2010, nearly 70,000 students have taken the voluntary test to improve their chances in higher education and work.

The Cambridge Assessment Network continued to provide a forum for professionals involved in assessment to develop and share their knowledge and expertise, and to attract high profile speakers and in turn increase the number of attendees.

2010 saw the most popular International Study Programme to date. Twenty-four delegates from 12 countries spent two weeks with us in May, learning about the principles of examination development and administration.

Our research division 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, the Group also contributed articles to a wide selection of books and journals published around the world, and was asked to be the guest editor of *Research Papers in Education's* Special Issue on 'contemporary issues in assessment'.

We published two more issues of Research Matters, four more issues of Research Notes and two more volumes of Studies in Language Testing (SiLT) – a series which addresses a wide range of important issues and new developments in language testing and assessment. 2010 marks the 15th anniversary of SiLT. To date, 33 volumes have been published with more in preparation. The series continues to play an important role in language testing research worldwide.

The English Profile programme continues to provide new insights into language learning and teaching. Cambridge ESOL is working closely with Cambridge University Press and the Research Centre for English and Applied Linguistics on this ground-breaking project to profile learners' skills at each level on the basis of objective data taken from the Cambridge Learner Corpus.

We continued to play a very important role in supporting the University's outreach mission and, in doing so, provide opportunities for eight million learners in over 150 countries to improve their life chances through taking our trusted qualifications. As part of the University's 800th anniversary activities we gave families, local residents and community groups access to our archives during its Open Cambridge Weekend. This was the first time our archives which hold – among other things – a comprehensive set of question papers, regulations and examiners reports from the 1880s to date, have been open to the public.

Additionally, we recreated the school lessons from our own 150th anniversary for the University's 2009 Festival of Ideas, giving alumni and the public the chance to sit questions from our very first exam session in 1858.

Developments in Technology

We continue to be particularly interested in how technology can be deployed in assessment and harnessed to deliver an education system more in tune with society and the workplace. Some of the things that we have been doing are explained in more detail below.

We saw significant growth in the number of computer-based versions of Cambridge ESOL tests, with more exams added to the portfolio and the number of centres doubling to over 350. Systems are now in place to reduce the turn-round time from entry to result to as little as three weeks, making them extremely competitive. This type of testing also offers students access to more exam dates, shorter registration times and faster turnaround of results.

The Business Language Testing Service (BULATS) online tests met an enthusiastic response and entries grew rapidly over the year, particularly in France. Data from the last six months shows that the test is being taken at every hour of the day; the peak time for the test is 1pm GMT, closely followed by 8am GMT. BULATS Online is more often taken on weekdays than at the weekends, with Tuesdays and Thursdays being the most popular days.

In the UK, electronic versions of our Post 19 qualifications remained popular. During the year, more than 200,000 e-tests were taken in eight different Post 19 qualifications. These included: Key Skills in literacy, numeracy, ICT; Basic Skills in literacy and numeracy; awards in administration, customer service, health and safety certificates.

Our newly developed suite of vocationally-related e-testing only qualifications in Retail Knowledge, available at Levels 2 and 3 of the Qualification and Credit Framework, were sat for the first time in June.

Elsewhere, we continued to roll out electronic processing (e.g. e-moderation, e-marking, remote standardisation and awarding, active results) to reduce some of the time-consuming paper-based administration both for schools worldwide and the Group.

The number of scripts processed electronically was slightly up in the UK. 853 assessors e-moderated more than 17,000 samples from over 1,000 units during the year. And around 4,000 assessors marked a total of over 4 million scripts on-screen. We were pleased to see record levels of capacity as nearly 9,000 scripts were marked in a single hour on one day.

On-screen marking continued to be rolled-out for our ESOL tests too. Feedback was positive and scoris® – our on-screen marking system – continues to be efficient in reducing turn-round time, shipping costs and environmental impact.

In the UK, we have also been involved in piloting different computer-based testing (CBT)

environments and a great deal of progress was made during the year. And next year we will be offering some GCSEs in this form.

Following schools' feedback, we upgraded the i-Assess e-testing software for Key and Basic Skills in the UK. This means schools can take advantage of improved student ID search criteria, more installation options and more live and practice tests. Students will notice a new look and feel to tests, with easier navigation.

We launched a new service to provide those who are faced with limited or unreliable internet access with an effective offline alternative. *CIE Direct Desktop* was piloted successfully for the June 2010 exam session and has now been released for all Cambridge International Centres for November 2010 entries.

Work was completed on the development of a sophisticated 'automarker' enabling the marking of all computer-based reading, listening and use of English tests to be automated from September 2010. One of the main benefits is that it allows assessment administrators to add just one key for a date, time or currency, and this entry automatically generates all acceptable responses that a candidate might give. The automarker also contains a dictionary of alternative correct spellings and abbreviations which can be added to every key. The automarker is a major step forward in terms of automation of processes and increased efficiency, in line with our programme of modernisation.

Improvements were made to the look and feel of *CIE Direct*, an online administration portal for schools which enables them to make entries online. A pilot is underway and began with schools in July 2010, who are using the new system to make entries for the November 2010 session, and it is planned that we will roll out the new functionality to all Cambridge International Centres for the June 2011 session.

Two of our exam boards went live with new Q&A databases on their websites. The solution allows teachers to access a publically available service and search for answers to queries related to assessment. Teachers can also submit their own suggestions and send in an e-mail if their question is unanswered by the service.

Further enhancements to the security of our ESOL exams were introduced during the year, with the launch of an online verification service to allow universities, employers and other institutions to confirm applicants' test results and the introduction of test-day photos in pilot centres around the world.

As part of a programme of initiatives designed to embrace technology and widen the support on offer to schools, our UK exam board launched its first online training pilot. The pilot is designed for teachers looking to deliver its new GCSE specifications for first teaching in 2010 and has so far included GCSE Maths, English and ICT plus OCR Functional Skills. Feedback has been positive and we have decided to extend the pilot into September, with a phased launch planned from this autumn.

As the service develops, OCR expects to offer online training to support up to 35 specifications by July 2011. The content will be available to view 'on demand' at any time of the day or night and from any location where there is a PC with Internet access. This means there are no restrictions in terms of when the courses can be accessed or how long it takes to complete.

We also launched a new online claims process for OCR Nationals and the examination publishing package – ExamQuest – is continuing to go from strength to strength.

The rollout of a results online service for all of our HE admissions tests took place during the

year. It replaces traditional paper-based results mailed to schools, allowing results to be viewed by schools and students independently, via secure websites.

The benefits to centres and candidates are immediate: with instant, universal access to results, whatever the school's or student's location. Over 12,000 students and 2,000 centres worldwide have now accessed their admissions tests results via our secure results online website.

As always high quality research underpins our work. We continued our investigation into how transition from paper-based to screen-based essay marking might influence examiners' marking behaviours and their marking accuracy. The findings of that study showed that marking GCSE English Literature essays on screen had no significant effect on marker accuracy when compared with how they were marked on paper, although the examiners did exhibit different marking behaviours when marking in either mode.

