



CAMBRIDGE ASSESSMENT

Cambridge Assessment Group

Annual Report and Accounts, 2013-2014

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## Cambridge Assessment

### Annual Report, 2013/2014

This is the one hundred and fifty-sixth Annual Report of Cambridge Assessment to the Council of the University of Cambridge. It covers the events of the year to 31 July 2014.

#### Introduction

It has been an eventful year, both in the UK and internationally. In addition the Group has continued with its long-term investment programme in order to ensure that we are well-equipped for the future.

A major feature of the investment programme is the planned new headquarters office in Cambridge. We were delighted in September to receive outline planning permission for this. The building has been designed by award-winning Eric Parry Architects, who have worked on a number of high profile projects in historically sensitive locations, and we intend that the building, which will be near the railway station, should be a landmark for future visitors arriving in Cambridge. It comes alongside other important additions to our estate, in particular the acquisition of a second distribution centre which will help us respond to some of the logistical challenges created by the growth in demand for our qualifications.

Much of this is international. To help manage it, our Cambridge English Language Assessment exam board has now established the ninth regional hub in its global network. The office is based in Istanbul and covers the Middle East, North Africa and Turkey. Our other international exam board, Cambridge International Examinations, is similarly extending its regional presence, opening six new offices by the end of the year in important locations such as Shanghai, Mumbai and Pretoria.

As a Group, we have also invested heavily in new print facilities and packing plant. This helped ease the logistical challenges of this year's exam series which saw summer volumes rise 40 per cent on last year as a result of reforms to the UK qualification system.

In other developments, we welcomed Saul Nassé as the new Chief Executive for Cambridge English Language Assessment. Saul joined us in March from the BBC where he began his career on the science programme *Tomorrow's World*. He was the programme's youngest editor, and went on to become Controller of BBC Learning, where he pioneered some of the BBC's digital learning initiatives. He brings this digital expertise to Cambridge English and this will be especially important as Cambridge English embarks on the next phase of its growth, having last year celebrated its 100th anniversary.

In the UK, work on the Government's exam reform programme continues, providing a good opportunity for our UK exam board OCR to think innovatively about what the new qualifications should offer. The new English Language and Literature A Level, for example, received extensive media coverage because of its inclusion of entries from Samuel Pepys' diary alongside the comedian Russell Brand's evidence to a UK Parliamentary Select Committee. Elsewhere, a Massive Open Online Course (MOOC), created in partnership with Cambridge University Press (CUP) and the Raspberry Pi Foundation, won praise from the Secretary of State for Education in England at a major educational technology show. A Department for Education report noted how it is "one of the few UK MOOCs focused on the 11-19 age range".

A partnership between Cambridge English and CUP also enjoys rapid growth. Now in its third year, Cambridge Exams Publishing combines the expertise of both organisations to develop official exam preparation resources.

It would be impossible to manage all of this without the expertise and commitment of our magnificent staff, and we thank them for their efforts and their support in a period of exceptional change.

## **Achievements and Performance**

### Authority on Assessment

The education landscape continues to develop at pace. Whether here in the UK, or overseas, governments are increasingly comparing themselves on the international stage. And as the world's oldest exams group and the only one attached to a university, we are ideally placed to advise and guide them on all aspects of education policy and strategy around the world.

As a body independent of government, we take no sides in politics but believe it is our role to influence, advise and offer guidance on education policy and strategy. Here in the UK, there was a change of Education Secretary in July. We had a good working relationship with Michael Gove and note that his successor Nicky Morgan intends to keep his reforms on track. As always, we remain available to offer our expertise.

In December 2013 our Group Chief Executive Simon Lebus joined the British Prime Minister on a trade mission to China, the largest of its kind to leave the UK. The three-day mission was accompanied by six British Secretaries of State and Senior Ministers and some of the UK's key business leaders.

And as part of our mission to share expertise we held fringe events at both the Conservative and Labour party conferences in autumn 2013. The first, with the think tank Reform and the Association of Colleges, discussed how to take the benefits of an English education global. Our Group Chief Executive Simon Lebus told an interested audience that the UK's education system had much to recommend it, and that Britain was a world leader in teaching and examining English, for example. But he said opportunities needed to be embraced, such as the growth in online learning through Massive Open Online Courses (MOOCs). At the Labour party conference we addressed the topical issue of vocational educational, something that is likely to be a key focus of the 2015 election campaign. OCR Chief Executive Mark Dawe told the fringe event that the UK needed an educational and skills system where academic and vocational routes were regarded equally.

During 2013/14, our UK exam board OCR responded to nearly 30 national consultations and select committee inquiries, each providing a platform from which to engage with the education community and policy makers, and to influence the education agenda. Topics included GCSE and vocational reforms, regulatory arrangements, accountability and performance. In its formal response to the English regulator's consultation on reform of GCSEs in England, OCR argued for an end to coursework marks contributing to final results. And in the spring, having taken soundings from teachers and higher education representatives, OCR told the Regulator that there was widespread agreement that A Level Science controlled assessment should be abandoned, because there were better ways to encourage and assess practical skills.

Our UK exam board also hosted a wide range of popular subject and sector-based consultative and strategic forums, engaging with 800 members of the educational

community. These continue to be invaluable to it in providing advice and technical expertise during a period of intense reform of the education and qualification systems.

We also held parliamentary seminars, in April 2014 debating a subject that concerns parents the world over – how to choose the right education for their child. Our Group Chief Executive explained how undue weight can sometimes be attached to exam results as a way of measuring schools and how for this reason we are working with the Open Public Services Network (OPSN) – a new, not-for-profit organisation based at the Royal Society for the encouragement of Arts, Manufactures and Commerce (RSA) – to develop a guide to help parents find and research good schools in England. Importantly, the guide enables parents to judge a school in areas other than exam performance.

We use our expertise in assessment to stimulate debate and help to shape thinking on education issues, not shying away from tackling tough topics. In October 2013 we attended the annual meeting of the Headmasters' and Headmistresses' Conference (HMC) to discuss the quality of marking. Our Group Chief Executive said that sustainable improvement in this area needed to be a shared endeavour, with schools and exam boards in the UK working together.

