



CAMBRIDGE ASSESSMENT

Cambridge Assessment Group

Annual Report and Accounts, 2011-2012

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Cambridge Assessment

Annual Report, 2011/2012

This is the one hundred and fifty-fourth Annual Report of Cambridge Assessment to the Council of the University of Cambridge. It covers the events of the year to 31 July 2012.

Introduction

Against a backdrop of increased scrutiny from Government, the UK exams regulator and the media we continued to play a leading role in developing and delivering educational assessment in over 160 countries around the world.

The momentum for educational reform has been building for some time and in the UK we experienced significant policy change related to qualifications, from new specifications for GCSEs and vocational qualifications to the potential redesign of A Levels.

There was also the added pressure of changes to the regulatory system and the market generally. The UK exams regulator was given powers to fine exam boards up to 10 per cent of their annual turnover. The desire to be able to fine boards arose, at least in part, from widespread concerns about errors in all boards' question papers in June 2011 and the need to find a proportionate penalty.

During the year clerical errors were discovered in the transcribing and totalling of marks for some scripts from OCR's June 2011 session which led to GCSE and A Level grade changes for a small number of candidates following an internal investigation. OCR took a number of corrective actions to address these matters including terminating four examiners' contracts, placing another 78 on notice to improve and instituting a new clerical checking regime. Ofqual, the UK exams regulator, undertook its own detailed investigation and, as a result, served OCR with a Direction in September 2012 which sought improvements in OCR's management processes and systems.

Changes to school performance measures had a huge impact upon vocational qualification design. For inclusion in 14-16 performance tables from 2014 onwards in the UK, vocational qualifications will need to be at least the size of a GCSE. The changes we are undertaking are in line with the recommendations from Professor Alison Wolf's review of vocational education in which she identified the need to reduce the number of qualifications that count as equivalent to a GCSE; increase the level of external assessment; reduce the number of small qualifications; and concentrate on the delivery of those which could evidence strong progression. This is and continues to be a major focus of our UK exam board.

A similar shift in policy was set out for 17-19 learners where again Wolf's recommendations are driving the policy agenda. There is much to welcome in the proposals to move funding by learner rather than qualifications, emphasising the importance of English and maths and the need to deliver high quality work experience and measure destinations and progression rather than the number of qualifications achieved.

Ofqual's strategy became clearer over the last year and four principles are evident: a focus on standards; a heavy sourcing of international benchmarking evidence; a finessing of regulatory powers; and a strengthening of public confidence.

Internationally, the impact of UK policy changes, regulation and the media furore is being felt.

We continue to support international educational reform initiatives with national partner bodies which have a broad focus, including the development of new curricula, assessments and professional development programmes for teachers and schools' leaders. This enables students to be successful within their own national education context and gain qualifications that are recognised, accepted and valued regionally and internationally.

We strengthened our presence in Asia Pacific and continued our work with education ministries around the world to develop national assessment programmes, bringing to bear our global expertise and knowledge.

The capacity to adapt to change is essential in education. Our experience of developing and delivering educational assessment both in the UK and 160 countries worldwide can help to deliver whatever reforms come our way.

Achievements and Performance

Authority on Assessment

At a time when education is under intense scrutiny around the world, we continued to influence education practitioners, policy makers and governments on assessment and education and how best to provide learners with the knowledge and skills that they need.

As a Group we were called upon to give both written and oral evidence in defence of the UK exam system at the House of Commons Education Select Committee as part of its inquiry into the administration of examinations for 15–19 year olds in England.

In our submission to the Committee's inquiry we gave evidence on the arguments in favour for and against having a range of awarding bodies for academic and applied qualifications, and the merits of alternative arrangements such as having one national body or examination boards franchised to offer qualifications in particular subjects or fields. Covering each of these issues in turn, we attempted to provide the Committee with concrete examples which reflect both past UK experience and best practice abroad. In order that current arrangements might achieve their full potential, we also supplied recommendations for improvement in the current system for the Committee to consider. It was rather pleasing to note that the Group's assessment expertise was praised by the UK's exam regulator, Ofqual, at the hearing.

Elsewhere, we continued to offer our expertise and evidence in response to a great number of consultations over the last year on a variety of topics, including: Further Education, GCSE and Higher Education reform; risk-based regulation; and UCAS' admissions process review.

As testament to the Group's expertise, our Director of Assessment Research and Development, Tim Oates, was asked to lead the four-person Expert Panel on the National Curriculum Review which began in January 2011. In December 2011, the panel published its report. The report made major recommendations including more detailed and focused programmes of study in core subjects, assessment linked to essential learning outcomes, a linkage to international standards and a proper curriculum hierarchy. The Government has followed the panel's recommendations regarding a delay in the implementation of changes. Although the Panel has completed its work, Tim Oates will continue as advisor to the Review and as a member of the Review's Advisory Committee.

As an independent voice, not motivated simply by commercial returns, we continued to tackle big education topics, such as; 'Learning comes first: shifting the focus from examining to the curriculum' and 'Can't speak, can't learn: what is the impact of non-native speakers in schools?'. Our events continue to attract sizeable audiences including teachers, assessment experts, employers and journalists with hundreds more watching online. These campaigns

reflect that the Group, and its constituent parts, are educationalists not merely assessment deliverers.

Our attendance at all three main political party conferences provides the Group with a platform to discuss educational issues with policy makers. Last year we held a forum session titled 'Too many exams and not enough education'. We commented that the system had become "exam driven, not education driven" and called for a rebalancing of the education system.

In a much anticipated move, the UK Secretary of State for Education wrote to the UK exams regulator proposing that universities should play a lead role in developing the next generation of A Levels and reviewing their performance each year. This was in line with our advice to ministers and reflects the Group's comprehensive Higher Education engagement strategy, which we have been delivering through an HE consultative forum and a series of subject forums, and an extensive 18-month research programme to drive forward preparation for the next round of A Level change. The findings of our research attracted widespread print and broadcast media coverage, ensuring that we are at the heart of the A Level reform debate.

Overseas, we continued to support education reform initiatives with national partner bodies. We signed a new initiative that will introduce a bilingual education into state schools in Mongolia. The bilingual education programme incorporates Cambridge programmes and qualifications, such as Cambridge IGCSE, to align the national education system of Mongolia to Cambridge International education standards.

Results from the French language version of our business language test, BULATS, were accepted by France's Ministry of the Interior as proof that applicants have the minimum language skills needed for citizenship. The test is already widely recognised by organisations all over the world including the UK Border Agency and the authorities in several German States. It is also widely used in France by organisations such as Air France, Airbus Industries, the Ministry of Defence, as well as the Council of Europe and OECD.

An agreement was signed with the largest university in Mexico to smooth the path of Cambridge learners in Mexico who want to progress to national universities. The Memorandum of Understanding recognises that our Cambridge IGCSE and Cambridge International AS and A Levels are equivalent to the Mexican 'prepa certificate' for 16 to 18 year olds.

As proof of English language skills for student visa applications, Australia's Department of Immigration and Citizenship accepted scores for our Cambridge English: Advanced exam. The new rules will benefit students who want to prove that they have in-depth English language skills and the ability to use them effectively in an educational context. It will also help universities, colleges and schools to be confident that the students they recruit are able to deal with the demands of academic study in English across all four skills – listening, speaking, reading and writing.

We held our most successful International Study Programme to date, bringing together assessment experts from around the world to share best practice in public examinations' development and administration. This year the course attracted 27 delegates from 16 countries including Botswana, Malaysia, Mongolia, and Argentina, and the heads of three African examination boards – Lesotho, Swaziland, and Namibia. Launched in 2006, the two-week programme provides a comprehensive insight into the development and delivery of public examinations for a multi-national audience. The course draws on the strength and depth of expertise of staff from across the Group, each speaker bringing a specialist understanding of their field with sessions on item writing and test construction, mark scheme

development and e-assessment proving particularly popular.

To gain first-hand experience of English teaching in the UK we held a month-long course for a group of ten teachers of English from Singapore. It is the second time we have run this course, which includes a placement in local primary and secondary schools, after successfully winning the Singapore Ministry of Education contract. The teachers were nominated by their schools for the 'Overseas Study Award', which is considered a great honour, and they are expected to disseminate what they have learned on their return. The course also reinforces the already strong relationship between the Group and Singapore.

We developed a bespoke blended learning course in assessment and education for the Netherlands Institute for Curriculum Development. The course, attended by 30 delegates, focused on the principles of assessment and ways of assessing a curriculum.

For 2011-12, we restructured our Certificate in the Principles and Practice of Assessment programme into its new linear format – which is now awarded as a full Undergraduate Certificate of the University of Cambridge. Thirteen students completed the course this year, including staff as well as participants from Ofqual, the Scottish Qualifications Authority, the Wines and Spirits Education Trust and one teacher.