During the year we also announced the launch of a new online resource, the International Journal of e-Assessment (IJeA). The journal is supported by a collaboration between the e-Assessment Association, Cambridge Assessment and the revised Computer-Assisted Assessment (CAA) Conference. We played an integral role in the resurrection of the CAA Conference and the journal was launched at their first event this summer in the UK. The IJeA is a new interdisciplinary journal that aims to publish expert opinion on a range of e-assessment matters, exchanging evidence-based research results and relevant industry trends as well as presenting practical experiences gained from developing and implementing technology enhanced assessment.

And in the UK, cassettes were issued for the last time for use with outgoing legacy A level and GCSE exams. After the June 2010 series, all speaking tests will be recorded as MP3 files and either copied onto a CD or uploaded to the OCR Repository.

New Qualifications and Services

We continue to develop, design and deliver assessments that are used and respected by educational establishments around the world. Furthermore, we remain committed in sharing our expertise to assist with the continuing professional development of all those involved in the process of assessment.

Many of our ESOL qualifications were formally recognised by the UK Border Agency as part of new arrangements for student visas. Out of the 12 qualifications approved for this purpose, 10 of them were developed by Cambridge ESOL.

Across Europe, more and more schools are now using Cambridge IGCSEs to educate children bilingually. In the last 12 months, we have added 260 new entries to our recognition database for qualifications such as Cambridge IGCSE, Cambridge O level, Cambridge International A/AS level and Cambridge Pre-U. In the USA alone, we've added 65 new entries and over 100 updates. For example, up to a year's credit is now available for learners with well chosen Cambridge International A level at Rice University in Houston, Texas, one of the world's top 100 universities.

In India, Cambridge qualifications are fast becoming a benchmark for international education. In the past year, 13 universities and eight State education boards have joined the list of institutions recognising Cambridge IGCSE and/or Cambridge International A level.

Interest in Cambridge IGCSE in the UK rose sharply following the new Government's announcement in June that funding would be made available for the core curriculum subjects – English, maths, the sciences and ICT, from September 2010. Currently more than

350 schools are registered to teach Cambridge IGCSE in the UK and it is expected that this will go up to 500 schools within the next 12 months.

In collaboration with international schools, we launched a new qualification developed to offer formal maths certification at age 16. The Cambridge IGCSE International Mathematics was made available in September 2009, following a successful pilot. It is already being taught in more than 30 countries and to meet growing demand we introduced a new November session.

Leading figures from the world of language testing, assessment and migration gathered together in London to celebrate the 20th anniversary of IELTS - The International English Language Testing System. The event gave guests the opportunity to celebrate IELTS' success, as the market leading English language test for entry to higher education and for migration, and to recognise the new challenges facing IELTS as it moves into its third decade. The test is jointly managed by the British Council, IDP: IELTS Australia and Cambridge ESOL through more than 500 locations in 130 countries.

The first full Cambridge Pre-U examination session took place in June 2010. Fifty-nine schools fielded candidates for the examination session, with nearly twice that number of schools expected to enter next year. This year's students performed very strongly, with two-thirds of candidates receiving a Distinction grade.

This summer we also saw the introduction of the new Stretch and Challenge and A* grade at A level following the QCDA-mandated change incorporated within the 2008 A level (and 2009 Applied A level) specifications. Designed to allow the brightest students the opportunity to demonstrate the full extent of their knowledge and skills, the introduction of Stretch and Challenge questions was implemented to address the need for greater differentiation between the most able students.

As expected, the A* attracted global media attention, in particular the awarding process of the new grade. Our calculations, set in conjunction with Ofqual and the other UK exam boards, were made publically available to allay fears that technical aspects of the awarding would disadvantage some candidates. Ofqual said the criticisms were misleading and concluded that the awarding of the A* grade was fair and transparent.

OCR Nationals qualifications were reaccredited on to the National Qualifications Framework (NQF). Our original intention was to develop OCR Nationals on the Qualifications and Credit Framework (QCF). However, during the development process it became clear that this would involve substantial changes and undermine the intrinsic value of these qualifications. A decision was taken to apply for an extension on the NQF, which has been accepted, and teachers can continue to teach the OCR Nationals qualification with minimum disruption.

Our UK exam board received accreditation from Ofqual for its functional skills qualifications – Functional Skills ICT at Entry Level (1–3), Level 1 and Level 2, and Functional Skills Maths at Entry Level (1–3). The accreditation comes after a rigorous development process backed by extensive research, with a three year pilot involving 1,700 schools, colleges and providers. The first OCR functional skills qualifications will be taught from September 2010 onwards.

The announcement that our Cambridge English: Advanced and Proficiency exams had been recognised by UCAS, as part of the Tariff Points system for admission to UK universities, attracted attention around the world.

Overseas, we continued to provide an extensive range of education and teacher support services for a new group of schools being piloted in Egypt. The first five Nile Egyptian

Schools will be fully open by July 2015, with approximately 1,000 learners in each school aged 4 to 18. CIE is developing English and Arabic medium curricula and assessments in eight subject areas. These are benchmarked to Egyptian and international standards. Students will gain internationally accredited certificates at grade 10, 11 and 12 (ages 16 to 18). CIE is also offering teacher and leadership training, as well as professional development for teachers; all benchmarked against international standards. The Nile Egyptian Schools are not-for-profit schools, with the majority of funding coming from the Educational Development Fund of the Office of the Prime Minister. The project will extend access to families for whom private education is out of reach.

We announced a collaboration with International House Language School in London to launch an online version of Cambridge ESOL's Certificate in English Language Teaching to Adults (CELTA) exam. The new course will be available to any authorised CELTA centre across the world which will increase accessibility and help to attract new trainee language teachers.

As a Group we are using social media more and more to engage with students, teachers, customers and other key stakeholders to promote our reputation as experts in assessment and draw attention to the huge range of knowledge and research that can be found within the Group. Our presence on social networking sites such as Twitter and Facebook is already attracting thousands of followers who are keen to find out more about our qualifications and services and join in the conversation about educational assessment. Social media is also being used to highlight specific Group research and campaigns and events on important educational topics.

As part of our commitment to support the University's outreach mission we provided an endowment to support scholarships for students from India and Pakistan under the Manmohan Singh and 800th Anniversary schemes respectively. We also provided bursaries for five students from the West Midlands to study at the University under a scheme run by our UK exam board.

Process Improvement

We maintained our strong reputation for quality of service and delivery that has been earned over decades of commitment to test takers and test users. And we are active in helping teachers and partners replicate those high standards.

The first part of a new portal which will support more than 20,000 professionals who mark and assess Cambridge ESOL exams went live during the year. Phase 1 of the new Examiner Management Services (EMS) is now fully operational following a successful period of user acceptance testing. The system – which delivers new administration tools to the Cambridge ESOL examiner management team and external centres – has received extremely positive reviews from the first group of users. EMS has been designed to greatly improve the examiner experience. It significantly reduces hard copy communications, enables users to schedule availability for examining assignments and gives quicker access to assistance. The EMS project team are now focusing on Phase 2, scheduled to complete in early 2011.

A new print services portal was launched at DC10 by Océ Business Services to help automate and streamline our printing operations. The move is designed to bring efficiency gains and allow a more cohesive approach to printing within the Group. It comes on the back of Océ's appointment in March 2009 as the Group's single print supplier which saw the creation of a unique state-of-the-art confidential production unit at our warehouse, DC10.