The hotly contested issue of practical science in the UK was debated at a seminar hosted by the Cambridge Assessment Network. Professor Sir John Holman spoke of his concerns about proposals that could mean science practicals no longer contribute to students' A Level grades. Tim Oates, the Group's Director of Assessment Research and Development, agreed that practical work was vital but said that the current system put teachers in an untenable position and needed to change.

Earlier in the year the Network also held a popular seminar with Professor Michael Young from the Institute of Education at the University of London. An audience of more than 100 educationalists, teachers, assessment professionals and policy makers in Cambridge heard his theory of 'powerful knowledge' and its relationship with the National Curriculum in England.

We constantly seek out new ways to enhance education and in February we debated the ways in which technology can – and should – transform the fundamentals of education and assessment. The audience heard from Professor Sugata Mitra, who is doing pioneering research in this field, and concluded that advances in technology should be embraced but the role of the teacher as a facilitator of learning remains a crucial one.

And in August, Cambridge English published *Profiling English in China* by Dr David Graddol, a review of the dynamic and complicated developments affecting the use of English in China's Pearly River Delta region, which includes Hong Kong. This is the first in a planned series of monographs which will help to increase understanding of the complex factors which underlie English language policy in any country or region and which need to be taken into account in planning educational reform.

We strive for the collaborative sharing of knowledge, skills and opportunities and in May we held our immensely popular International Study Programme, bringing together assessment experts from around the world to share best practice in the development and administration of public exams. The course, now in its ninth year, attracted 24 delegates from 11 countries, including for the first time Italy and Bermuda.

We have the largest research capability of its kind in the world, and a mission to use our expertise to help shape thinking. Our research work was widely published over the past year and our researchers have presented papers at among others the International Association for Education Assessment in Singapore, the British Educational Research Association

annual conference and the Association for Educational Assessment conference in Paris.

Our research work has been widely reported, including an analysis by Dr Tom Benton who questioned a key finding of the influential Programme for International Student Assessment (PISA) tests that countries do better when their schools have high levels of both autonomy and accountability.

The assessment fundamental of validity was explored in a book by Stuart Shaw, Principal Research Officer at Cambridge International Examinations and Professor Paul Newton from the Institute of Education at the University of London. *Validity in Educational and Psychological Assessment* (SAGE, May 2014) is one of few books that deal in detail with the complexities of this area.

We also staged conferences and in September nearly 400 teachers from around the world explored the impact of globalisation and new technologies on young people, both in school and beyond, at our international exam board's Cambridge Schools Conference. Teachers were given the opportunity to hear from renowned experts from the world of international education including Ayesha Khanna, Chief Executive of Urban Intel, which specialises in blended and e-learning based training for urban professionals. The conference concluded that learners will succeed in the modern world by the effective application of new technologies.

Our English Language exam board marked the high-point of its centenary celebrations with a major conference in September. The event looked forward to the future of English language teaching, learning and assessment, and included an important keynote presentation which formally launched its position on the need for an integrated 'systemic' approach to language teaching. In September too it held a symposium on speaking assessment for language exams, bringing together leading academics and practitioners to discuss the art and to consider its future, particularly in light of the increasing sophistication of speech recognition technologies.

And in April, the fifth international conference of the Association of Language Testers in Europe (ALTE) took place in Paris, organised by Cambridge English in collaboration with its partners in ALTE. The conference attracted a wide audience to discuss the role of language assessment in supporting multilingualism. Cambridge English plays an active role in discussions around the European Union's language policy, arguing that while English is an essential skill for almost everyone in modern world, it is also vital to support the teaching, learning and use of other languages.

In August, 16 science and maths item writers and examiners from Oman came to Cambridge to learn about the 'Principles and Practice of High-stakes Assessment'. The two-week bespoke course, held by the Cambridge Assessment Network, was widely praised by those attending, with the Ministry of Education in Oman saying it would give its examinations "even more validity than before".

In March we welcomed a new Chief Executive for our English language exam board. Saul Nassé took over at Cambridge English Language Assessment from Dr Michael Milanovic, who retired after 11 years at the helm. Saul, who has an MA in Natural Sciences from Cambridge University, joined us from the BBC where he was Controller of Learning.

Our highly regarded research-led and evidence-based approach means our qualifications are recognised by universities, employers and official bodies across the globe.

Indeed, in May the Times Higher Education Supplement published its list of the world's top universities, nearly 95 per cent of which officially recognise Cambridge English exams.

The year also saw Canada announce that it would continue to accept the International English Language Testing System (IELTS) General Training test as proof of English language ability and Cambridge English: Advanced received recognition from the Ministry of Higher Education and Scientific Research in the United Arab Emirates.

The Admissions Testing Service has continued to extend its influence, particularly in Italy where the International Medical Admissions Test (IMAT) is now used by six leading universities to help them select students for medical courses. Feedback from the users of IMAT shows that it has a strongly positive effect in helping them to choose students with the right skills for study at their university.

Other important developments for the Admissions Testing Service included the adoption of the Biomedical Admissions Test (BMAT) by the University of Leiden in the Netherlands and the introduction of the Cambridge Personal Styles Questionnaire, a tool which will help providers of healthcare training to select students with personal characteristics which make them more likely to succeed as medical professionals.

At our international exam board we reached an educational milestone in December as the Sanskaar Valley School in Bhopal, India, became the 10,000th school to register with Cambridge International Examinations. Dr Amlan Saha, Principal, said: "It's great to be associated with an 800-year-old university."

### Developments in Technology

Technology is transforming education and the capacity to adapt to these changes is vital. We are forward thinking about learning and assessments, constantly researching and developing new technologies and assessments that will benefit learners and the education system.

In fact, one of our most innovative creations – a Massive Open Online Course (MOOC) to support OCR's GCSE in Computing - won praise from the Secretary of State for Education in England at the British Educational Training and Technology (BETT) show in January 2014. Michael Gove said that the MOOC - developed in partnership with Cambridge University Press and the Raspberry Pi Foundation – offered an "unparalleled opportunity for the brightest and best educational institutions to open their classrooms and their content to more people than ever before, democratising education for the 21st century".

Its pioneering nature was also recognised in a Department for Education report which noted how it is "one of the few UK MOOCs focused on the 11-19 age range". Since the MOOC's launch in September 2013 we have seen over 100,000 users access resources and 18,000 learners register for the full course from across over 98 countries. It is a real global success story and one that OCR hopes to replicate with other subjects in the coming year.