Our annual Cambridge Teachers Conference continued to be popular. More than 200 teachers from over 50 countries attended to hear experts from the University of Bristol and the University of Cambridge share the latest brain research and discuss its implications for education. We also continued to hold teacher events around the world (Pakistan, Qatar, UAE, Kuwait, Argentina), often in collaboration with the University's Faculty of Education, to give teachers new strategies and techniques for teaching science and maths.

We had a very successful exhibition at the BETT 2012 show in London, one of the largest educational technology shows in the world. The exhibition was opened by the UK Education Secretary Michael Gove who stated that the current programme of ICT study in England's schools would be replaced by an 'open source' curriculum in computer science and programming from September, designed with the help of universities and industry. Our UK exam board OCR is currently the only board to offer a GCSE in Computing and Michael Gove commented that "OCR is pioneering work" in computing qualifications.

As well as hosting our own knowledge-sharing events we also participated in a plethora of external education events around the world either by speaking or exhibiting. In the UK we continued to participate in events aimed at policy makers, including Westminster Education Forum and Westminster Briefing where we often provided a speaker.

We continue to demonstrate that we have a strong research base from which to influence thinking, highlighting the organisation's academic integrity and educational values. In addition to sharing our research via our own publications, Research Matters, Research Notes and Studies in Language Testing, the Group also contributed articles to a wide selection of well-regarded books and peer-reviewed journals published around the world.

Developments in Technology

Technology continues to play a key part in examination administrative processes with millions of exam papers being marked online every year. The use of computer-based testing (CBT) also is rapidly expanding bringing benefits to education by offering on-demand testing, quicker turnaround of results, better and authentic item types and improved security. Therefore we continue to invest in new IT systems to improve the efficiency of all exams through online marking, online grading and, eventually, online test-taking.

In the first experiment of its kind in the UK, our international exam board trialled the use of portable devices in exam conditions. In the pilot students at a Cambridge school were given portable computers on which to view a Cambridge IGCSE Biology mock exam paper. Although they still had to write out their answers by hand, the experiment was well received by students. The pilot was part of a research project to find out more about the validity of using tablet technology in assessment. However, we have no plans to introduce the system in 'live' exams just yet.

A major CBT breakthrough was the development of our on-screen and on-demand Functional Skills assessments, ready for launch mid-September 2012. Functional Skills are practical skills in English, Maths and ICT that help learners gain the most out of work, education and everyday life. They have been introduced to address government and employers' concerns over current standards in basic literacy and numeracy for learners of all ages. Functional Skills are also an essential part of the Apprenticeship frameworks. With an increase in the roll-on, roll-off programmes of learning offered by schools, we also reduced our turnaround times for results to just 20 days. We are continually reviewing our processes and will be aiming to reduce the turnaround times further for some of our assessments from September onwards.

To make sure that institutions can be confident that the person presenting our certificate is actually the person who sat the exam, we introduced 'Identica' – a new test-day photo system developed by Aware Inc. Initially Identica will be used to enhance exam security of our Cambridge English: Advanced tests for immigration and other high stakes purposes – accepted by the majority of universities in Australia and the UK, and by the UK Border Agency for all categories visa including Tier 4 student visa – prior to being rolled out across the Group, as required. Launched in Switzerland, Identica has already been rolled out to English test centres in Canada, Mexico, New Zealand, China, Poland, Argentina, Spain, Germany, Brazil, Italy, Malaysia, Taiwan, Ukraine, India, Peru, Russia, Macedonia and France.

The candidate biometrics project is the first project to be delivered by the Group's strategic change programme, Project Threshold.

Teachers in the UK were able to submit requests for post-examination adjustments to be made to candidates' marks to make allowance for adverse circumstances that may affect their performance on the exam day (known as Special Considerations) online for the first time thanks to a new application capability developed by Project Threshold. Initially developed for OCR, it will be extended to our other exam boards during this forthcoming year. The development followed a customer satisfaction survey in which schools and colleges ranked the introduction of an online process for special consideration applications in their top three 'wish list'.

Our free and secure online Results Verification Service continues to be a popular way for organisations to check candidates' Cambridge ESOL results. Organisations can see results quickly and easily on a site that is securely encrypted, giving them the confidence to make important decisions about study, work or immigration.

We also upgraded our Candidate Results online service for August 2012 to meet the growing demand from students to access their own Cambridge International Examination results online, and improve their experience of the service.

And in response to requests from schools for more support to help them promote Cambridge programmes one of our exam boards launched a new secure area on its website called Marketing Resources.

We launched a new, interactive web-based learning solution to help students prepare for the speaking part of the Cambridge English: First exam. The online speaking practice test incorporates video footage of a real Cambridge ESOL examiner asking authentic exam questions. Students can record and share their answers with teachers and friends – and then compare their responses to videos of students giving sample answers.

To enable us to offer a face-to-face training experience to customers anywhere in the world, we increased the use of Webex and video conferencing to deliver teacher training.

Virtual conferencing is just one of the ways we share the knowledge and experience of leading practitioners in online language teaching, and encourage teachers to participate in wider discussion. Bringing together 1,500 people from 52 countries, our 2011 annual virtual conference highlighted the vast opportunities of online learning in the English classroom and the importance of striking a good balance with face-to-face teaching.

We partnered with Oxford University Press (OUP) and Hodder Education to develop free electronic versions of AS and A2 textbooks for all schools and colleges teaching A Levels. The initiative launched in September 2011, with nearly 100 eBooks available in a wide range of subjects. This was the first time that free eBooks from major publishers had been made available via an exam board and was a very popular initiative which has now been extended for a further two years. To date, over 375,000 free AS and A2 eBooks have been ordered by cost-conscious schools and colleges. According to research we commissioned earlier this year, accessibility and portability are the greatest benefits of eBooks, especially for students. The eBooks are also benefitting teachers, who use them to plan and prepare lessons.

The increasing use of on-screen marking technology for both paper and computer-based assessments has made it possible to introduce significant improvements. These include the ability to monitor the quality of marking of each examiner against a set of common, 'definitively' marked scripts on an on-going basis; the ability to anonymise and randomise the allocation of scripts; the availability of more detailed evidence upon which to decide whether an individual examiner's marking is 'aberrant'; and the ability to allocate re-marking immediately without the delays caused by the need to despatch paper scripts.

During the year our UK exam board brought forward its target of marking all long essay-style answers online to 100 per cent by 2014, up from 84 per cent this year. On-screen marking brings with it many benefits and will help to eliminate opportunities for human error in the future.

From June 2012 everyone we invite to mark hard copy Cambridge International scripts will also be given the option of using ERM – electronic return of marks. ERM is a system for returning marks electronically for scripts which have been marked on paper. It means markers do not have to complete paper mark sheets. Using ERM improves the accuracy of the recording of marks, reduces the time between examiners completing their marking and the marks being loaded onto the marks database, and reduces the chances of marks being delayed in the post. We will be encouraging examiners to use ERM as paper mark scripts are being phased out, and from June 2013 all marks will need to be returned using ERM.

Assessment Services

We continue to develop and deliver a range of assessments, qualifications and tests, for learners of all ages across the full range of subjects which are used and respected by educational establishments around the world. Additionally, the Group provides a broad range of educational services. These stretch from advising governments on major educational and curriculum reform programmes to teacher development to helping improve standards of taught English in state primary school systems overseas.

The re-launch of our Cambridge Primary in 2011 has been a success with the number of schools offering the curriculum frameworks programme in 2012 up by 34 per cent on last year. We also held the first test session of our Cambridge Primary Checkpoint. Developed in response to schools, it offers feedback on learners' strengths and weaknesses in the key curriculum areas of English, Mathematics and Science. The tests, developed exclusively for existing customers of Cambridge Primary, are marked by us and provide schools with an external international benchmark for learner performance.

This year saw a move to linear GCSEs with an increased focus upon spelling, punctuation and grammar and the re-checking of all of our UK specifications to confirm that they offer sufficient breadth. Despite this regulatory decision in England, the Welsh government decided to allow exam boards to continue to offer the current modular GCSEs in Wales. We declined the opportunity to continue to offer modular GCSEs in Wales as we have strong reservations about having at least two different models of GCSE operating ostensibly under the same title but each with different regulatory requirements and it presents technical challenges relating to standards and creates significant operational costs. We were also concerned that it makes our shared task of maintaining confidence in GCSEs more challenging when pupils in Wales are seen to have access to more re-sit opportunities than their English counterparts. The Education Minister in Northern Ireland also decided that schools should have the freedom to offer pupils either linear or modular GCSEs, dependent upon which they feel would better meet their needs and aptitudes.

The decision to return to a linear structure comes as we see the first awards issued for new modular GCSEs in English, mathematics, ICT and science in summer 2012. These versions are unitised, which means that candidates can sit exams for different units throughout the course, and also include controlled assessment.