We boosted our distribution operations with the installation of a new packing machine – an

automatic wrapping, storage and despatch system – at DC10. This is our second line which was bought to support our growing distribution needs and represents a significant investment for the Group.

A new secure internet system was introduced to improve the tracking of scripts within Cambridge Assessment. Live use of the script tracking system started in October 2009 for CIE and ESOL. OCR used the system for the first time for the Asset Languages November 2009 series, and the first use for general qualifications was the January 2010 series.

We consolidated our logistics operations with the appointment of a sole carrier for the Group to enhance our service to our schools. It enables the Group to track the live status of any despatch along with an update of what is happening if an issue should arise. UPS replaced our existing carriers and now operate from on-site at DC10.

Teaching staff and others within education are finding it increasingly difficult to manage time away from the classroom for Continuing Professional Development (CPD) opportunities. As a result we have seen a decline in the number of training events delivered through Mill Wharf training – an OCR subsidiary which delivers CPD. Despite efforts to arrest the decline through increased marketing support and a revamped training programme, this trend has continued over the past three years. Consequently we closed Mill Wharf training in April 2010.

Although a standalone CPD operation is no longer viable, our UK exam board remains committed to supporting teachers with appropriate training to help them to deliver its qualifications and keep abreast of changing assessment practices.

For instance, our QCF event provided teachers with an opportunity to consider the implications of the forthcoming 'full implementation of the QCF'. We explored what it means from an exam board perspective, from a school perspective and more importantly a student perspective. We also discussed our new QCF Migration guide, which helps schools with their curriculum planning. The guide lists our existing vocational qualifications within the NQF and shows the planned QCF qualifications that will replace them from September 2010 onwards.

We opened a new office in Dubai to represent the Middle East region. The move represents the culmination of a successful year for CIE, which has seen its operations in the region grow at an impressive rate, and its presence strengthened. The new office, which features state-of-the-art video conferencing facilities, will provide further support to teachers in the region, who will be able to use facilities at the office to talk directly to examiners, staff and trainers at CIE's head office in Cambridge, UK, as well as to their counterparts throughout the global Cambridge network.

We also purchased a new property in Cambridge to house CIE. The move will take place following the completion of extensive refurbishment work and we anticipate that the completed building will be handed over in the second half of 2011.

Continuous Improvement and Efficiency

To enable the Group to compete effectively and to deliver continued sustainable growth we embarked on a three to five year strategy – named Project Threshold – to implement fundamental changes to our business processes and technology infrastructure.

During the year we held a series of workshops designed to help us think about how we could deliver products and services to schools in the future and to understand more about the opportunities for aligning how our exam boards operate. In particular we wanted to better

understand how technology currently supports the Group and how to use it in the most efficient way going forward. The goal is to make it easier for schools to do business with us, expand our focus on education and learning and reduce our operational cost and carbon footprint by operating in the most efficient way possible.

Two of our exam boards decided to embark on a joint venture, an eGain self-service solution, to allow teachers to access a publically available service and search for answers to queries related to assessment. It also enables teachers to submit their own suggestions and send in an e-mail if their question is unanswered by the service. The backbone of the system, which went live in February, is a knowledge database that contains articles (i.e. a question and an answer). Managed internally, the CIE knowledge database now contains over 1,000 articles. OCR's knowledge database is in place to support three qualifications as part of a pilot to trial the service, with a view to expanding it in the future.

The project is a great example of cross Group collaboration. The outcomes of a post-implementation review are being fed into subsequent initiatives as part of the drive for continuous improvement.

Another major collaboration saw our UK exam board offer Cambridge IGCSEs. This is the first time schools have been able to use their familiar channels to access additional qualifications offered by the Group. This move means that we are continuing to provide teachers in the UK with a high-quality choice of qualifications from which they can choose confidently, according to what they feel best suits their teaching methods and the learning style of their students.

We continue to maintain a strong Group presence at international academic events. We also embarked on a programme to further boost our profile as experts in assessment amongst UK policy makers, teachers and educational researchers at a range of key high profile events. This has resulted in a dramatic increase in the number of opportunities to demonstrate the Group's overall expertise.

Support for Staff

We continue to offer an environment in which people development is central, and we see development as a continuous process rather than an occasional event. Individual development activities are planned and reviewed as part of our performance management process, and the discussion of individual aspirations is actively encouraged. These discussions, together with the business plans of the Group and the exam boards, inform both the planning of formal training and development activities, and of ad-hoc secondment and project opportunities.

This year, following feedback, more advanced management development opportunities have been introduced, offering senior managers the opportunity to share experiences and ideas with their peers.

Alongside our extensive range of core programmes, attended by around 2,400 staff last year, we have delivered more bespoke solutions for teams who have identified specific outcome requirements related to divisional objectives. 34 such events ran this year, and we anticipate that this is a trend which will increase, to include the further customisation of some of our current programmes or the design of new ones using very specific 'real life' examples and scenarios. One-to-one coaching is also available in cases where this is felt to be particularly appropriate.

We have been investigating how we can take best advantage of new technology to widen access to training and development and to different forms of learning, and, as a start, have

introduced a range of e-learning materials, covering both IT and soft skills development. These are accessed on line by individual members of staff at a time and a pace to suit themselves.

It is important that staff keep abreast of new technologies and identify the improvements and efficiencies that they can bring, and this is underpinned by training and development. Maximising the capabilities of our IT infrastructure through education and support is at the forefront of our IT Training department's strategy. During the year over two and a half thousand members of staff received IT related training on Microsoft, Adobe, communication technologies and systems, an average of two hundred and nineteen a month.

Four members of staff were awarded either Fellow or Practitioner status by AEA-Europe at their recent conference. The AEA-Europe accreditation scheme was set up in November 2006, and provides an opportunity for assessment professionals to have their knowledge, skills and commitment to professional development recognised.

The Network's Certificate of Continuing Education in the Principles and Practice 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 2009-10, nine members of staff participated in the programme, learning not just from the tutors, but also from the experiences of the other participants. Other organisations represented on the programme included: ABC Awards, Foreign & Commonwealth Office, NEBOSH, Qualifications and Curriculum Development Authority and UCAS.

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 £49.4 million for the financial year ended 31 July 2010 (2009: £36.0 million after restatement for a change of accounting policy). Each of the three business streams recorded an operating surplus.

Income from examination fees and other educational and assessment services increased from £232.3 million to £261.0 million due to increased demand across all three business streams.

Comparative figures have been restated to reflect a change of accounting policy for the recognition and deferral of income. As explained in note 2 to the financial statements the Syndics believe that this change of accounting policy makes the accounting policies for all qualification types consistent with each other and that the new policy gives a fairer presentation of the Group's results and balance sheet.

The overall costs for the year, before taxation and loss on asset disposals, were higher at £215.8 million than for the preceding period (£202.4 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.

We continue to forecast an increase in the number of examination entries. The Group continues to provide services to customers in around 160 countries. This brings with it challenges related to exchange rate exposures and economic difficulties which are reviewed and managed by the Corporate Board. Note 20 in the financial statements shows the organisation's exposure to exchange risks from forward exchange contracts.

The Group has £75.3 million in cash and short term deposits at the year end (£53.1 million at 31 July 2009), together with £106.8 million invested in University Endowment Fund Units (£86.5 million at 31 July 2009).