Meanwhile our English language exam board began the global roll out of an online version of the popular Cambridge English: Young Learners tests, which can be taken on a tablet, laptop or desktop computer, using technology developed in collaboration between the board and ATA, a leading Beijing-based testing and assessment services company. The test was trialled in key schools around the world with positive feedback from children and their parents and teachers.

Our international exam board launched a new results analysis service in September, making use of the increasing amount of assessment data captured through technology. This service allows teachers additional insights into student performance and the ability to quickly produce summary reports and identify trends across their school. It also launched an

Enquiries about Results online service. This new facility will make it faster, simpler and more convenient for schools to submit any enquiries about the results awarded to a particular candidate or a group of students.

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The rollout of e-marking for OCR's Education & Learning qualifications is virtually complete meaning that around three million or 96 per cent of examined candidate responses were marked online in the 2013/14 academic year.

Meanwhile, in April, Cambridge English demonstrated a prototype of Write and Improve, a new online tool for assessing writing skills, developed in collaboration with Professor Ted Briscoe of the University's Computer Laboratory. This is an outcome of a major initiative by Cambridge English to investigate the application of technological solutions to enhance language teaching, learning and assessment, in close collaboration with other parts of the University with whom it constitutes the Cambridge Institute for Automated Language Teaching and Assessment (ALTA).

The year saw the successful launch of an online forum for examiners, which is growing in popularity. The OCR Examiner and Assessor Community enables discussion, mutual support, the sharing of assessment knowledge and expertise, and consultation on qualifications developments.

We are constantly taking on board website user feedback and as a result we have redesigned all our main corporate public-facing websites. The changes, which were designed to simplify navigation and make them more mobile-friendly, included a new home page and fresh look. Our sites receive more than a million visits a month, a quarter of which are from mobile devices, so it is vital that they work for our customers and that they find what they want quickly and easily.

On social media we reached a significant milestone with the Group Twitter account receiving more than 4,500 users. Tweets from our Group account alone receive more than 5,000 views a day. We also receiving more traffic on LinkedIn, using the networking site to influence and dictate the education agenda. Every message we send on LinkedIn gets at least 1,500 impressions.

In October, our English language exam board completed the roll out of 25 individual country websites in its key markets, bringing the organisation closer to key users. These websites are part of an integrated approach to online communication which includes a revitalised public website, a dedicated YouTube channel and a set of highly active Facebook communities which have a combined total of more than 3.5 million fans.

And the Cambridge Primary Maths website went live in time for the BETT show in January. This is an innovative teaching package developed with Cambridge University Press and the University's NRICH maths project. It is based on the internationally-renowned Cambridge primary curriculum with textbooks and e-book resources from CUP and activities from NRICH.

## Assessment Services

Domestically and internationally, the assessment landscape continues to enjoy rapid change. Now perhaps more than ever, an 'international' education is rising up the agenda of governments the world over.

In the UK, that drive underscored the government's programme of exam reform. In November 2013, Education Secretary Michael Gove confirmed his intention to make sure GCSEs matched expectations in the highest performing jurisdictions.

Our UK exam board OCR submitted to Ofqual, the regulator for England, 39 new and reformed qualifications for first teaching in 2015. These included new GCSEs in English Language, Maths and English Literature and new AS/A Levels in Art & Design, History, Sociology, Computer Science, Business, Economics, English Language, English Literature, Biology, Chemistry, Physics and Psychology. It also developed a new Level 3 qualification in Core Maths.

Work began too on the development of subjects for first teaching in September 2016, including new GCSEs in Modern Foreign Languages, Geography, History, Science, Ancient Languages, Art & Design, Computer Science, PE, Music, Religious Studies, Design & Technology, Cooking & Nutrition and Drama & Citizenship. Development also took place on new A and AS Level Modern Foreign Languages, Ancient Languages, Geography, PE, Music, Religious Studies and Drama.

We continue to use our expertise to influence the debate too. In May 2014 our UK exam board triggered a discussion about the use of American texts in the new English Literature GCSE. While the official guidelines mean that there are no 20th century American texts such as *Of Mice and Men* or *To Kill a Mockingbird*, the new syllabus does include exciting additions such as Kazuo Ishiguro's *Never Let Me Go* and the play *DNA* by Dennis Kelly, both appearing for the first time.

There was also intense media interest in OCR's new A Level in English Language and Literature, as texts include a transcript of evidence of the comedian Russell Brand to UK MPs investigating drugs policy as well as more long-established works ranging from William Blake to Shakespeare and Samuel Pepys. The challenging and rigorous qualification is the result of a partnership between the exam board and the award-winning educational charity The English and Media Centre. We believe it will inspire and engage a new generation of students, while providing a firm grounding for university.

But innovations and improvements were not restricted to our UK exam board. We have seen another year of growth across all qualifications offered by Cambridge International Examinations both in the UK, and world-wide. Globally there has been 16 per cent growth in Cambridge IGCSE entries and eight per cent growth in entries for Cambridge International A Levels and for Cambridge Pre-U.

Seven of the board's most popular A Levels have been updated, involving consultation with universities in countries including Canada, Germany, Hong Kong, the Netherlands, Pakistan, Singapore, South Africa and the USA. The new syllabuses feature 'key concepts' - the underlying principles which enable students to gain a greater mastery of their subject area. It is part of Cambridge International Examinations' rolling review programme to ensure syllabuses reflect the latest developments in teaching and learning.

Future developments also include new IGCSE syllabuses based on the 1-9 grading that new GCSEs in the UK will use, alongside the existing range of Cambridge IGCSE, Cambridge

Pre-U and Cambridge International A Levels.

A new Bahasa Indonesia Cambridge IGCSE was developed in response to a call from schools for an internationally recognised qualification that would better develop the skills of those learners for whom it is a language of everyday use.

And the full two-year Cambridge International AS-A Level Global Perspectives & Research syllabus was launched. In the second year of the programme learners develop a broad-based understanding of research methodology and carry out their own 5,000 word piece of research on a topic of their choice.

The year has seen the introduction of a wide range of new products and partnerships for our UK exam board's vocational qualifications.