Extending our suite of language qualifications to meet the diverse language needs of Cambridge learners worldwide we launched: Cambridge IGCSE Italian Foreign Language for first examination in 2014; Cambridge IGCSE Chinese as a Second Language (first pilot exam in 2012); and Cambridge IGCSE Urdu as a Second Language (for first examination in 2015). The Ministry of Education in Indonesia also asked us to develop Cambridge IGCSE Bahasa Indonesia for students in Indonesian schools.

We developed Cambridge IGCSE World Literature with a group of schools in Hong Kong, and they are already piloting the syllabus for examination in 2012. Schools in mainland China, India, Argentina, The Netherlands, Thailand and the UK are now working with us to pilot the syllabus for the 2013 assessment. Feedback from pilot schools has highlighted the flexibility for teachers to reflect the interests of their learners. They also welcome the preparation which the syllabus offers for later study at Cambridge International A Level and the International Baccalaureate.

Cambridge IGCSE Enterprise and Cambridge IGCSE Islamiyat, both out of pilot phase, were examined for the first time in June 2012.

Changes to school performance measures had a huge impact upon vocational qualification design. We developed Cambridge Nationals to replace the popular OCR Nationals to meet the Government's new performance table criteria for schools from 2014. Industry leaders, teachers and training providers were consulted during development to ensure OCR's new qualifications were 'Wolf compliant' and focused on the skills, as well as the computer knowledge, expected by future employers and places of study. Five subjects – ICT, Business, Health and Social Care, Sport and Science – are ready for first teaching in September 2012.

During the year we also launched Cambridge Technicals, our new suite of vocational qualifications for students aged 16+. Following consultation with employers, industry specialists and teachers, the knowledge and skills embedded in the new Cambridge Technicals will provide relevant experience for students wishing to progress into employment or higher education. They also have UCAS points so they are recognised for entry to higher education. Offered as Level 2 and Level 3 qualifications in Business, IT, and Health and Social Care, for teaching by schools and colleges from September 2012, qualifications in Media, Art and Design, Science and Sport will follow from this September to broaden the subject range.

Following the Government's evaluation of the Skills for Life programme it concluded that those qualifications which underpin it needed refreshing. Our UK exam board partnered with Tribal – world leaders in educational support – to develop a new range of English and maths qualifications to address this issue. Subject to accreditation, the new proficiency qualifications, which are exclusively from OCR, will be available for first teaching from September 2012.

The UK Secretary of State for Education's decision that universities should create a new set of A Levels and review them each year was excellent news for the Group as we had already been delivering a comprehensive Higher Education (HE) engagement programme; through an HE Consultative Forum and a series of subject forums to drive forward our work in preparation for the next round of A Level change. This programme is really progressing the shift to greater HE involvement in the design, review and administration of A Levels.

During the year we announced a new 'HE endorsed' A Level in Humanities, developed by OCR in collaboration with the University of Essex. The qualification, which will be launched in September 2012, has a strong emphasis on developing the ability to interrogate, interpret and evaluate a range of information to produce well-reasoned explanations supported by evidence - skills which are highly valued by both HE and employers.

Take-up of Cambridge Pre-U is nearing equal numbers of state and private schools in the UK – with 64 state schools and 74 independent schools entering their pupils for Cambridge Pre-U subjects. Since its introduction in 2008 appetite for the qualification, which aims to prepare students for the rigour of university study, has grown across the board. Overall entries for June 2012 are up 30 per cent on last year. And following the launch of a Pre-U Drama and Theatre, for first examination in 2014, we now offer Cambridge Pre-U in 27 Principal Subjects.

Drawing on our experience with Cambridge IGCSE Global Perspectives we developed the new Cambridge International AS Level in Global Perspectives. Already available and popular at Cambridge IGCSE and Cambridge Pre-U level, Global Perspectives helps students develop flexible communication and research skills that universities and employers really value.

We launched Cambridge International A Level English Language, for first examination in 2014, following requests from schools for a follow-on qualification to the AS Level. It is designed to give learners confidence in using English in contemporary communication – from advertisements and brochures to news reports and blogs.

Other new qualifications examined for the first time in June 2012 were: Cambridge Pre-U Short Courses in Global Perspectives, Mathematics (Statistics with Pure Mathematics), and Further Mathematics.

We developed a new education programme, in conjunction with the American College Board's Advanced Placement (AP) programme, to help prepare US high school students for

university. The initial stage of the project involves a pilot, where students will study a mix of AP courses alongside a seminar course from the adapted Cambridge Pre-U Global Perspectives and Research project. The pilot will last until 2015, enabling two separate cohorts of students to participate.

We strengthened our presence in Asia Pacific with the appointment of a Regional Director and with the opening of a Singapore office. The Group has a long record of involvement in Asia Pacific countries, in curriculum development and in the development, design and operation of examinations. Students in almost 2,000 schools in Asia Pacific take Cambridge qualifications and we also work in partnership with ministries of education in several Asian countries, including Singapore. Elsewhere in the region, to meet the growing popularity of our Cambridge English exams, we expanded our test centre network in China.

In Bahrain, we continued to work closely with the National Examinations Unit, part of the Bahrain Quality Assurance Authority for Education and Training, and successfully piloted Grade 12 examinations for school-leavers for the subjects of Arabic, English and Problem Solving. The pilot has provided invaluable learning for the cycle of live exams at this level to be implemented from 2013.

Due to political change, the Nile Egyptian Schools (NES) project in Egypt faced very challenging circumstances, yet work has progressed very well in key areas including curriculum and assessment development, as well as teacher training. We are looking forward to another productive year with NES students at the five pilot schools beginning classes at Grades 4 and 8 for the first time, and plans being produced for the development of curriculum and assessment materials for Grades 10-12.

We signed a major new Description of Services for the Integrated Programme of Development of the Nazarbayev Intellectual Schools (NIS) to support their long-term goal and enhance the wider education system in Kazakhstan. Our involvement in the 'Centres of Excellence' project – in collaboration with colleagues at the Faculty of Education of the University – builds on the progress we made in 2011 and includes support in such areas as curriculum development, teacher professional development and assessment design.

The findings of the European Survey on Language Competences, which was conducted by an international consortium led by Cambridge ESOL, was published by the European Commission. The largest ever survey of its kind, it involved nearly 54,000 secondary school pupils in 14 countries taking specially developed language tests. The results, which were widely reported across Europe and beyond, found large differences in the levels achieved in the participating countries, and highlighted factors which could help to deliver more effective teaching and learning.

Strengthening our joint language assessment venture between Cambridge ESOL and the University of Michigan English Language Institute Testing and Certification Division, we appointed a Chief Executive Officer of Cambridge Michigan Language Assessments. The primary focus of Cambridge Michigan Language Assessments, launched in 2010, is to promote the Michigan English language exams around the world.

To help Italy's universities benefit from the growing internationalisation of the higher education sector we signed an agreement with the Italian Ministry of Education to provide admissions tests for Italian and overseas students planning to study for Italian degrees. The admissions tests will be available for a range of subjects including medicine, engineering, architecture, economics, basic science, humanities.

In the UK the exams regulator revised face-to-face teacher training guidelines after newspaper allegations that examiners were tipping off teachers about the questions their

pupils should expect. The disappearance of the traditional Inset model brings the opportunity for alternatives, such as well-designed online modules, interactive forums and set-piece webinars. By re-channelling the considerable resources previously spent on developing and running face-to-face events we can reach a much wider audience, particularly at a time when schools increasingly struggle to release teachers for a whole day including travel. We can also expand our provision of wider, subject-based events designed to engage and inspire teachers. Such events still provide teachers with the opportunity to get out and network with their peers whilst at the same time recharging their enthusiasm for their subject.

In calling for tighter controls over text books and other support materials, the House of Commons Select Committee's report into the administration of examinations for 15–19 year olds in England was particularly critical of exclusive agreements between publishers and awarding bodies – something we have always scrupulously avoided. But the report was also concerned about the practice of endorsing text books in general. Whatever happens with text books in the UK, it will be our concern to find a way of making sure that all qualifications come with the requisite levels of support for learners and teachers. International evidence shows that high quality textbooks improve the performance of an education system – but only if the right relationship between textbooks and learning can be secured.

In the UK we also secured a dedicated OCR section within the TES Online's wider resources coverage within which to publish, showcase and map our own resources to OCR specifications. There is also potential to incorporate teachers' own resources into our section if they relate to our specifications. Initially we will go live with English in autumn 2012. A number of other subjects will follow, using the English landing page as a template. This is yet another example of aligning our free resources across multiple channels.