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 together with contracts with a large number of customers across different geographic areas (see note 3 to the financial statements). As a consequence the Syndics believe that it is well placed to manage its risks successfully, despite the current 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. Syndics consider that it would be imprudent for the Group to rely on loans to fund any of these requirements and that the University is unlikely to wish to divert general resources to support the Group's work. The Group must therefore maintain sufficient reserves to meet all its funding requirements, in bad as well as good times. Syndics have reviewed the level of reserves with the University and believe that the levels held are reasonable given the issues faced by the Group. It has been the Group's policy to invest the available reserves in the University's Endowment Fund. This policy has served the Group (and the University) well over the years, enabling substantial support to be given to a range of general University purposes and to scholarship schemes for students from the Commonwealth and other countries. However, the policy introduces its own risk when, from time to time, stock markets fall.

During the year £14.9 million was transferred to the University from reserves compared with £24.4 million for the previous year, which included an additional transfer of £12 million.

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, and has also provided PhD scholarships for two students involved in research relevant to the work of Cambridge ESOL.

Since 1981 the Group has transferred £208 million from its reserves and investment income - £186 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 new regulator and new government in the UK.

Signed:

Sir C Hum (Chairman)

Mrs S Coutu

Mr P Derham

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

Handwritten signatures in blue ink on a lined background, corresponding to the names listed on the left. The signatures are: Sir C Hum, Mrs S Coutu, Patrick Derham, Dr D Good, John M. Gray, Ms D Hall, Dr J Leake, Mr D Mansfield, Mr R Partington, Mr B Picking, Dr K Pretty, Mr A Reid, and Dr N White.

25 November 2010. 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

Professor Tony Badger (Chairman)	Master of Clare College	Ended 30.09.10
Sir Christopher Hum (Chairman)	Master of Gonville and Caius College	From 01.10.10
Mrs Sherry Coutu	Investor and Independent Non-Executive Director	From 20.05.10
Mr Patrick Derham	Head Master, Rugby School	
Dr David Good	Fellow of King's College	
Professor John Gray	Professor of Education in the Faculty of Education, University of Cambridge	
Dr John Guy	Principal of Farnborough Sixth Form College	Resigned 31.07.10
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	From 20.05.10
Mr Richard Martineau	Former Chairman of RSA	Ended 31.12.09
Mr Richard Partington	Senior Tutor, Churchill College	
Mr Bruce Picking	Chairman of Governors of Havering College of Further and Higher Education	
Dr Kate Pretty	Principal of Homerton College	
Mr Andrew Reid	Director of Finance, University of Cambridge	
Professor Richard Taylor	Director of Institute of Continuing Education, University of Cambridge	Resigned 30.09.09
Dr Nick White	Fellow and Director of Studies in Modern and Medieval Languages, Emmanuel College	From 20.05.10

Appendix B: The OCR Board

Mr Simon Lebus (Chairman)	Cambridge Assessment Group Chief Executive	
Professor Tony Badger	Master of Clare College	Ended 31.09.10
Mrs Sherry Coutu	Investor and Independent Executive Director	Non- From 20.05.10
Mr Patrick Derham	Head Master, Rugby School	
Dr David Good	Fellow of King's College	
Professor John Gray	Professor of Education in the Faculty of Education, University of Cambridge	
Dr John Guy	Principal of Farnborough Sixth Form College	Resigned 31.07.10
Ms Denise Hall	Director of Marketing and Sales, SpecialSteps	
Sir Christopher Hum	Master of Gonville and Caius College	From 01.10.10
Dr John Leake	Fellow of St John's College	
Mr David Mansfield	Headteacher, Coopers' Company & Coborn School	From 20.05.10
Mr Richard Martineau	Former Chairman of RSA	Ended 31.12.09
Mr Richard Partington	Senior Tutor, Churchill College	
Mr Bruce Picking	Chairman of Governors of Havering College of Further and Higher Education	
Dr Kate Pretty	Principal of Homerton College	
Mr Andrew Reid	Director of Finance, University of Cambridge	
Professor Richard Taylor	Director of Institute of Continuing Education, University of Cambridge	Resigned 30.09.09
Dr Nick White	Fellow and Director of Studies in Modern and Medieval Languages, Emmanuel College	From 20.05.10

Appendix C: Cambridge Assessment Group Corporate Board

Mr Simon Lebus	Group Chief Executive	
Mr Mark Dawe	Chief Executive, OCR	From 01.11.10
Mrs Sue Durham	Group HR Director	
Mr Bruno Laquet	Group Infrastructure Services Director	From 04.05.10
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

AEA	Association of Educational Assessors
ARD	Assessment, Research and Development
BULATS	Business Language Testing Service
CAA	Computer-Assisted Assessment
CBT	Computer-based Testing
CELTA	Certificate in English Language Teaching to Adults
CFE	Cambridge Financial English
CIE	Cambridge International Examinations
CPD	Continuing Professional Development
EMS	Examiner Management Services
ESOL	English for Speakers of Other Languages
EU	European Union
GCSE	General Certificate of Secondary Education
HE	Higher Education
ICT	Information and Communication Technology
IELTS	International English Language testing System
IGCSE	International General Certificate of Secondary Education
IJeA	International Journal of e-Assessment
IT	Information Technology
NQF	National Qualifications Framework
OCR	Oxford, Cambridge and RSA Examinations
Ofqual	Office of the Qualifications and Examinations Regulator
QCDA	Qualifications and Curriculum Development Agency
QCF	Qualifications and Credit Framework
SiLT	Studies in Language Testing
UCAS	Universities and Colleges Admissions Service
UCLES	University of Cambridge Local Examinations Syndicate

**UNIVERSITY OF CAMBRIDGE
LOCAL EXAMINATIONS SYNDICATE**

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2010**

Issued: 25 November 2010

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 2010

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 financial statements of University of Cambridge Local Examinations Syndicate for the year ended 31 July 2010 which comprise the Consolidated Income and Expenditure Account, the Statement of Total Recognised Gains and Losses, the Statement of Historical Cost Surpluses and Deficits, the Group and Cambridge Assessment Balance Sheets, the Consolidated Cash Flow Statement, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of the Syndics and auditors

The Syndics' responsibilities for preparing the financial statements in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education, applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Responsibilities of the Syndics statement.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Syndics in accordance with the Statutes 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 in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice and are properly prepared in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education.

We read the other information contained in the Cambridge Assessment Group Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. This other information comprises only the Introduction, Achievements and Performance, People, Finance and Reserves, Risk Management, the Conclusion and the Appendices to the Cambridge Assessment Group Annual Report.

We also read the Corporate Governance and Internal Control Statement. We are not required to consider whether the statement of internal control covers all risks and controls, or to form an opinion on the effectiveness of the institution's corporate governance procedures or its risk and control procedures. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland). An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Syndics in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Syndicate's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- i. the financial statements give a true and fair view of the state of affairs of the Group and Cambridge Assessment at 31 July 2010, and of the Group's income and expenditure, recognised gains and losses, and statement of cash flows for the year then ended; and
- ii. the financial statements have been properly prepared in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education, and United Kingdom Generally Accepted Accounting Practice.