OCR believes that nurturing an entrepreneurial mindset should be as important as developing academic skills, and to that end it launched a new 'Being Entrepreneurial' qualification suite. The qualifications recognise achievement in the world of enterprise, developing key mind-sets including resilience, risk-taking and self-belief.

In response to the varying testing needs of the different markets it operates within, OCR moved its paper and computer-based Functional Skills test to an on-demand model. More than 110,000 tests have now been taken.

OCR is also working with many of the newly-opened University Technical Colleges in the UK to support the delivery of a technical curriculum and to engage employers - including giants such as Rolls-Royce, Siemens and Nestlé – in projects that give students hands-on experience.

OCR also overhauled its core Cambridge Technical and Cambridge National qualifications in the light of new measures introduced by the Department for Education which required greater directly relevant work experience and an extension to the proportion of qualifications that need to be externally assessed. Subjects including Engineering, Science, IT, Health and Social Care, Business, Sport, Art and Design, Media and Performing Arts were all adapted in order to secure their ongoing recognition in UK school and college accountability measures.

In 2013/4 entries for Cambridge English exams rose to almost five million, with substantial growth in all regions of the world, and the number of organisations which formally recognise these exams grew to more than 15,000.

In June, the exam board announced the launch of a better way to report English ability. The Cambridge English Scale links all the board's exams to a single numerical scale, mapped to international standards. It will help teachers and students to plan and monitor learning more effectively, and will make it easier for recognising organisations to state their precise requirements for the language skills of prospective students, employees and immigrants.

In July, Cambridge English introduced the first in a series of three Language for Teachers courses which will help teachers in the compulsory education sector with relatively low levels of English to improve their language skills and access teaching qualifications. The courses will be available to Ministries of Education and large teaching organisations.

With more than 150 years' experience and the largest research facility of its kind, we are a key and trusted education partner to governments around the globe.

In November our international exam board announced a partnership with the Macedonian government to introduce new curricula for maths and science in all state primary schools for

learners. The new curricula are based on the Cambridge Primary curriculum but are benchmarked to international standards and adapted to suit the educational requirements of Macedonia.

Meanwhile its work in Kazakhstan is going from strength to strength, and the focus is now widening from the Nazarbayev Intellectual Schools group to collaborating on curriculum and assessment reform across the whole education system.

In Mongolia, where Cambridge International Examinations has been supporting the schools reform work of the Mongolian Ministry of Education and Science since 2011, the board has developed a cadre of local formative assessment specialists and supported the development of the practice in a selection of primary schools across the country. Part of the initiative included support for the first state schools for learners studying bilingually through Mongolian and English.

And its project with Nile Egyptian Schools in Egypt has been progressing well. It developed an online, tutor-led, real-time course and set it up for delivery over the course of two weeks, which received excellent feedback from its client and from teachers.

During the year, our English language exam board announced a major project with the Ministry of Education in Malaysia: an in-depth study of the learning, teaching and assessment of English. The large-scale project will focus on children and teachers in Malaysian schools from pre-school to pre-university. It is part of a programme which aims to ensure every child is proficient in Malay and English and is endorsed by a Malaysian Education Blueprint for 2013–2025.

In April, Cambridge English and CUP launched a new approach to Learning Oriented Assessment at IATEFL, the leading international conference for the English language teaching profession. The Cambridge approach to Learning Oriented Assessment emphasises the continual collection and use of formal and informal evidence to help fine tune teaching while enhancing learners' independence. Cambridge English and CUP are collaborating on the development of materials specifically designed to support this approach to language learning.

July marked the completion of the third year of operation for Cambridge Exams Publishing. Combining the expertise of Cambridge English Language Assessment and Cambridge University Press, it produces learning and teaching materials related to Cambridge English exams. Cambridge Exams Publishing now produces over 600 titles and has achieved very rapid growth in turnover.

During the year Cambridge International Examinations redeveloped its professional development qualifications for teachers. The new syllabuses are available for first teaching from September 2014 and first assessment from January 2015. Accredited by the Institute of Education (IOE) at the University of London they cover four themed areas: Teaching & Learning, Teaching Bilingual Learners, Teaching with Digital Technologies and Educational Leadership.

Meanwhile, membership of the Cambridge English Teacher community continues to increase. Run jointly with Cambridge University Press, the forum provides professional development for English language teachers worldwide, giving members access to a wide range of resources, webinars and courses.

Our international exam board has improved its teacher support website, with better presentation of syllabus content and support materials for a number of Cambridge International A-levels. The new functionality allows teachers to interact with the content more

easily online and create customised views reflecting their needs.

Meanwhile our UK exam board introduced a purpose-built resources studio, allowing for cost-effective 'in-house' production of a large number of digital resources to support its Continuing Professional Development (CPD) and resources provision. It means OCR can provide greater support to teachers preparing to deliver a new generation of GCSEs and A Levels from 2015.

This is the second year that our UK exam board has sponsored some of its assessors to attend the popular Certificate in the Principles and Practice of Assessment course, provided by the Cambridge Assessment Network. A number of OCR examiners also completed three-month online courses on the Concepts and Contexts of Assessment. The Network has also designed and developed a bank of online resources for OCR assessors. 'Connecting with Assessment' was launched at conferences OCR held for senior assessors in March and April. All the courses are designed to develop OCR examiner expertise and improve the quality of marking.

### Continuous Improvement and Efficiency

We pride ourselves on our world class processes and systems which ensure that we deliver the right assessments to the right candidates at the right time.

Throughout the year in question our English language arm has been consolidating its global network, with specialist teams based in regional hubs to allow it to provide a more responsive and localised service in key markets. Significant recruitment, training and standardisation of procedures are taking place to support the establishment of this network. In July, Cambridge English established its ninth regional 'hub', based in Istanbul and covering the Middle East, North Africa and Turkey.

Our international exam board has been growing too: establishing global presence based on nine world regions and building local capacity to support schools and ministries, including new locations by the end of the year in Jakarta, Guangzhou, Shanghai, Mexico City, Mumbai and Pretoria. Nine regional directors have been appointed or promoted, bringing extensive knowledge of the education and business sectors to Cambridge. The exam board is also developing a new centre network in all markets globally to support Cambridge Professional Development Qualifications.