We launched Cambridge English Teacher, an innovative online community which provides resources, training and discussion forums for English language teachers, in collaboration with Cambridge University Press (CUP). As part of our initiative to raise teaching standards worldwide, we offered English language teachers a free online language awareness course. Cambridge English Teacher is already proving popular with English language teachers around the world and has received over 2000 registrations since its launch earlier in March 2012. The project is building an online community that encourages teachers to share ideas and approaches on a global scale as part of their on-going career development.

We hosted a free Apprenticeship event for employers in collaboration with Birmingham Chamber of Commerce, Birmingham Metropolitan College and the National Apprenticeships Service. Nearly 100 people from businesses across the West Midlands attended to find out more about Apprenticeships, the benefits they can bring to their organisation and how we have developed bespoke programmes for businesses such as IBM, the BBC and PwC. With regards to the latter, PwC were successful in bidding for funding from the BIS Higher Apprenticeship Fund to develop a Level 4 framework in Professional Services. The framework has three distinct pathways: Management Consulting; Tax; and Audit. OCR supported PwC through the accreditation of a series of qualifications that sit within the framework and the first Level 4 apprentices in Professional Services will begin in September 2012.

Process Improvement

We are working with IT company Cognizant to provide a range of application services to help the organisation improve the management and processing of exams. The current technology portfolio is a diverse mix of over 115 applications using legacy, web-based and proprietary technologies and database applications as well as third-party packages. Cognizant will streamline the applications and business processes to ensure the successful management of exam processing and a move towards more cost-effective and easy-to-use technologies.

It will also help the Group by improving the current support function to enable alert and monitoring capabilities, improved usability and governance of in-house applications and support for the business during seasonal workload increases at exam times.

As a Group we continued to manage complexities in challenging markets with the use of time zoned examinations to maximise security for our customers. The introduction of time zoned question papers in 2010 enabled us to enhance question paper security for our customers. With the number of schools in the Americas growing another zone has been introduced. This final piece of the time zone jigsaw will ensure the 414 schools in zone 1 have more logical Key Times (when learners must be under Full Centre Supervision), and it will also further improve the security of question papers. Every country has been allocated to one of six administrative zones. Every country has an identified Key Time that needs to be observed when timetabling exams. Every school needs to make sure that candidates are under Full Centre Supervision at the Key Time.

Our Admissions Tests and Special Testing team is expanding its role, developing its international potential, and will include the University Language Testing service in collaboration with Cambridge Michigan Language Assessments.

We successfully completed the relocation of OCR's Logistics Service to DC10 and closed the Windsor Street, Birmingham site. The introduction of an additional nine million question papers and 18 million non-confidential items for despatch was successfully planned and managed, all delivered with the support of the staff in Birmingham. This also coincided with a change in process which introduced the scanning of scripts where schools and colleges had requested them.

The Vice Chancellor of the University of Cambridge, Professor Sir Leszek Borysiewicz, and Group Chief Executive, Simon Lebus, declared the 72 Hills Road office open at the end of October 2011. With 72 Hills Road completed and the refurbishment of 9 Hills Road well underway the next Group project is to convert the warehouse and improve facilities at Progress House, Coventry.

We created Cambridge Assessment Singapore which, in partnership with Cambridge International Examinations, opened an office in Singapore to act as regional base for Asia Pacific. The new office will help increase our presence in the region – a strategically important area for the Group where 30 per cent of the world's population live and approximately 22 per cent of people are under 18 years old.

As part of our commitment to widen access to education, we launched a Cambridge International Examinations bursary fund for Cambridge teachers applying to study a new Master's degree in Advanced Subject Teaching at the University of Cambridge's Institute of Continuing Education. The bursaries, accessible to teachers both in the UK and worldwide, are offered as part of our commitment to support teachers. Available to teachers who teach Cambridge programmes and qualifications, one bursary is available for English teachers and the other for History teachers. The Master's degree in Advanced Subject Teaching has been designed to help English and History teachers develop their subject knowledge and enhance their professional and academic standing.

The first ever Cambridge Assessment scholars completed their studies. The scholarship programme, launched in 2009, funds postgraduate students from outside the UK to pursue MPhil degree courses in Education, English Language or Applied Linguistics at the University of Cambridge. The 13 scholars came from China, Hong Kong, India, Montenegro, Malaysia, Serbia, Sri Lanka, Taiwan, Uganda and the USA.

The scholarships are run by the Cambridge Commonwealth and Overseas Trusts. Our

international exam board also continued to work with the Trusts to offer undergraduate scholarships for students in India and Pakistan. The scholarships provide financial assistance to exceptional students to encourage attendance at the University of Cambridge, thereby helping us to extend the benefits of a University of Cambridge education.

In the UK eight of the West Midlands' brightest students who took up their places at Cambridge University in 2011, received bursaries from OCR towards their tuition fees. Each of the students received a bursary of £3,375 which means their individual tuition fees will be paid for the lifetime of their undergraduate studies. The award fund, arising from OCR's historical association with the West Midlands Exam Board, helps talented students in the region to make the most of their studies.

Continuous Improvement and Efficiency

Our strategic change programme, Project Threshold, continues to make significant progress towards delivering business transformation through the replacement of legacy technology and processes, enabling sustained, future growth and success for the Group.

Throughout the year, Project Threshold has been meeting the challenge of designing and delivering the foundation systems which will form the bedrock for the Group's new, future integrated administration processes.

Collaboration is a major theme of the project as it continues to require a great deal of input and assistance from staff across the Group.

By the end of 2012, Project Threshold will deliver the foundation phase of our four year change programme. This key delivery milestone encompasses: refreshing our finance and procurement processes, installation of storage servers to modernise how we store our information and start the rejuvenation of all main external customer-facing websites.

Staff training remains a key focus for Project Threshold. As the completion of the first phase draws closer, an intensive period of e-learning and classroom-based training will give staff the skills they need to embrace the changes we are driving forward.

Our exam boards continue to work collaboratively. Cambridge International Examinations and Cambridge ESOL have been working closely on education reform projects to deliver clients' requirement for English as a Second Language.

OCR and Cambridge International Examinations continue to work on sales and marketing to promote Cambridge IGCSE to UK schools as an integrated GCSE/IGCSE package.

OCR and Cambridge International Examinations sponsored the Cambridge Chemistry Challenge, an international competition developed by tutors at the University to get students thinking about science in the way they will at university.

Following the introduction of Dry Mixed Recycling and a rationalisation of our waste management contractors, over 94 per cent of our waste is now recycled – up from 92 per cent in 2010/11. This brings us even closer to achieving our target of 0 per cent of waste going to landfill by 2015.

The review and consolidation of our warehouse activities into a single 'hub' at DC10 were completed which meant the closure of our warehousing facilities in Birmingham. Work enhancing the layout of DC10 to optimise space utilisation, workflow and automation to accommodate the transfer of operations has also enabled us to plan for future projected business growth.

The optimisation project has also delivered security improvements and allowed us to create new working areas for OCR and Cambridge International Examinations art marking.

Support for Staff

We are committed to providing opportunities for learning, development and training to help everyone, both externally and internally, maximise their potential. Our training and development plans are crucial to our ability to respond to the evolving education environment and our role within it.

We encourage a culture of continuous professional development, providing job-specific development opportunities for employees (training, mentoring, secondments and work attachments) to achieve effective performance, and in particular, seek to develop and share our management skills.

This year's learning and development has been very much about looking to the future. We have delivered a number of events under the 'Fit for the Future' banner targeting middle to upper managers that cover topics such as commercial awareness from a financial perspective and exploring business risk.

We have also invested in our future managers with an Aspiring Managers programme designed to supply them with an insight into what being a manager means and some opportunity to learn and practise line management skills.

We have added new training courses to our core offering, including one designed for people who spend 25 per cent or more of their working day reading, checking and transferring data. It has already proved popular in Cambridge and we anticipate a similar reception in Coventry.

As well as classroom-based events, in utilising modern technologies and a more blended approach to learning, Microsoft eLearning was deployed and continues to be utilised by staff.

The Microsoft Home Use Program was also rolled-out, providing the latest technology to staff at home as well as within the Group, developing their skills further.

Training facilities in Coventry were successfully re-located, where we took the opportunity to upgrade equipment ensuring services remain fit for purpose.

Staff continue to make the most of the training and development opportunities on offer with well over 2,000 people having attended soft skills courses this year. The most popular courses were Time Management & Prioritisation, Influencing Skills, Active Listening and Problem Solving & Decision Making.

A new online HR system was rolled out across the Group to make it easier for staff to access their personal information, including their employment history, benefits details and absence records, meaning far less paperwork and faster updates. Managers will benefit from having immediate access to management information, with the ability to delegate responsibility for absence management and holiday requests to another manager during periods when they know they will not be available to action them.

We also continue to encourage staff to attend Cambridge Assessment Network events, complete the Certificate in the Principles and Practice of Assessment, where relevant, and remain open to new ideas and fresh approaches.