PricewaterhouseCoopers LLP
Chartered Accountants
Cambridge
25 November 2010

CAMBRIDGE ASSESSMENT

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 JULY 2010

	2010	2009 as restated (note 2)
Note	£m	£m
Income		
Examination fees	3 245.4	218.9
Other educational and assessment services	3 15.6	13.4
Endowment and investment income	4 4.6	4.4
Total income	<u>265.6</u>	<u>236.7</u>
Expenditure		
Staff costs	5 68.8	61.0
Other operating expenses	6 136.6	133.5
Depreciation	10.4	7.9
Total expenditure	<u>215.8</u>	<u>202.4</u>
Surplus after depreciation of tangible fixed assets and before tax	49.8	34.3
Taxation	(0.1)	(0.2)
Surplus after depreciation of tangible fixed assets and tax	<u>49.7</u>	<u>34.1</u>
Loss on disposal of fixed assets	(0.3)	(2.5)
Surplus for the year after depreciation of tangible fixed assets and disposal of assets and tax	7 <u>49.4</u>	<u>31.6</u>
Transfer from accumulated income within specific endowments	15 -	4.4
Surplus for the year retained within general reserves	<u>49.4</u>	<u>36.0</u>

All income and expenditure relates to continuing activities.

CAMBRIDGE ASSESSMENT

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 JULY 2010**

	2010	2009 as restated (note 2)
	£m	£m
Surplus for the year	49.4	31.6
Increase/(decrease) in market value of investment assets	8.7	(2.0)
Actuarial loss on defined benefit pension scheme	18 (0.4)	(0.6)
Total recognised gains and losses for the year	<u>57.7</u>	<u>29.0</u>

	2010	2009 as restated (note 2)
	£m	£m
Reconciliation		
Opening reserves and endowments as previously stated	200.5	190.5
Prior year adjustment (note 2)	<u>(18.9)</u>	<u>(13.5)</u>
As restated	181.6	177.0
Total recognised gains and losses for the year	57.7	29.0
Transfer to the University	<u>(14.9)</u>	<u>(24.4)</u>
Closing reserves and endowments	<u>224.4</u>	<u>181.6</u>

**STATEMENT OF HISTORICAL COST SURPLUSES AND DEFICITS
FOR THE YEAR ENDED 31 JULY 2010**

	2010	2009 as restated (note 2)
	£m	£m
Surplus for the year	49.4	31.6
Realisation of investment revaluation gains of previous years	-	12.1
Historical cost surplus for the year	<u>49.4</u>	<u>43.7</u>

CAMBRIDGE ASSESSMENT

BALANCE SHEET AS AT 31 JULY 2010

		Group 2010	2009 as restated (note 2)	Cambridge Assessment 2010	2009
	Note	£m	£m	£m	£m
Fixed assets					
Tangible fixed assets	8	78.1	72.4	68.3	62.5
Investments	9	108.3	87.9	48.7	44.3
		<u>186.4</u>	<u>160.3</u>	<u>117.0</u>	<u>106.8</u>
Endowment assets	10	4.2	3.9	4.2	3.9
Current assets					
Debtors	11	68.7	53.5	48.8	44.7
Short term deposits		73.3	52.5	36.4	24.6
Cash at bank and in hand		2.0	0.6	0.2	0.2
		<u>144.0</u>	<u>106.6</u>	<u>85.4</u>	<u>69.5</u>
Creditors: amounts falling due within one year	12	(109.1)	(88.2)	(44.6)	(43.7)
Net current assets		<u>34.9</u>	<u>18.4</u>	<u>40.8</u>	<u>25.8</u>
Total assets less current liabilities		225.5	182.6	162.0	136.5
Creditors: amounts falling due after one year	13	-	-	(0.1)	(0.1)
Provisions for liabilities and charges	14	(0.2)	(0.4)	(0.2)	(0.4)
Net assets excluding pension scheme liability		<u>225.3</u>	<u>182.2</u>	<u>161.7</u>	<u>136.0</u>
Pension liability	18	(0.9)	(0.6)	-	-
Total net assets		<u><u>224.4</u></u>	<u><u>181.6</u></u>	<u><u>161.7</u></u>	<u><u>136.0</u></u>
Restricted expendable endowments	15	4.2	3.9	4.2	3.9
Reserves					
Revaluation reserve	16	9.9	1.6	4.3	-
Investment property revaluation reserve	16	0.2	0.1	0.2	0.1
General reserve	16	211.0	176.6	153.0	132.0
Total reserves excluding pension reserve		<u>221.1</u>	<u>178.3</u>	<u>157.5</u>	<u>132.1</u>
Pension reserve	16	(0.9)	(0.6)	-	-
Total reserves including pension reserve		<u>220.2</u>	<u>177.7</u>	<u>157.5</u>	<u>132.1</u>
		<u><u>224.4</u></u>	<u><u>181.6</u></u>	<u><u>161.7</u></u>	<u><u>136.0</u></u>

The financial statements on pages 5 to 24 were approved by the Syndics on 25 November 2010 and were signed on their behalf by:

Sir Christopher Hum KCMG



Chairman of the Local
Examinations Syndicate

Dr Katherine Pretty CBE



Member of the Local
Examinations Syndicate

CAMBRIDGE ASSESSMENT

**CONSOLIDATED CASHFLOW STATEMENT
FOR THE YEAR ENDED 31 JULY 2010**

	Note	2010		2009	
		£m	£m	£m	£m
Net cash inflow from operating activities	17a		58.0		47.5
Returns on investments and servicing of finance					
Investment income		4.1		3.6	
Interest received		<u>0.2</u>		<u>1.1</u>	
			4.3		4.7
Taxation			(0.1)		(0.1)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(15.6)		(15.0)	
Payments to acquire investments		(12.0)		(40.0)	
Receipts from sale of fixed asset investments		<u>-</u>		<u>30.0</u>	
			(27.6)		(25.0)
Transfer to University			(12.4)		(24.4)
Cash inflow/ (outflow) before use of liquid resources			<u>22.2</u>		<u>2.7</u>
Management of liquid resources					
Net movement on short term deposits	17c		(20.8)		(3.3)
Increase/(decrease) in cash in the year	17b		<u>1.4</u>		<u>(0.6)</u>

CAMBRIDGE ASSESSMENT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2010

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 OCR, 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 Joint Venture undertakings are not coterminous with that of the parent undertaking but the effect is not material.

Recognition of income and deferral of incoming resources

Income 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.

Pension schemes

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

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

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

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.

**CAMBRIDGE ASSESSMENT
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2010**

1. ACCOUNTING POLICIES (continued)

Fixed assets and depreciation

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

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

Freehold land is not 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 2010**

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. CHANGE OF ACCOUNTING POLICY AND PRIOR YEAR ADJUSTMENT

Comparative figures have been restated to reflect a change of accounting policy for the recognition and deferral of income.

Revenue from qualifications not based on examination sessions had previously been recognised on the basis of the proportion of work completed by OCR at the reporting date measured by reference to the costs incurred in proportion to the overall estimated costs to be incurred in delivering the qualifications, i.e. an "input" based policy.

The policy has been amended to recognise income based on the proportion of the qualification that has been undertaken by the candidate, as described above. The Syndics believe that this change of accounting policy makes the accounting policies for all qualification types consistent with each other, and that the new policy gives a fairer presentation of the Group's results and balance sheet.