April saw the largest ever session for a standard Cambridge English exam, as around 120,000 children aged around 15-years-old in Portugal were entered for Key for Schools. Part of a national scheme that includes assessing the English of every grade 9 student in the country, it required the development of flexible new approaches to exam processing to integrate with that of the Portuguese national exams authority IAVE. A particular innovation in this project, which can be replicated by other countries, is that it is funded entirely by a group of leading Portuguese companies, so that the assessment was delivered at no cost to the government, schools or parents.

In India, our international exam board announced the introduction of a March exam series from 2015 in order to help learners meet local college and admission deadlines. The first exam series in March 2015 will be for Cambridge IGCSE and will include the most widely taken subjects in India but it will be followed in 2016 by a selection of Cambridge International AS Level and A Level syllabuses.

Cambridge International Examinations also launched a new two-stage endorsement process for textbooks, in which it is working with a core group of publishers - CUP, Oxford University Press, Hodder and HarperCollins - who receive confidential syllabus information early to

enable them to publish textbooks in time for first teaching.

Demand on our logistics and distribution teams continues to grow and in 2014 we installed a third Sitma machine for counting, verifying and packing exam papers. This helped enable us to despatch over 70 million examination items to 171 countries from our DC10 warehouse and distribution centre.

A recent external audit confirmed that Cambridge Assessment has good waste management systems in place and acknowledged that we are on track to achieve our 'zero waste to landfill' commitment. We continue to strive to improve our environmental standards every year. One example is how we are developing reliable and accurate reporting systems to track the entire waste 'journey' to ensure full traceability and easy reporting.

In our modern distribution and marking centres we continue to recycle all our paper and cardboard. But we are going further, looking at removing the use of cardboard as a 'box filler' for international despatches, replacing it with air bags. This will reduce weight and carbon dioxide emissions as well as increase cardboard recycling.

Major air conditioning, insulation and roof refurbishment works at our head office in Hills Road have been completed on schedule, resulting in a step change in thermal efficiency and energy consumption. Meanwhile, a programme under which lighting at all sites is replaced by energy efficient bulbs continues, and a plan is underway to install solar panels at our newly acquired DC20 warehouse.

As a demonstration of the Group's commitment to supporting sustainable travel, we have recently appointed a Group Transport Coordinator. Her aim is to ensure that journeys to and from Cambridge Assessment sites, whether by employees or visitors, are effectively and efficiently managed to minimise individual car usage and maximise the use of public transport wherever possible. We have launched a Car Sharing scheme trial and we are liaising closely with local companies and a not-for-profit partnership with a view to introducing 'greener' travel solutions and initiatives to reduce congestion.

### Scholarships and Bursaries

Our purpose is to drive access to the benefits of education, and as a not-for-profit body, we are not simply motivated by commercial returns.

Our UK exam board continues to provide valued financial support to talented students from the West Midlands region. Ten awards were made this year from a fund that arises from the Group's historical association with the West Midlands Exam Board. Each student will receive £3,000 a year to help support them during their undergraduate degrees at Cambridge University. One award went to a teenager who is the first in his school's history to be offered a place to study medicine at Cambridge. Another commented how, coming from a low-income background, the cost of university was daunting but the bursary had helped ease her fears.

OCR also continues to work with the Helena Kennedy Foundation, which helps disadvantaged students from the further and adult education sectors in the UK by providing bursaries, mentoring and support, enabling them to complete their studies in higher education and move on successfully into employment. In February more than 100 students celebrated receiving a bursary of more than £1,500 to help cover the costs of university study.

Our international exam board enables students to focus on areas of the curriculum that might be under-represented in schools through its bursary scheme. Cambridge teachers

applying to the Master of Studies (MSt) in Advanced Subject Teaching at the University's Institute of Continuing Education can secure awards of up to £7450 to cover course fees.

We also continue to encourage people working or studying in the fields of language learning, teaching and assessment. In January 2014 Cambridge English Language Assessment awarded its first scholarship to attend an Association of Language Testers in Europe (ALTE) conference. María Laura González, Professor of English at the National University of San Juan, Argentina, impressed the scholarship panel with her perceptive essay on 'How a good language test can support effective learning'. She argued that a good language test, which asks students to use their thematic and linguistic knowledge to carry out a meaningful task, has a positive influence on course design and student motivation.

### Synergies and Collaboration

The year saw a significant milestone in Project Threshold, our strategic change programme which is designed to deliver business transformation through the replacement of legacy technology and processes with a common set of leading software solutions. The foundation of this is SAP, a primary business application that went live for finance and procurement activities in 2012. In 2014, Cambridge English began using SAP to process its popular Cambridge English: Young Learners exam. Feedback from the 900 centres offering this exam has been positive: they like the flexibility and ease of use. Moreover, the system has enabled a reduction in lead-in times of approximately 25 per cent. More Cambridge English exams will be moved onto the SAP platform and the system extended to OCR over the course of the coming year.

Other Threshold initiatives include the Customer Relationship Management system (now live in OCR and Cambridge International Examinations) and the ongoing development of our secure, online system for creating and managing assessment materials, CCMS.

The expertise and experience of two of our exam boards has been combined to great effect in Mauritius. In a partnership with the Mauritius Ministry of Education and Human Resources, a qualification which recognises both the academic and vocational achievements of 18-year-olds has been launched. The new HSC Pro (Higher School Certificate Professional) certificate will give teenagers in Mauritius the opportunity to take OCR's Level 3 Cambridge Technical vocational qualifications alongside traditional academic International A Levels.

After a successful pilot scheme in Malaysia, a collaboration between Cambridge International Examinations and Cambridge English will now be rolled out worldwide. Schools that are teaching the Cambridge Secondary 1 English as a Second Language curriculum can enter learners for tests provided by Cambridge English.

Synergies have also been achieved through the use of shared offices, with staff from Cambridge English and Cambridge International Examinations working alongside each other in various countries including Argentina, Malaysia and China.

The year also saw a major collaborative effort between us and our external partner RM (whose Scoris application is used for marking written papers online) which led to the successful launch of in-house scanning of examination papers in a specially-equipped Scanning Hall at DC10. By bringing scanning in-house we are increasing the security and efficiency of our exam processing. Needless to say, health and safety remain our top priority, as is reflected in Group Print and Operations' achievement this year of the international safety management standard OHSAS 18001 for DC10.