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 £61.7 million for the financial year ended 31 July 2012 (2011: £47.6 million). Each of the three business streams recorded an operating surplus.

Income from examination fees and other educational and assessment services increased from £268.2 million to £301.7 million.

The overall costs for the year, before taxation and loss on asset disposals, were higher at £245.3 million than for the preceding period (£224.5 million). Expenditure is incurred in maintaining and developing qualifications, registration and certification of candidates, together with the quality control of examined and assessed schemes. Expenditure has also been incurred on changes and additions to systems, including increased levels of on-line administration.

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

The Group has £82.9 million in cash and short term deposits at the year end (£43.5 million at 31 July 2011). The deposits are invested by the University, mainly in its deposit pool, which is managed by the University Finance Division. The Group has £150.3 million invested in the Cambridge University Endowment Fund (£164.8 million at 31 July 2011), which is managed by the University's Investment Office with the advice and oversight of the Investment Board.

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

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

Syndics believe that the Group's reserves are at a level which is suitable to ensure financial stability, to provide protection against unforeseen contingencies and the risks to which the Group is exposed. Reserves are also maintained to ensure that the Group is able to fund investment in the development of the Group's infrastructure and business, including research, and to ensure that no financial liability will ever fall on general University funds.

During the year £32.9 million was transferred to the University from reserves compared with £14.7 million for the previous year.

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

Since 1981 the Group has transferred £255 million from its reserves and investment income - £233 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.

Signed:

Professor J Rallison (Chairman)

Mrs S Coutu

Mr E Elliott

Dr D Good

Professor J Gray

Ms D Hall

Dr J Keeler

Mr D Mansfield

Mr R Partington

Mr B Picking

Dr K Pretty

Mr A Reid

Dr N White

Mr P Williams

15 November 2012. Syndicate Buildings, 1 Hills Road, Cambridge, CB1 2EU

Auditors

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

Bankers

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

Appendix A: The Local Examinations Syndicate

Sir Christopher Hum (Chairman)	Master of Gonville and Caius College	Resigned 01.10.12
Professor John Rallison (Chairman)	Pro-Vice-Chancellor, University of Cambridge	From 01.10.12
Mrs Sherry Coutu	Investor and Independent Non-Executive Director	
Mr Edward Elliott	Head, The Perse School	From 26.01.12
Dr David Good	Fellow of King's College	
Professor John Gray	Professor of Education in the Faculty of Education, University of Cambridge	
Ms Denise Hall	Director of Marketing and Sales, SpecialSteps	
Dr James Keeler	Senior Tutor, Selwyn College	From 26.01.12
Dr John Leake	Fellow of St John's College	Retired 31.12.11
Mr David Mansfield	Headteacher, Coopers' Company & Coborn School	
Mr Richard Partington	Senior Tutor, Churchill College	
Mr Bruce Picking	Former Chairman of Governors of Havering College of Further and Higher Education	
Dr Kate Pretty	Principal of Homerton College	
Mr Andrew Reid	Director of Finance, University of Cambridge	
Dr Nick White	Fellow and Director of Studies in Modern and Medieval Languages, Emmanuel College	
Mr P Williams	Former Finance Director of Daily Mail and General Trust plc	

Appendix B: The OCR Board

Mr Simon Lebus (Chairman)	Cambridge Assessment Group Chief Executive	
Mrs Sherry Coutu	Investor and Independent Non-Executive Director	
Mr Edward Elliott	Head, The Perse School	From 26.01.12
Dr David Good	Fellow of King's College	
Professor John Gray	Professor of Education in the Faculty of Education, University of Cambridge	
Ms Denise Hall	Director of Marketing and Sales, SpecialSteps	
Sir Christopher Hum	Master of Gonville and Caius College	Resigned 01.10.12
Dr James Keeler	Senior Tutor, Selwyn College	From 26.01.12
Dr John Leake	Fellow of St John's College	Retired 31.12.11
Mr David Mansfield	Headteacher, Coopers' Company & Coborn School	
Mr Richard Partington	Senior Tutor, Churchill College	
Mr Bruce Picking	Former Chairman of Governors of Havering College of Further and Higher Education	
Dr Kate Pretty	Principal of Homerton College	
Professor John Rallison	Pro-Vice-Chancellor, University of Cambridge	From 01.10.12
Mr Andrew Reid	Director of Finance, University of Cambridge	
Dr Nick White	Fellow and Director of Studies in Modern and Medieval Languages, Emmanuel College	
Mr P Williams	Former Finance Director of Daily Mail and General Trust plc	

Appendix C: Cambridge Assessment Group Corporate Board

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

Appendix D: List of Acronyms

AP	Advanced Placement
BIS	(Department for) Business, Innovation and Skills
BULATS	Business Language Testing Service
CBT	Computer Based Testing
CUP	Cambridge University Press
ERM	Electronic Return of Marks
ESOL	English for Speakers of Other Languages
GCSE	General Certificate of Secondary Education
HE	Higher Education
ICT	Information and Communication Technology
IGCSE	International General Certificate of Secondary Education
IT	Information Technology
NES	Nile Egyptian Schools
NIS	Nazarbayev Intellectual Schools
OCR	Oxford, Cambridge and RSA Examinations
OECD	Organisation for Economic Co-operation and Development
Ofqual	Office of the Qualifications and Examinations Regulator
OUP	Oxford University Press
TES	Times Educational Supplement
UAE	United Arab Emirates
UCAS	Universities and Colleges Admissions Service

**UNIVERSITY OF CAMBRIDGE
LOCAL EXAMINATIONS SYNDICATE**

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2012**

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 2012

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 CAMBRIDGE ASSESSMENT

We have audited the group and parent institution financial statements (the "financial statements") of the University of Cambridge Local Examinations Syndicate for the year ended 31 July 2012 which comprise the Consolidated Income and Expenditure Account, the Statement of Group Total Recognised Gains and Losses, the Group and Cambridge Assessment Balance Sheets, the Consolidated Cash Flow Statement, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of the Syndics and auditors

As explained more fully in Responsibilities of the Syndics for the Preparation of the Financial Statements on page 3, the Syndics are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Syndics as a body in accordance with Statute F II.4 of the University of Cambridge and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and parent institution's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Syndics; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and institution's affairs as at 31 July 2012 and of the group's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

Matters on which we are required to report by exception

We have nothing to report in respect of where the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992 requires us to report to you if, in our opinion the statement of internal control included as part of the Corporate Governance and Internal Controls Statement is inconsistent with our knowledge of the parent institution and group.



PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cambridge
Date: 15 November 2012

CAMBRIDGE ASSESSMENT

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 JULY 2012

	Note	2012 £m	2011 £m
Income			
Examination fees	2	279.7	253.3
Other educational and assessment services	2	22.0	14.9
Endowment and investment income	3	6.8	5.6
Total income		<u>308.5</u>	<u>273.8</u>
Expenditure			
Staff costs	4	79.6	73.3
Other operating expenses	5	154.3	139.9
Depreciation		11.4	11.3
Total expenditure		<u>245.3</u>	<u>224.5</u>
Surplus after depreciation of tangible fixed assets and before tax		63.2	49.3
Taxation		-	(0.4)
Surplus after depreciation of tangible fixed assets and tax		<u>63.2</u>	<u>48.9</u>
Loss on disposal of fixed assets		(1.5)	(1.4)
Surplus for the year after depreciation of tangible fixed assets and disposal of assets and tax	6	<u>61.7</u>	<u>47.5</u>
Transfer from accumulated income within specific endowments	14	-	0.1
Surplus for the year retained within general reserves	15	<u>61.7</u>	<u>47.6</u>

All income and expenditure relates to continuing activities.