As a result, the Group comparative figures for the year ended 31 July 2009 have been adjusted as follows:

Group	Surplus for the Year £m	Net Assets	
		At 31 July 2009 £m	At 1 August 2008 £m
As previously reported	37.0	200.5	190.5
Effect of change of revenue recognition policy	(5.4)	(18.9)	(13.5)
As restated	<u>31.6</u>	<u>181.6</u>	<u>177.0</u>

The effect of the change of accounting policy on the result for the current year is to increase Group net income by £1.5m.

3. INCOME BY GEOGRAPHICAL SEGMENTS

	2010 Group £m	2009 Group as restated (note 2) £m
Examination fees and other educational and assessment services:		
United Kingdom	153.5	138.7
European Union	26.3	22.5
Rest of the world	81.2	71.1
	<u>261.0</u>	<u>232.3</u>

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

CAMBRIDGE ASSESSMENT
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2010

4. ENDOWMENT AND INVESTMENT INCOME

	2010 Group £m	2009 Group £m
Income from specific endowment asset investments	0.1	0.2
Other investment income	4.3	3.3
Other interest receivable	0.2	0.9
	4.6	4.4

5. STAFF COSTS

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

	Group		Cambridge Assessment	
	2010 No.	2009 No.	2010 No.	2009 No.
Examination services	1,383	1,270	708	631
Administration and central services	438	407	438	407
Premises	88	90	88	90
	1,909	1,767	1,234	1,128

Staff costs for the above persons comprise:

	Group		Cambridge Assessment	
	2010 £m	2009 £m	2010 £m	2009 £m
Salaries and wages	54.3	50.6	35.6	32.7
Social security costs	4.5	4.2	2.9	2.8
Other pension costs (note 18)	11.7	7.9	7.7	4.9
	70.5	62.7	46.2	40.4

Of the above costs £1.7m (2009: £1.7m) was capitalised as internally developed software.

Staff costs charged to the Income and Expenditure Account

	Group		Cambridge Assessment	
	2010 £m	2009 £m	2010 £m	2009 £m
Examination services	49.0	43.8	24.7	21.5
Administration and central services	17.6	15.1	17.6	15.1
Premises	2.2	2.1	2.2	2.1
	68.8	61.0	44.5	38.7

Staff emoluments over £70,000

(Excluding employer's pension contributions)

	Group		Cambridge Assessment	
	2010 No. staff	2009 No. staff	2010 No. staff	2009 No. staff
£70,001 - £80,000	14	12	10	9
£80,001 - £90,000	6	5	5	3
£90,001 - £100,000	3	3	3	3
£100,001 - £110,000	5	5	4	2
£110,001 - £120,000	3	1	1	1
£130,001 - £140,000	1	2	1	2
£140,001 - £150,000	1	1	1	1
£150,001 - £160,000	1	1	1	1
£160,001 - £170,000	-	1	-	-
£170,001 - £180,000	1	-	-	-
£300,001 - £310,000	-	1	-	1
£310,001 - £320,000	1	-	1	-

**CAMBRIDGE ASSESSMENT
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2010**

6. OTHER OPERATING EXPENSES

	2010 Group £m	2009 Group £m
Examination services	111.6	108.9
Administration and central services	16.5	16.9
Premises	8.5	7.7
	<u>136.6</u>	<u>133.5</u>
	2010 Group £m	2009 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	0.7	0.6
- plant, machinery & equipment	0.6	0.6
Foreign exchange losses/(gains)	0.6	(0.5)
	<u>0.6</u>	<u>(0.5)</u>

7. SURPLUS ON CONTINUING OPERATIONS FOR THE YEAR

	2010 £m	2009 as restated (note 2) £m
Cambridge Assessment's surplus for the year	30.2	21.2
Group level adjustments re: defined benefit schemes	0.1	-
Surplus retained in subsidiary undertakings	19.1	10.4
	<u>49.4</u>	<u>31.6</u>

8. 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 2009	63.0	8.3	0.5	38.3	3.0	113.1
Additions	1.3	-	1.3	10.5	3.3	16.4
Transfers	-	-	-	2.6	(2.6)	-
Disposals	-	-	-	(10.7)	(0.3)	(11.0)
At 31 July 2010	<u>64.3</u>	<u>8.3</u>	<u>1.8</u>	<u>40.7</u>	<u>3.4</u>	<u>118.5</u>
DEPRECIATION						
At 1 August 2009	12.6	2.2	0.3	25.6	-	40.7
Disposals	-	-	-	(10.7)	-	(10.7)
Charge for the year	1.8	0.1	0.3	8.2	-	10.4
At 31 July 2010	<u>14.4</u>	<u>2.3</u>	<u>0.6</u>	<u>23.1</u>	<u>-</u>	<u>40.4</u>
NET BOOK VALUE						
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>
At 31 July 2009	<u>50.4</u>	<u>6.1</u>	<u>0.2</u>	<u>12.7</u>	<u>3.0</u>	<u>72.4</u>

CAMBRIDGE ASSESSMENT
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2010

8. 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 2009	59.4	0.1	34.1	2.7	96.3
Additions	1.2	1.3	9.4	3.2	15.1
Transfers	-	-	2.4	(2.4)	-
Disposals	-	-	(10.4)	(0.3)	(10.7)
At 31 July 2010	<u>60.6</u>	<u>1.4</u>	<u>35.5</u>	<u>3.2</u>	<u>100.7</u>
DEPRECIATION					
At 1 August 2009	9.8	-	24.0	-	33.8
Disposals	-	-	(10.4)	-	(10.4)
Charge for the year	1.8	0.2	7.0	-	9.0
At 31 July 2010	<u>11.6</u>	<u>0.2</u>	<u>20.6</u>	<u>-</u>	<u>32.4</u>
NET BOOK VALUE					
At 31 July 2010	<u>49.0</u>	<u>1.2</u>	<u>14.9</u>	<u>3.2</u>	<u>68.3</u>
At 31 July 2009	<u>49.6</u>	<u>0.1</u>	<u>10.1</u>	<u>2.7</u>	<u>62.5</u>

9. INVESTMENTS

	Group		Cambridge Assessment	
	2010 £m	2009 £m	2010 £m	2009 £m
At 1 August 2009	87.9	78.5	44.3	91.2
Additions	12.0	40.0	-	-
Disposals	-	(27.0)	-	(42.0)
Increase/(decrease) in market value of investments	8.4	(3.6)	4.4	(4.9)
At 31 July 2010	<u>108.3</u>	<u>87.9</u>	<u>48.7</u>	<u>44.3</u>
Represented by:				
University Endowment Fund units	106.8	86.5	47.1	42.8
Investment properties	1.4	1.3	1.4	1.3
Investment in subsidiary undertakings	-	-	0.1	0.1
Loan to Joint Venture	0.1	0.1	0.1	0.1
	<u>108.3</u>	<u>87.9</u>	<u>48.7</u>	<u>44.3</u>

Investments at market value comprise Cambridge University Endowment Fund units. The market value at 31 July 2010 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 2010 amounted to: Group £98.8m (2009: £86.8m); Cambridge Assessment £44.8m (2009: £44.8m).