Every year we host the equivalent of several thousand days of meetings with examiners to mark scripts and ensure the quality and consistency of results. This year, over 15,000

examiners attended over 2000 meeting days – an average of over 200 additional people on site every day during May and June. A team effort by operations, premises and IT colleagues ensures that everything required for the smooth running of this activity – from identity badges and computing resources to catering and cleaning – is provided. The people delivering this support are integral to our success.

### Property

Domestically, we have just secured outline planning permission for a high-quality, sustainable new headquarters known as The Triangle. The past year has seen a lot of work go into developing the application, consulting the community and getting the project teams together. We now look forward to working with the community as we progress into the detailed design stage, construction and then first occupation of the site, hopefully in four years' time.

We have also acquired a second distribution centre, DC20, to respond to ever-increasing demand and guarantee business continuity in the event of any interruption of service at DC10. And with the creation of a new data centre, the Group is investing further in the security and reliability of our services. It will house part of our IT estate and provide back-up in emergencies.

### Support for Staff

We are very proud of our people at Cambridge Assessment. They are a very talented and diverse group and everybody has a key role to play. We are committed to providing them with opportunities to develop the skills they need - now and in the future. We have also just invested in our first Group Head of Learning and Development who will join us in October 2014, because this is an area we see as critical.

We offer opportunities for individualised learning, development and training to help everyone achieve their full potential. We share our knowledge and skills and are committed to creating a culture of continuous professional development, from training through to mentoring, secondments and work attachments.

As we expand internationally, we have a strategic imperative to invest in our future leaders through our Aspiring Managers programme, designed to provide an insight into what being a manager means as well as an opportunity to learn and practise people management skills. This led to a project to review how we incorporate our Group values into our performance management system and the resulting enhanced system will be launched in 2015. Participants have also been able to take part in mentoring and interviewing activities and move into line management roles as a result of the programme.

This year for the first time we saw the launch of our other leadership development programme, Specialist to Manager, with excellent feedback. We are now looking to develop a similar offering for our future Operations Leaders. And towards the end of the year we re-launched our Senior Management Forum for our top 250 leaders, with new tools for people management, feedback and dialogue.

This year we held a record 4,800 training days across the Group, covering skills development, IT and professional qualifications, on a wide range of topics. We also added several new courses. These include *Commercial Awareness – a Business Perspective* in which participants are offered a hands-on experience in running a business for the day; *Developing Personal Presence* which helps develop personal impact and *What to Say When*, a series of short videos giving hints and tips on what to say in difficult situations. In addition, participation in courses on proof reading, report writing and communicating in plain

English remains high.

Our e-learning courses, launched last year, have been extended internationally, giving new and existing staff access to information about their role and the wider Group. The most popular IT desktop training has been in Microsoft Excel. In addition, our people have embraced the opportunity to gain skills in IT training packages to help them create their own e-learning solutions.

As well as our focus on people management, we provide professional development programmes and expert training through the Cambridge Assessment Network, to give our people the capacity to appreciate wider assessment issues and keep them up-to-date with the latest developments and best practice.

## **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 £53.9 million for the financial year ended 31 July 2014 (2013: £52.5 million).

Income from examination fees and other educational and assessment services increased from £317.7 million to £342.1 million.

The overall costs for the year, before taxation and surplus/loss on fixed assets disposal, were higher at £296.6 million than for the preceding year (£271.3 million). Expenditure is mainly incurred in maintaining and developing qualifications, registration and certification of candidates, and the quality control of examined and assessed schemes. Expenditure has also been incurred on continuous improvements and additions to systems, mainly relating to the Threshold programme.

The Group continues to make contributions to research and understanding of assessment issues and provides qualifications and related services to customers in around 160 countries. This brings with it challenges related to exchange rate exposures and economic difficulties which are reviewed and managed by the Corporate Board. Note 20 in the financial statements shows the organisation's forward currency contracts as at 31 July 2014.

The Group has £75.8 million in cash and short term deposits at the year end (£107.5 million at 31 July 2013). The deposits are mainly invested by the University, in its deposit pool, which is managed by the University's Finance Division. The Group has £213.3 million invested in the Cambridge University Endowment Fund (£181.5 million at 31 July 2013), 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.

The transfer to the University from reserves for the year ended 31 July 2014 is £15.9 million (2013: £15.9 million). In addition, the Group has given financial assistance on a smaller scale to support scholarships run by the Cambridge Commonwealth, European and International Trust.

Since 1981 the Group has transferred £287.2 million from its reserves and investment income - £264.9 million to general University funds; £19.1 million to the Cambridge Commonwealth, European and International Trust; and £3.2 million to establish the Research Centre for English and Applied Linguistics.

## **Risk Management**

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

a. Policies and Procedures

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

b. Risk Register

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

Approved by:

Professor J Rallison (Chairman)

Mrs S Coutu

Mr E Elliott

Dr D Good

Ms D Hall

Dr J Keeler

Mr R Partington

Mr B Picking

Mr I Pryce

Mr A Reid

Dr N White

Mr P Williams

Professor S Young

13 November 2014. Syndicate Buildings, 1 Hills Road, Cambridge, CB1 2EU

**Auditors**

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

**Bankers**

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

## Appendix A: The Local Examinations Syndicate

Professor John Rallison (Chairman)	Fellow of Trinity College, University of Cambridge	
Mrs Sherry Coutu	Investor and Independent Non-Executive Director	
Mr Edward Elliott	Head, The Perse School	
Dr David Good	Fellow of King's College	
Professor John Gray	Professor of Education in the Faculty of Education, University of Cambridge	Resigned 31.12.13
Ms Denise Hall	Former Director of Marketing and Sales, SpecialSteps	
Dr James Keeler	Senior Tutor, Selwyn College	
Mr Richard Partington	Senior Tutor, Churchill College	
Mr Bruce Picking	Former Chairman of Governors of Havering College of Further and Higher Education	
Mr Ian Pryce	Principal and Chief Executive, Bedford College	
Mr Andrew Reid	Director of Finance, University of Cambridge	
Dr Nick White	Fellow and Director of Studies in Modern and Medieval Languages, Emmanuel College	
Mr Peter Williams	Former Finance Director of Daily Mail and General Trust plc	
Professor Steve Young	Senior Pro-Vice-Chancellor, University of Cambridge	From 28.01.14