CAMBRIDGE ASSESSMENT**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 JULY 2012**

	Note	2012 £m	2011 £m
Surplus for the year		61.7	47.5
Increase in market value of investment assets	8,9	0.3	8.3
Actuarial loss on defined benefit pension scheme	17	-	(0.6)
Total recognised gains for the year		<u>62.0</u>	<u>55.2</u>

	Note	2012 £m	2011 £m
Reconciliation			
Opening reserves and endowments		264.9	224.4
Total recognised gains for the year		62.0	55.2
Transfer to the University		<u>(32.9)</u>	<u>(14.7)</u>
Closing reserves and endowments		<u>294.0</u>	<u>264.9</u>

STATEMENT OF HISTORICAL COST SURPLUSES AND DEFICITS FOR THE YEAR ENDED 31 JULY 2012

	Note	2012 £m	2011 £m
Surplus for the year		61.7	47.5
Realisation of investment revaluation gains of previous years		2.5	-
Historical cost surplus for the year		<u>64.2</u>	<u>47.5</u>

CAMBRIDGE ASSESSMENT

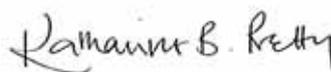
BALANCE SHEETS AS AT 31 JULY 2012

	Note	Group		Cambridge Assessment	
		2012 £m	2011 £m	2012 £m	2011 £m
Fixed assets					
Tangible fixed assets	7	92.7	88.8	84.8	79.5
Investments	8	152.3	166.3	61.6	72.2
		<u>245.0</u>	<u>255.1</u>	<u>146.4</u>	<u>151.7</u>
Endowment assets	9	4.4	4.4	4.4	4.4
Current assets					
Property held for sale	7	0.6	-	-	-
Debtors	10	74.8	64.9	60.4	58.1
Short term deposits		67.5	40.3	41.0	22.9
Cash at bank and in hand		15.4	3.2	13.2	1.8
		<u>158.3</u>	<u>108.4</u>	<u>114.6</u>	<u>82.8</u>
Creditors: amounts falling due within one year	11	(113.4)	(102.0)	(57.8)	(49.8)
Net current assets		<u>44.9</u>	<u>6.4</u>	<u>56.8</u>	<u>33.0</u>
Total assets less current liabilities		294.3	265.9	207.6	189.1
Creditors: amounts falling due after more than one year	12	-	-	(0.1)	(0.1)
Provisions for liabilities and charges	13	(0.3)	(1.0)	(0.3)	(0.4)
Total net assets		<u>294.0</u>	<u>264.9</u>	<u>207.2</u>	<u>188.6</u>
Restricted expendable endowments	14	4.4	4.4	4.4	4.4
Reserves					
Revaluation reserve	15	15.7	17.9	6.2	7.8
Investment property revaluation reserve	15	0.2	0.2	0.2	0.2
General reserve	15	273.7	242.4	196.4	176.2
		<u>289.6</u>	<u>260.5</u>	<u>202.8</u>	<u>184.2</u>
		<u>294.0</u>	<u>264.9</u>	<u>207.2</u>	<u>188.6</u>

The financial statements on pages 5 to 24 were approved by the Syndics on 15 November 2012 and were signed on their behalf by:



Professor John Rallison
Chairman of the Local
Examinations Syndicate



Dr Katharine Pretty CBE
Member of the Local
Examinations Syndicate

CAMBRIDGE ASSESSMENT

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 JULY 2012

	Note	2012		2011	
		£m	£m	£m	£m
Net cash inflow from operating activities	16a		64.3		51.5
Returns on investments and servicing of finance					
Investment income		6.5		5.0	
Interest received		<u>0.2</u>		<u>0.3</u>	
			6.7		5.3
Taxation			(0.2)		(0.2)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(18.0)		(23.6)	
Payments to acquire investments		-		(50.0)	
Repayment of loan		<u>0.1</u>		<u>-</u>	
			(17.9)		(73.6)
Transfer to University			(13.5)		(14.9)
Cash inflow/(outflow) before use of liquid resources			<u>39.4</u>		<u>(31.9)</u>
Management of liquid resources					
Net movement on short term deposits	16c		(27.2)		33.1
Increase in cash in the year	16b		<u>12.2</u>		<u>1.2</u>

1. ACCOUNTING POLICIES

Basis of accounting

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

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

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

Basis of consolidation

The Group financial statements incorporate the results of Cambridge Assessment and its subsidiary undertakings. Cambridge Assessment is the brand name of the University of Cambridge Local Examinations Syndicate which is a department of the University of Cambridge which is governed by the Local Examinations Syndicate which is formed under the statutes of the University. Certain subsidiaries of the University are also governed by Cambridge Assessment, including Oxford Cambridge and RSA Examinations ("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 the Joint Venture undertakings are not coterminous with that of the parent undertaking but the effect is not material.

Deferral of income and expenditure

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

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

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

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

Pension schemes

Cambridge Assessment has fully adopted FRS 17 "Retirement benefits". Cambridge Assessment participated 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.

1. ACCOUNTING POLICIES (continued)

Pension schemes (continued)

The RSAEB scheme has two employers, Cambridge Assessment and OCR. As explained in note 17, during the year the Trustee agreed the buyout of the scheme liability by Metlife Assurance Limited. The buyout has been accounted for as a settlement in the current financial year. Previously, as both employers are within the Cambridge Assessment Group, the scheme was accounted for as a defined benefit scheme in accordance with FRS 17 in the Group financial statements with the consequence that any surplus or deficit in the scheme was recognised as an asset or liability in the balance sheet. In the individual financial statements of Cambridge Assessment and OCR, the scheme was 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.

Tangible fixed assets

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 & 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.

**CAMBRIDGE ASSESSMENT
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2012**

1. ACCOUNTING POLICIES (continued)

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.

Taxation

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

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

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

Recognition of liabilities

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

2. INCOME BY GEOGRAPHICAL SEGMENTS

	2012 Group £m	2011 Group £m
Examination fees and other educational and assessment services:		
United Kingdom	158.4	151.3
European Union	32.4	27.1
Rest of the world	110.9	89.8
	<u>301.7</u>	<u>268.2</u>

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

3. ENDOWMENT AND INVESTMENT INCOME

	2012 Group £m	2011 Group £m
Income from specific endowment asset investments	0.2	0.1
Other investment income	6.4	5.2
Other interest receivable	0.2	0.3
	<u>6.8</u>	<u>5.6</u>

4. STAFF COSTS

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

	Group		Cambridge Assessment	
	2012 No.	2011 No.	2012 No.	2011 No.
Examination services	1,357	1,425	742	744
Administration and central services	484	444	484	444
Premises	95	90	95	90
	<u>1,936</u>	<u>1,959</u>	<u>1,321</u>	<u>1,278</u>

Staff costs for the above persons comprise:

	Group		Cambridge Assessment	
	2012 £m	2011 £m	2012 £m	2011 £m
Salaries and wages	59.0	57.5	42.4	38.1
Social security costs	5.0	4.8	3.6	3.2
Other pension costs (note 17)	17.4	12.3	11.4	8.5
	<u>81.4</u>	<u>74.6</u>	<u>57.4</u>	<u>49.8</u>

Of the above costs £1.8m (2011 £1.3m) was capitalised as internally developed software.

Staff costs charged to the Income and Expenditure Account

	Group		Cambridge Assessment	
	2012 £m	2011 £m	2012 £m	2011 £m
Examinations services	55.7	52.1	31.7	27.3
Administration and central services	21.4	18.8	21.4	18.8
Premises	2.5	2.4	2.5	2.4
	<u>79.6</u>	<u>73.3</u>	<u>55.6</u>	<u>48.5</u>

Staff emoluments over £70,000

(Excluding employer's pension contributions)

	Group		Cambridge Assessment	
	2012 No. staff	2011 No. staff	2012 No. staff	2011 No. staff
£70,001 - £80,000	12	10	10	6
£80,001 - £90,000	12	9	10	9
£91,000 - £100,000	5	6	4	5
£100,001 - £110,000	3	-	3	-
£110,001 - £120,000	1	2	1	2
£120,001 - £130,000	4	4	3	1
£130,001 - £140,000	1	-	-	-
£140,001 - £150,000	-	1	-	1
£150,001 - £160,000	2	2	2	2
£160,001 - £170,000	1	-	1	-
£180,001 - £190,000	1	-	-	-
£190,001 - £200,000	1	1	1	1
£330,001 - £340,000	1	1	1	1

CAMBRIDGE ASSESSMENT
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2012

5. OTHER OPERATING EXPENSES

	2012 Group £m	2011 Group £m
Examination services	118.7	110.0
Administration and central services	26.9	20.9
Premises	8.7	9.0
	<u>154.3</u>	<u>139.9</u>

	2012 Group £m	2011 Group £m
Other operating expenses include:		
Auditors' remuneration - audit of annual report and subsidiary undertakings	0.1	0.1
- Other services	0.1	-
Internal audit fee	0.1	0.1
Operating leases - land & buildings	0.9	0.9
- plant, machinery & equipment	0.3	0.5
Foreign exchange losses	-	0.2
	<u>-</u>	<u>0.2</u>

6. SURPLUS ON CONTINUING OPERATIONS FOR THE YEAR

	2012 £m	2011 £m
Cambridge Assessment's surplus for the year	46.6	33.8
Group level adjustments re: defined benefit schemes	-	1.5
Surplus retained in subsidiary undertakings	15.1	12.2
	<u>61.7</u>	<u>47.5</u>