Investment properties are stated at fair value. The valuation at 31 July 2010 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 2010**

9. 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
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
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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 2010

10. ENDOWMENT ASSETS

	Group		Cambridge Assessment	
	2010 £m	2009 £m	2010 £m	2009 £m
At 1 August 2009	3.9	7.6	3.9	7.6
Increase/(decrease) in market value of University Endowment Fund units	0.3	(0.3)	0.3	(0.3)
Disposal of assets to support expenditure	-	(3.4)	-	(3.4)
At 31 July 2010	<u>4.2</u>	<u>3.9</u>	<u>4.2</u>	<u>3.9</u>
Represented by:				
University Endowment Fund units	3.1	2.8	3.1	2.8
Short term deposits	1.1	1.1	1.1	1.1
	<u>4.2</u>	<u>3.9</u>	<u>4.2</u>	<u>3.9</u>

11. DEBTORS

	Group		Cambridge Assessment	
	2010 £m	2009 £m	2010 £m	2009 £m
Trade debtors	55.2	40.3	38.7	35.4
Other debtors	0.2	0.4	0.1	0.3
Prepayments and accrued income	13.3	12.8	10.0	9.0
	<u>68.7</u>	<u>53.5</u>	<u>48.8</u>	<u>44.7</u>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Cambridge Assessment	
	2010 £m	2009 as restated (note 2) £m	2010 £m	2009 £m
Trade creditors	6.8	6.2	5.3	3.8
Other taxes and social security	5.8	5.8	2.0	1.9
Other creditors	0.5	0.6	0.4	0.4
Accruals and deferred income (see below)	96.0	75.6	36.9	37.6
	<u>109.1</u>	<u>88.2</u>	<u>44.6</u>	<u>43.7</u>

Deferred income is analysed as:

At 1 August 2009	44.5	36.1	20.1	18.7
Deferred in current year	56.0	38.0	19.0	19.5
Released from previous year	(37.8)	(29.6)	(20.1)	(18.1)
At 31 July 2010	<u>62.7</u>	<u>44.5</u>	<u>19.0</u>	<u>20.1</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 2010**

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

	Group		Cambridge Assessment	
	2010 £m	2009 £m	2010 £m	2009 £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><u>-</u></u>	<u><u>0.1</u></u>	<u><u>0.1</u></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 2010 (2009: nil).

14. PROVISIONS FOR LIABILITIES AND CHARGES

GROUP

	Staffing £m	Other £m	Total £m
At 1 August 2009	0.2	0.2	0.4
Charges in the year	-	0.1	0.1
Utilised in the year	(0.1)	-	(0.1)
Released during the year	-	(0.2)	(0.2)
At 31 July 2010	<u>0.1</u>	<u>0.1</u>	<u>0.2</u>

CAMBRIDGE ASSESSMENT

	Staffing £m	Other £m	Total £m
At 1 August 2009	0.2	0.2	0.4
Charges in the year	-	0.1	0.1
Utilised in the year	(0.1)	-	(0.1)
Released during the year	-	(0.2)	(0.2)
At 31 July 2010	<u>0.1</u>	<u>0.1</u>	<u>0.2</u>

Provisions were made in respect of employment issues and contractual disputes.

CAMBRIDGE ASSESSMENT
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2010

15. RESTRICTED EXPENDABLE ENDOWMENTS

GROUP and CAMBRIDGE ASSESSMENT

	2010 £m	2009 £m
At 1 August 2009	3.9	7.6
Income receivable from endowment asset investments	0.1	0.2
Expenditure	<u>(0.1)</u>	<u>(4.6)</u>
	-	(4.4)
Transfer from TWMEB reserves	-	1.0
Increase/(decrease) in market value of investments	0.3	(0.3)
	<u>4.2</u>	<u>3.9</u>
At 31 July 2010	<u><u>4.2</u></u>	<u><u>3.9</u></u>
Representing		
WMEB Fund	4.1	3.8
Scholarship Funds	0.1	0.1
	<u>4.2</u>	<u>3.9</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.

16. 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 2009 (as previously stated)	195.5	1.6	0.1	197.2	(0.6)	196.6
Prior year adjustment (note 2)	<u>(18.9)</u>	-	-	<u>(18.9)</u>	-	<u>(18.9)</u>
At 1 August 2009 (restated)	176.6	1.6	0.1	178.3	(0.6)	177.7
Surplus retained for the year	49.3	-	-	49.3	0.1	49.4
Increase in market value of investments	-	8.3	0.1	8.4	-	8.4
Transfer to University	(14.9)	-	-	(14.9)	-	(14.9)
Actuarial loss	-	-	-	-	(0.4)	(0.4)
At 31 July 2010	<u>211.0</u>	<u>9.9</u>	<u>0.2</u>	<u>221.1</u>	<u>(0.9)</u>	<u>220.2</u>

**CAMBRIDGE ASSESSMENT
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2010**

16. RESERVES (continued)

CAMBRIDGE ASSESSMENT

	General reserves £m	Revaluation reserve £m	Investment property revaluation reserve £m	Total £m
At 1 August 2009	132.0	-	0.1	132.1
Surplus retained for the year	30.2	-	-	30.2
Increase/(decrease) in market value of investments	-	4.3	0.1	4.4
Transfer to University	(9.2)	-	-	(9.2)
At 31 July 2010	<u>153.0</u>	<u>4.3</u>	<u>0.2</u>	<u>157.5</u>

17. NOTES TO CONSOLIDATED CASHFLOW STATEMENT

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

	2010 £m	2009 as restated (note 2) £m
Surplus on continuing operations before tax	49.8	34.3
Endowment and investment income	(4.6)	(4.4)
Depreciation of tangible fixed assets	10.4	7.9
Adjustment for revaluation	-	1.9
Movements in provisions	(0.2)	-
Increase in creditors	17.5	13.1
Increase in debtors	(14.8)	(5.3)
Pension costs (FRS17)	(0.1)	-
Net cash inflow from operating activities	<u>58.0</u>	<u>47.5</u>

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

	2010 £m	2009 £m
Increase/(decrease) in cash in the year	1.4	(0.6)
Net cash inflow from short term deposits	20.8	3.3
Change in net funds resulting from cashflows	<u>22.2</u>	<u>2.7</u>
Net funds at 1 August 2009	54.2	51.5
Net funds at 31 July 2010	<u>76.4</u>	<u>54.2</u>

**CAMBRIDGE ASSESSMENT
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2010**

17. NOTES TO CONSOLIDATED CASHFLOW STATEMENT (continued)

c. Analysis of change in net funds

	At 1 August 2009 £m	Cash flows £m	At 31 July 2010 £m
Cash at bank and in hand	0.6	1.4	2.0
Short term deposits	53.6	20.8	74.4
Total	<u>54.2</u>	<u>22.2</u>	<u>76.4</u>

The short term deposits above include £1.1m (2009: £1.1m) held as endowment assets.

18. PENSION COSTS

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

The CPS and USS schemes are not closed, nor is the age profiles of their active membership rising significantly. The RSAEB scheme is a closed scheme which has 7 (2009: 9) active members. The rates of contribution payable are determined by the trustees on the advice of the actuaries.