**Appendix B: The OCR Board**

Mr Simon Lebus (Chairman)	Cambridge Assessment Group Chief Executive	
Mrs Sherry Coutu	Investor and Independent Non-Executive Director	
Mr Edward Elliott	Head, The Perse School	
Dr David Good	Fellow of King's College	
Professor John Gray	Professor of Education in the Faculty of Education, University of Cambridge	Resigned 31.12.13
Ms Denise Hall	Former Director of Marketing and Sales, SpecialSteps	
Dr James Keeler	Senior Tutor, Selwyn College	
Mr Richard Partington	Senior Tutor, Churchill College	
Mr Bruce Picking	Former Chairman of Governors of Havering College of Further and Higher Education	
Mr Ian Pryce	Principal and Chief Executive, Bedford College	
Professor John Rallison	Fellow of Trinity College, University of Cambridge	
Mr Andrew Reid	Director of Finance, University of Cambridge	
Dr Nick White	Fellow and Director of Studies in Modern and Medieval Languages, Emmanuel College	
Mr Peter Williams	Former Finance Director of Daily Mail and General Trust plc	
Professor Steve Young	Senior Pro-Vice-Chancellor, University of Cambridge	From 28.01.14

**Appendix C: Cambridge Assessment Group Corporate Board**

Mr Simon Lebus	Group Chief Executive	
Mrs Liz Allan	Group HR Director	
Mr Mark Dawe	Chief Executive, OCR	
Mr Bruno Laquet	Group Infrastructure Services Director	
Dr Mike Milanovic	Chief Executive, Cambridge English	Retired 15.01.14
Mr Michael O'Sullivan	Chief Executive, Cambridge International Examinations	
Mr Saul Nassé	Chief Executive, Cambridge English	From 31.03.14
Mr Tim Oates	Group Director, Assessment Research & Development	
Mrs Jackie Rippeth	Group Finance Director	

**Appendix D: List of Acronyms**

ALTA	Automated Language Teaching and Assessment
ALTE	Association of Language Testers in Europe
BETT	British Educational Training and Technology
BMAT	Biomedical Admissions Test
CCMS	Content Creation and Management System
CPD	Continuing Professional Development
CUP	Cambridge University Press
GCSE	General Certificate of Secondary Education
HMC	Headmasters' and Headmistresses' Conference
HSC	Higher School Certificate
IATEFL	International Association of Teachers of English as a Foreign Language
IELTS	International English Language Testing System
IGCSE	International General Certificate of Secondary Education
IMAT	International Medical Admissions Test
IOE	Institute of Education
IT	Information Technology
MOOC	Massive Open Online Course
OCR	Oxford, Cambridge and RSA
Ofqual	Office of the Qualifications and Examinations Regulator
OPSN	Open Public Services Network
PISA	Programme for International Student Assessment
RSA	Royal Society for the encouragement of Arts, Manufactures and Commerce

**CAMBRIDGE ASSESSMENT GROUP**  
**ANNUAL REPORT**  
**FOR THE YEAR ENDED 31 JULY 2014**

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**CORPORATE GOVERNANCE AND INTERNAL CONTROL STATEMENT**

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

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

The governing body of Cambridge Assessment is the Syndicate (the Syndics), which comprises six members of the Regent House (the Governing Body of the University, which comprises the resident senior members of the University and the Colleges, together with the Chancellor, the High Steward, the Deputy High Steward, and the Commissary) and six external members, along with a Chairman appointed by the Vice-Chancellor and a University Officer appointed by the Council. Members from the Regent House are appointed by the Council, while external members are appointed by the Council on the nomination of Cambridge Assessment. From January 2014, the Syndics are entitled to an annual honorarium of £6,000, payable in a single instalment in December each year. Syndics who are employees of the University or a College of the University will receive the Honorarium in the form of an allowance toward their research expenses and held by their department, faculty or college on that basis. All Syndics have the option of waiving the honorarium.

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

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

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

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

The Syndicate has in place an agreed statement of the powers delegated to the Group Chief Executive. The day-to-day management of the Group is the responsibility of the Group Chief Executive and the Corporate Board, whose other members comprise the Chief Executives of the three business 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.

**RESPONSIBILITIES OF THE SYNDICS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2014**

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

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

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

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

The Syndics certify that:

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

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

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

### **Report on the financial statements**

#### **Our opinion**

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the group's and of Cambridge Assessment's affairs as at 31 July 2014 and of the group's and Cambridge Assessment's surplus and the group's cash flows for the year then ended; and
- have been properly prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education issued in July 2007 and applicable Accounting Standards in the United Kingdom.

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

#### **What we have audited**

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

- the group and Cambridge Assessment balance sheets as at 31 July 2014;
- the group consolidated income and expenditure account for the year then ended;
- the statement of total recognised gains and losses for the year then ended;
- the group consolidated cash flow statement for the year then ended;
- the group statement of historical cost surpluses and deficits for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

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

#### **What an audit of financial statements involves**

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

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

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

## Responsibilities for the financial statements and the audit

### Our responsibilities and those of the Syndics

As explained more fully in the Syndics' Responsibilities Statement set out on page 4, the Syndics are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Cambridge Assessment Syndics as a body for the Syndics in accordance with our engagement letter dated 1 October 2014 to assist in discharging its obligations under Statute F Chapter 1 paragraph 6 of the University of Cambridge and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, including without limitation under any contractual obligations of Cambridge Assessment, save where expressly agreed by our prior consent in writing.



PricewaterhouseCoopers LLP  
Chartered Accountants  
Cambridge  
13 November 2014

CAMBRIDGE ASSESSMENT

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 JULY 2014

	Note	2014 £m	2013 £m
<b>Income</b>			
Examination fees	2	306.7	290.3
Other educational and assessment services	2	35.4	27.4
Endowment and investment income	3	8.0	6.9
<b>Total income</b>		<u>350.1</u>	<u>324.6</u>
<b>Expenditure</b>			
Staff costs	4	(91.2)	(85.5)
Other operating expenses	5	(188.7)	(172.6)
Depreciation	8	(16.7)	(13.2)
<b>Total expenditure</b>		<u>(296.6)</u>	<u>(271.3)</u>
Surplus after depreciation of tangible fixed assets at valuation and before tax		53.5	53.3
Taxation (overseas taxation)		(0.2)	(0.1)
Surplus after depreciation of assets at valuation and tax		<u>53.3</u>	<u>53.2</u>
Surplus/(loss) on disposal of fixed assets		0.8	(0.5)
<b>Surplus for the year after depreciation of tangible assets and disposal of assets and tax</b>		<u>54.1</u>	<u>52.7</u>
Minority interest		(0.2)	(0.2)
Surplus after minority interest	6	<u>53.9</u>	<u>52.5</u>
Transfer from accumulated income within specific endowments	15	-	-
<b>Surplus for the year retained within general reserves</b>	16	<u>53.9</u>	<u>52.5</u>

All income and expenditure relates to continuing activities.