7. TANGIBLE FIXED ASSETS

GROUP

	Land & buildings			Plant & equipment furniture & fittings £m	Assets under construction £m	Total £m
	Freehold £m	Long term leasehold £m	Short term leasehold £m			
COST						
At 1 August 2011	66.9	8.5	1.8	47.8	15.4	140.4
Additions	2.6	0.8	-	5.2	8.7	17.3
Transfers within tangible fixed assets	12.0	-	-	2.2	(14.2)	-
Disposals	-	-	(0.4)	(4.5)	(0.2)	(5.1)
Transfer to current assets	(3.6)	-	-	-	-	(3.6)
At 31 July 2012	<u>77.9</u>	<u>9.3</u>	<u>1.4</u>	<u>50.7</u>	<u>9.7</u>	<u>149.0</u>
DEPRECIATION						
At 1 August 2011	16.4	2.5	0.7	32.0	-	51.6
Disposals	-	-	(0.4)	(3.5)	-	(3.9)
Charge for the year	2.3	0.2	0.1	8.8	-	11.4
Write down to market value	0.2	-	-	-	-	0.2
Transfer to current assets	(3.0)	-	-	-	-	(3.0)
At 31 July 2012	<u>15.9</u>	<u>2.7</u>	<u>0.4</u>	<u>37.3</u>	<u>-</u>	<u>56.3</u>
NET BOOK VALUE						
At 31 July 2012	<u>62.0</u>	<u>6.6</u>	<u>1.0</u>	<u>13.4</u>	<u>9.7</u>	<u>92.7</u>
At 31 July 2011	<u>50.5</u>	<u>6.0</u>	<u>1.1</u>	<u>15.8</u>	<u>15.4</u>	<u>88.8</u>

CAMBRIDGE ASSESSMENT
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2012

7. TANGIBLE FIXED ASSETS (continued)

CAMBRIDGE ASSESSMENT

	Land & buildings		Plant & equipment furniture & fittings £m	Assets under construction £m	Total £m
	Freehold £m	Short term leasehold £m			
COST					
At 1 August 2011	63.2	1.4	42.0	14.9	121.5
Additions	2.7	-	4.9	8.6	16.2
Transfers within tangible fixed assets	12.0	-	1.7	(13.7)	-
Disposals	-	-	(4.3)	(0.1)	(4.4)
At 31 July 2012	<u>77.9</u>	<u>1.4</u>	<u>44.3</u>	<u>9.7</u>	<u>133.3</u>
DEPRECIATION					
At 1 August 2011	13.5	0.3	28.2	-	42.0
Disposals	-	-	(3.3)	-	(3.3)
Charge for the year	2.4	0.1	7.3	-	9.8
At 31 July 2012	<u>15.9</u>	<u>0.4</u>	<u>32.2</u>	<u>-</u>	<u>48.5</u>
NET BOOK VALUE					
At 31 July 2012	<u>62.0</u>	<u>1.0</u>	<u>12.1</u>	<u>9.7</u>	<u>84.8</u>
At 31 July 2011	<u>49.7</u>	<u>1.1</u>	<u>13.8</u>	<u>14.9</u>	<u>79.5</u>

As a consequence of the decision to sell the property held by Sandonian Properties Limited, the property has been written down by £0.2m to its market value, and reclassified as a current asset in the financial statements.

Sale to a third party was agreed at a price of £550,000, and contracts were exchanged on 15 August 2012. Completion is due in December 2012.

8. INVESTMENTS

	Group		Cambridge Assessment	
	2012 £m	2011 £m	2012 £m	2011 £m
At 1 August 2011	166.3	108.3	72.2	48.7
Additions	0.5	50.0	-	20.0
Disposals	(14.8)	-	(10.7)	-
Increase in market value of Investments	0.3	8.0	0.1	3.5
At 31 July 2012	<u>152.3</u>	<u>166.3</u>	<u>61.6</u>	<u>72.2</u>
Represented by:				
University Endowment Fund units	150.3	164.8	60.0	70.6
Investment properties	1.4	1.4	1.4	1.4
Investment in subsidiary undertakings	-	-	0.1	0.1
Share of Joint Ventures	0.5	-	-	-
Loan to Joint Venture	0.1	0.1	0.1	0.1
	<u>152.3</u>	<u>166.3</u>	<u>61.6</u>	<u>72.2</u>

**CAMBRIDGE ASSESSMENT
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2012**

8. INVESTMENTS (continued)

Investments at market value comprise Cambridge University Endowment Fund units. The market value at 31 July 2012 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 2012 amounted to: Group £138.7m (2011 £148.8m); Cambridge Assessment £58.0m (2011: £64.8m).

Investment properties are stated at fair value. The valuation at 31 July 2012 was provided by the Group Finance Director, based on local property indices and comparative data.

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%	Examinations & assessment services	1
The West Midlands Examinations Board	England	Member	100%	Examination services	2
Sandonian Properties Limited	England	Ordinary	100%	Ceased trading	4
Cambridge Assessment Overseas Limited	England	Ordinary	100%	Overseas office services	4
Oxford and Cambridge International Assessment Services Limited	England	Ordinary	100%	Overseas office services	4
Fundacion UCLES	Spain	Member	100%	Overseas office services	5
Cambridge Assessment Overseas Association Inc	Australia	Member	100%	Overseas office services	7
Cambridge Assessment	England	Member	100%	Dormant	3
Cambridge ESOL Inc	US	Member	100%	Not trading	6
CUAPTS Limited	Hong Kong	Ordinary	100%	Dormant	4
Mill Wharf Limited	England	Ordinary	100%	Dormant	4
OCR Nationals	England	Member	100%	Dormant	3
Progress House Printers Limited	England	Ordinary	100%	Dormant	4
Quick Placement Tests Limited	England	Ordinary	100%	Dormant	4
RSA Examinations Board	England	Member	100%	Dormant	1
World Class Tests Limited	England	Ordinary	100%	Dormant	4

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

**CAMBRIDGE ASSESSMENT
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2012**

8. INVESTMENTS (continued)

Joint Ventures

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

Note

- 1 Companies limited by guarantee and exempt charities.
- 2 Company limited by guarantee and a registered charity.
- 3 Company limited by guarantee.
- 4 Companies having share capital.
- 5 Spanish non-profit foundation.
- 6 US non-stock non-profit corporation.
- 7 Australian incorporated entity.

9. ENDOWMENT ASSETS

	Group		Cambridge Assessment	
	2012 £m	2011 £m	2012 £m	2011 £m
At 1 August	4.4	4.2	4.4	4.2
Increase in market value of University Endowment Fund units	-	0.3	-	0.3
Disposal of assets to support expenditure	-	(0.1)	-	(0.1)
At 31 July	<u>4.4</u>	<u>4.4</u>	<u>4.4</u>	<u>4.4</u>
Represented by:				
University Endowment Fund units	3.4	3.4	3.4	3.4
Short term deposits	1.0	1.0	1.0	1.0
	<u>4.4</u>	<u>4.4</u>	<u>4.4</u>	<u>4.4</u>

10. DEBTORS

	Group		Cambridge Assessment	
	2012 £m	2011 £m	2012 £m	2011 £m
Trade debtors	57.0	48.9	46.0	45.6
Other debtors	0.7	0.5	0.7	0.5
Prepayments and accrued income	17.1	15.5	13.7	12.0
	<u>74.8</u>	<u>64.9</u>	<u>60.4</u>	<u>58.1</u>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Cambridge Assessment	
	2012 £m	2011 £m	2012 £m	2011 £m
Trade creditors	10.1	7.8	7.5	6.2
Other taxes and social security	6.2	5.6	2.6	2.3
Other creditors	3.3	0.7	3.2	0.6
Accruals and deferred income (see below)	93.8	87.9	44.5	40.7
	<u>113.4</u>	<u>102.0</u>	<u>57.8</u>	<u>49.8</u>

Deferred income is analysed as:

At 1 August	57.0	62.7	21.8	19.0
Movement in the year	-	(5.7)	(3.0)	2.8
At 31 July	<u>57.0</u>	<u>57.0</u>	<u>18.8</u>	<u>21.8</u>

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

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

	Group		Cambridge Assessment	
	2012 £m	2011 £m	2012 £m	2011 £m
Loan from CUAPTS	<u>-</u>	<u>-</u>	<u>0.1</u>	<u>0.1</u>

The loan from CUAPTS is unsecured and has no fixed repayment date. No interest was charged on the loan in the year to 31 July 2012 (2011: £nil).