The Group's contributions to the CPS and USS schemes are affected by a surplus or deficit in these schemes. It is not possible to identify the Group's share of underlying assets and liabilities of the schemes and therefore contributions are accounted for as if they were defined contribution schemes in accordance with FRS 17, "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 2007, showed a funding deficit of £1.8m. The employers made a single payment to fund the deficit in July 2008 as a consequence of which no further deficit funding payments were required.

The employer's contribution rate for the scheme is 31.8% of pensionable pay.

The results of the actuarial valuation have been updated to 31 July 2010 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 2010**

18. PENSION COSTS (continued)

The major assumptions used by the actuary were:

	At 31 July 2010	At 31 July 2009
Discount rate	5.5%	6.3%
Retail price inflation	3.4%	3.4%
Salary increase rate	5.4%	5.4%
Pensions increases (at Limited Price Indexation)	3.6%	3.6%
Deferred pension revaluation	3.4%	3.4%

At 31 July 2010 the mortality assumption followed the standard table known as PA92 with medium cohort mortality improvements subject to a 1.5% 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% minimum to the annual improvements.

Life expectancy in years, assuming retirement at 65:

	At 31 July 2010	At 31 July 2009
Male aged 65 now	23.7	22.6
At 65 for male aged 45 now	26.8	24.6
Female aged 65 now	27.4	25.9
At 65 for a female aged 45 now	30.7	28.0

	At 1 Aug 2009	At 1 Aug 2008
Expected return on assets at beginning of year:		
Equities	7.4%	7.9%
Bonds	5.3%	5.4%
Other	0.5%	5.0%

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

Analysis of amounts recognised in the balance sheet

	2010 £m	2009 £m
Fair value of scheme assets	8.0	7.0
Value of funded obligations	(8.9)	(7.6)
	<u>(0.9)</u>	<u>(0.6)</u>

Analysis of amounts recognised in the Income and Expenditure account

	2010 £m	2009 £m
Current service cost	0.1	0.2
Interest on obligation	0.5	0.4
Expected return on assets	(0.4)	(0.5)
	<u>0.2</u>	<u>0.1</u>
Actual return on assets	1.1	(0.3)

**CAMBRIDGE ASSESSMENT
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2010**

18. PENSION COSTS (continued)

Amounts recognised in the statement of total recognised gains and losses

	2010 £m	2009 £m
Actual return less expected return on pension scheme assets	0.7	(0.8)
Experience gains on the liabilities	0.1	-
Change in assumptions	(1.2)	(0.1)
Adjustment for 2008 Surplus not recoverable	-	0.3
Actuarial loss	<u>(0.4)</u>	<u>(0.6)</u>

Analysis of change in the defined benefit obligation

	2010 £m	2009 £m
Opening defined benefit obligation	7.6	7.5
Current service cost	0.1	0.2
Interest on obligation	0.5	0.4
Actuarial losses/(gains)	1.1	(0.2)
Benefits paid	<u>(0.4)</u>	<u>(0.3)</u>
	<u>8.9</u>	<u>7.6</u>

Analysis of change in the fair value of scheme assets

	2010 £m	2009 £m
Opening fair value of scheme assets	7.0	7.5
Expected return on assets	0.4	0.5
Actuarial gains/(losses)	0.7	(0.8)
Contributions	0.3	0.1
Benefits paid	<u>(0.4)</u>	<u>(0.3)</u>
	<u>8.0</u>	<u>7.0</u>

The Group expects to contribute £0.14m to this defined benefit pension scheme in the year to 31 July 2011.

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

	Assets at 31 July 2010	Assets at 31 July 2009
Equities	48%	50%
Bonds	51%	48%
Other	1%	2%

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18. PENSION COSTS (continued)

Amounts for the current and previous four periods:

	31 July 2010 £m	31 July 2009 £m	31 July 2008 £m	31 July 2007 £m	30 Sept 2006 £m
Defined benefit obligation	(8.9)	(7.6)	(7.5)	(7.2)	(7.6)
Scheme assets	8.0	7.0	7.5	5.8	5.5
(Deficit)	<u>(0.9)</u>	<u>(0.6)</u>	<u>-</u>	<u>(1.4)</u>	<u>(2.1)</u>
Experience adjustments on scheme liabilities	0.1	-	0.1	-	(0.1)
Experience adjustments on scheme assets	0.7	(0.8)	(0.6)	(0.1)	0.1

Total Group pension cost for the Year

	2010 £m	2009 £m
USS	6.6	4.3
CPS	5.0	3.4
RSAEB	0.1	0.2
	<u>11.7</u>	<u>7.9</u>

19. OPERATING LEASES

At 31 July 2010 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:	2010 £m	2009 £m	2010 £m	2009 £m
Land and buildings, commitments expiring:				
In 1 year	-	-	-	-
Between 2 & 5 years	0.1	0.1	0.1	0.3
After 5 years	0.8	0.4	0.7	0.3
Plant, machinery and equipment, commitments expiring:				
In 1 year	-	0.1	-	0.1
Between 2 & 5 years	0.4	0.3	0.2	0.2
	<u>1.3</u>	<u>0.9</u>	<u>1.0</u>	<u>0.9</u>

20. FORWARD CURRENCY CONTRACTS

As at 31 July 2010 the Group had forward exchange contracts for the sale of €19.3m (2009: €15.8m).

21. CAPITAL COMMITMENTS

There were £10.3m capital commitments for Cambridge Assessment and the Group as at 31 July 2010 in respect of freehold property purchase (2009: £2.2m in respect of property, equipment and computer software).

**CAMBRIDGE ASSESSMENT
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22. CONTINGENT LIABILITIES

There were no (2009: £nil) contingent liabilities as at 31 July 2010.

23. 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 2010 was £14.9m (2009: £24.4m). The balance due at 31 July was £14.9m (2009: total £12.4m).

The group paid £0.40m (2009: £0.42m) to the University in respect of rentals and other services. Examination fees and sales of other services amounting to £0.05m (2009: £0.04m) were charged to the University. At 31 July 2010 £0.08m (2009: £0.05m) 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 printing services £nil (2009: £3.1m), purchase of other services £0.44m (2009: £0.45m), receipt of royalties £0.70m (2009: £0.52m), sale of services £0.11m (2009: £0.27m). At 31 July 2010 a balance of £0.15m (2009: £0.07m) was due to CUP and its subsidiaries.

A total of £0.89m (2009: £0.95m) was payable to Colleges of the University in respect of venue hire and scholarships. Property rental of £0.07m (2009: £0.06m) was receivable from Downing College and sundry income of £3,180 (2009: £6,370) in total was received from fourteen (2009: seventeen) colleges. At 31 July 2010 £0.22m (2009: £0.22m) was owed to Colleges.

£0.1m was paid to the Cambridge Commonwealth Trust (2009: £0.07m to Cambridge Overseas Trust) in respect of scholarships.

£1,405 (2009: £nil) was paid to two Syndics in respect of consultancy services; £1,816 to two Syndics (2009: £1,393 to one Syndic) in respect of examination services. No other remuneration was paid to Syndics or to any connected persons (2009: £nil). Total travel expenses of £2,851 (2009: £1,767) were payable to 7 (2009: 5) Syndics. At 31 July 2010, £nil was owed to Syndics (2009: £121 owed to 2 Syndics).

24. ULTIMATE PARENT UNDERTAKING

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