13. PROVISIONS FOR LIABILITIES AND CHARGES

GROUP

	Staffing £m	Other £m	Total £m
At 1 August 2011	0.7	0.3	1.0
Charges in the year	0.1	0.1	0.2
Utilised in the year	(0.5)	(0.1)	(0.6)
Released during the year	(0.1)	(0.2)	(0.3)
At 31 July 2012	<u>0.2</u>	<u>0.1</u>	<u>0.3</u>

CAMBRIDGE ASSESSMENT

	Staffing £m	Other £m	Total £m
At 1 August 2011	0.1	0.3	0.4
Charges in the year	0.1	0.1	0.2
Utilised in the year	-	(0.1)	(0.1)
Released during the year	-	(0.2)	(0.2)
At 31 July 2012	<u>0.2</u>	<u>0.1</u>	<u>0.3</u>

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

14. RESTRICTED EXPENDABLE ENDOWMENTS

GROUP and CAMBRIDGE ASSESSMENT

	2012 £m	2011 £m
At 1 August	4.4	4.2
Income receivable from endowment asset investments	0.2	0.1
Expenditure	<u>(0.2)</u>	<u>(0.2)</u>
	-	(0.1)
Increase in market value of investments	-	0.3
At 31 July	<u>4.4</u>	<u>4.4</u>
Representing		
WMEB Fund	4.3	4.3
Scholarship Funds	<u>0.1</u>	<u>0.1</u>
	<u>4.4</u>	<u>4.4</u>

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

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

15. RESERVES

GROUP

	General reserves £m	Revaluation reserve £m	Investment property revaluation £m	Total £m
At 1 August 2011	242.4	17.9	0.2	260.5
Surplus retained for the year	61.7	-	-	61.7
Increase in market value of investments	-	0.3	-	0.3
Transfer to University	(32.9)	-	-	(32.9)
Realisation of prior year revaluation gains	2.5	(2.5)	-	-
At 31 July 2012	<u>273.7</u>	<u>15.7</u>	<u>0.2</u>	<u>289.6</u>

CAMBRIDGE ASSESSMENT

	General reserves £m	Revaluation reserve £m	Investment property revaluation £m	Total £m
At 1 August 2011	176.2	7.8	0.2	184.2
Surplus retained for the year	46.6	-	-	46.6
Increase in market value of investments	-	0.1	-	0.1
Transfer to University	(28.1)	-	-	(28.1)
Realisation of prior year revaluation gains	1.7	(1.7)	-	-
At 31 July 2012	<u>196.4</u>	<u>6.2</u>	<u>0.2</u>	<u>202.8</u>

16. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

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

	2012 £m	2011 £m
Surplus on continuing operations before tax	63.2	49.3
Endowment and investment income	(6.8)	(5.6)
Depreciation of tangible fixed assets	11.4	11.3
Movements in provisions	(0.5)	0.5
Increase/(decrease) in creditors	7.4	(6.5)
(Increase)/decrease in debtors	(9.9)	4.0
Movement on joint ventures	(0.5)	-
Pension costs (FRS17)	-	(1.5)
Net cash inflow from operating activities	<u>64.3</u>	<u>51.5</u>

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

	2012 £m	2011 £m
Increase in cash in the year	12.2	1.2
Net cash inflow/(outflow) from short term deposits	<u>27.2</u>	<u>(33.1)</u>
Change in net funds resulting from cashflows	39.4	(31.9)
Net funds at 1 August	44.5	76.4
Net funds at 31 July	<u>83.9</u>	<u>44.5</u>

c. Analysis of change in net funds

	At 1 August 2011 £m	Cash flows £m	At 31 July 2012 £m
Cash at bank and in hand	3.2	12.2	15.4
Short term deposits	41.3	27.2	68.5
Total	<u>44.5</u>	<u>39.4</u>	<u>83.9</u>

The short term deposits above include £1.0m (2011: £1.0m) held as endowment assets.

17. PENSION COSTS

At the start of the year, the group participated in three final salary defined benefit pension schemes. Each scheme was 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 was a closed scheme which had no active members (2011: nil). During the year, the Trustee agreed with the employers in the scheme to wind up the scheme. The Trustee agreed the buyout of the scheme liability by Metlife Assurance Limited. The Trustee requested settlement from the employers of £1.4m, which was paid before 31 July 2012. The buyout and wind up will be completed over the next twelve months. The final settlement may require a final balancing payment between the Trustee and the employers. This is not expected to be material.

17. PENSION COSTS (continued)

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

Latest actuarial valuation	March 2011
Salary scale increases	4.4% plus 3.65% short term
Pension increases per annum	3.4% to 31/03/14; 2.6% thereafter
Market value of assets at date of last valuation	£32,433m
Funding level	92%
Implied Employer future service contribution rate:	
Final salary section	12.8%
Career revalued benefits section	5.2%

Further details about the actuarial valuation are available on USS website.

CPS

Latest actuarial valuation	July 2009
Investment returns per annum	6.6%
Salary scale increases	4.9%
Pension increases per annum	3.4%
Market value of assets at date of last valuation	£276m
Funding level	67%
Employer's contribution rate	23.7%

The results of the actuarial valuation as at 31 July 2012 are not yet available.

RSAEB pension scheme as at 31 July 2011

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

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

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

The major assumptions used by the actuary were:

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

17. PENSION COSTS (continued)

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

Life expectancy in years, assuming retirement at 65:

	At 31 July 2011
Male aged 65 now	21.4
At 65 for male aged 45 now	23.3
Female aged 65 now	24.0
At 65 for female aged 45 now	25.9
	At 1 Aug 2010
Expected return on assets at beginning of year:	
Equities	7.3%
Bonds	5.0%
Other	0.5%

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

Analysis of amounts recognised in the balance sheet

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

Analysis of amounts recognised in the Income and Expenditure account

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

Amounts recognised in the statement of total recognised gains and losses

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

17. PENSION COSTS (continued)

Analysis of change in the defined benefit obligation

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

Analysis of change in the fair value of scheme assets

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

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

	Assets at 31 July 2011
Equities	44%
Bonds	54%
Other	2%

Amounts for previous four periods:

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

Total Group pension cost for the year

	2012 £m	2011 £m
USS	7.7	7.1
CPS	8.2	5.2
RSAEB	1.5	-
	<u>17.4</u>	<u>12.3</u>

The RSAEB cost is in connection with the wind up of the scheme.

18. OPERATING LEASES

At 31 July 2012 the Group had annual commitments under non-cancellable operating leases as follows:

Amounts payable under operating leases which fall due in the next financial year:

	Group		Cambridge Assessment	
	2012 £m	2011 £m	2012 £m	2011 £m
Land and buildings commitments expiring:				
In 1 year	-	-	-	0.1
Between 2 and 5 years	0.8	0.8	0.7	0.8
After 5 years	0.1	0.1	-	-
Plant, machinery and equipment commitments expiring:				
In 1 year	0.1	0.1	0.1	-
Between 2 and 5 years	0.2	0.3	0.1	0.2
	<u>1.2</u>	<u>1.3</u>	<u>0.9</u>	<u>1.1</u>

19. FORWARD CURRENCY CONTRACTS

As at 31 July 2012 the Group had forward exchange contracts for the sale of €23.0m and \$6.0m (2011: €23.0m and \$nil).

20. CAPITAL COMMITMENTS

There were £1.6m capital commitments for Cambridge Assessment and the Group as at 31 July 2012, in respect of construction projects and computer software (2011: £2.5m in respect of construction projects).

21. CONTINGENT LIABILITIES

There were no (2011:£ nil) contingent liabilities as at 31 July 2012.

22. RELATED PARTY TRANSACTIONS

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

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

The total transfer to the University of Cambridge in respect of 2012 was £32.9m (2011: £14.7m). The balance due at 31 July 2012 was £19.4m (2011: £14.7m).

The group paid £1.44m (2011: £0.28m) to the University in respect of rentals and other services. Examination fees and sales of other services amounting to £0.03m (2011: £0.03m) were charged to the University. At 31 July 2012 £0.75m (2011: £0.07m) was due to the University in respect of these transactions.

Transactions with Cambridge University Press ("CUP") and its subsidiaries, another Syndicate of the University of Cambridge were as follows:- purchase of services £1.11m (2011: £0.58m), receipt of royalties £1.30m (2011: £1.28m), sale of services £0.13m (2011: £0.34m). At 31 July 2012 a balance of £0.43m was owed by CUP and its subsidiaries (2011: £0.29m due to CUP and its subsidiaries).

A total of £0.86m (2011: £0.78m) was payable to Colleges of the University in respect of venue hire and scholarships. Property rental of £1.11m (2011: £0.05m) was receivable from Downing College and sundry income of £60 (2011: £2,100) in total was received from one (2011: fourteen) college. At 31 July 2012 £0.07m (2011: £0.09m) was owed to Colleges.

The group paid £7,300 to JBS Executive Education Ltd for the training services (2011: £nil).

£0.03m (2011: £0.04m) was paid to the Cambridge Commonwealth Trust, and £0.06m (2011: £0.05m) to Cambridge Overseas Trust in respect of scholarships.

£39 was paid to one Syndic (2011: £1,517 to one Syndic) in respect of examination services. No other remuneration was paid to Syndics or to any connected persons (2011: £nil). Total travel expenses of £843 (2011: £727) were payable to four (2011: four) Syndics. At 31 July 2012, £nil was owed to Syndics (2011: £nil).

23. ULTIMATE PARENT UNDERTAKING

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