**CAMBRIDGE ASSESSMENT****STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 JULY 2014**

	<b>Note</b>	<b>2014 £m</b>	<b>2013 £m</b>
Surplus for the year		53.9	52.5
Increase in market value of investment assets	9,10	<u>5.6</u>	<u>25.8</u>
Total recognised gains for the year		<u>59.5</u>	<u>78.3</u>

	<b>Note</b>	<b>2014 £m</b>	<b>2013 £m</b>
<b>Reconciliation</b>			
Opening reserves and endowments		356.4	294.0
Total recognised gains for the year		59.5	78.3
Transfer to the University	16	<u>(15.9)</u>	<u>(15.9)</u>
Closing reserves and endowments		<u>400.0</u>	<u>356.4</u>

**STATEMENT OF HISTORICAL COST SURPLUSES AND DEFICITS FOR THE YEAR ENDED 31 JULY 2014**

	<b>Note</b>	<b>2014 £m</b>	<b>2013 £m</b>
Surplus for the year		53.9	52.5
Realisation of investment revaluation gains of previous years	16	<u>10.2</u>	<u>-</u>
Historical cost surplus for the year		<u>64.1</u>	<u>52.5</u>

## CAMBRIDGE ASSESSMENT

## BALANCE SHEETS AS AT 31 JULY 2014

	Note	Group		Cambridge Assessment	
		2014 £m	2013 £m	2014 £m	2013 £m
<b>Fixed assets</b>					
Intangible assets	7	1.0	1.5	-	-
Tangible assets	8	119.3	99.5	112.8	92.5
Investments	9	214.1	182.3	140.8	78.3
		<u>334.4</u>	<u>283.3</u>	<u>253.6</u>	<u>170.8</u>
<b>Endowment assets</b>	10	5.0	4.9	5.0	4.9
<b>Current assets</b>					
Debtors	11	82.5	71.3	82.1	90.2
Short term deposits		67.5	99.3	32.7	52.7
Cash at bank and in hand		8.3	8.2	4.6	4.9
		<u>158.3</u>	<u>178.8</u>	<u>119.4</u>	<u>147.8</u>
<b>Less creditors: amounts falling due within one year</b>	12	(97.1)	(110.1)	(71.8)	(65.5)
<b>Net current assets</b>		<u>61.2</u>	<u>68.7</u>	<u>47.6</u>	<u>82.3</u>
<b>Total assets less current liabilities</b>		400.6	356.9	306.2	258.0
<b>Less creditors: amounts falling due after more than one year</b>	13	-	-	-	(0.1)
<b>Less provisions for liabilities and charges</b>	14	(0.4)	(0.3)	(0.4)	(0.3)
<b>Net assets</b>		<u>400.2</u>	<u>356.6</u>	<u>305.8</u>	<u>257.6</u>
<b>Restricted expendable endowments</b>	15	5.0	4.9	5.0	4.9
<b>Reserves</b>					
General reserve	16	358.7	310.5	281.2	236.3
Revaluation reserve	16	36.3	41.0	19.6	16.4
		<u>395.0</u>	<u>351.5</u>	<u>300.8</u>	<u>252.7</u>
Reserves and endowments		<u>400.0</u>	<u>356.4</u>	<u>305.8</u>	<u>257.6</u>
Minority interest in subsidiary undertakings		0.2	0.2	-	-
<b>Total funds</b>		<u>400.2</u>	<u>356.6</u>	<u>305.8</u>	<u>257.6</u>

The financial statements on pages 7 to 25 were approved by the Syndics on 13 November 2014 and were signed on their behalf by:



**Professor John Rallison**  
Chairman of the Local  
Examinations Syndicate



**Mr Bruce Picking**  
Member of the Local  
Examinations Syndicate

CAMBRIDGE ASSESSMENT

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 JULY 2014

	Note	2014		2013	
		£m	£m	£m	£m
<b>Net cash inflow from operating activities</b>	17a		37.0		61.8
Returns on investments and servicing of finance					
Investment income		7.7		6.7	
Interest received		<u>0.1</u>	7.8	<u>0.2</u>	6.9
Taxation			(0.2)		(0.1)
Capital expenditure and financial investment					
Payments to acquire tangible assets		(35.5)		(17.7)	
Payments to acquire investments		(60.0)		(6.0)	
Proceeds from sale of fixed asset investment		35.0		-	
Repayment of loan		<u>0.1</u>	(60.4)	<u>-</u>	(23.7)
Acquisitions and disposals					
Purchase of subsidiary undertaking		<u>-</u>	-	<u>(1.5)</u>	(1.5)
Transfer to University			(15.9)		(19.4)
Cash (outflow)/inflow before use of liquid resources			<u>(31.7)</u>		<u>24.0</u>
Management of liquid resources					
Proceeds of disposal of property held for sale			-		0.6
Net movement on short term deposits	17c		31.8		(31.8)
<b>Increase/(decrease) in cash in the year</b>	17b		<u><u>0.1</u></u>		<u><u>(7.2)</u></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.

After reviewing the 2014/15 budget and longer term plans, the Syndics are satisfied that, at the time of approving the financial statements, it is appropriate to adopt the going concern basis in preparing the financial statements of both the Group and Cambridge Assessment.

### **Principles of consolidation**

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

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

The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group transactions, including sales, surpluses, receivables and payables, have been eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those of the Group. Amounts attributable to minority interests represent the share of the profit or losses on ordinary activities attributable to the interest of equity shareholders in subsidiaries which are not wholly owned by the Group.

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

### **Deferral of income and expenditure**

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

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

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

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

### **Pension schemes**

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

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

## 1. ACCOUNTING POLICIES (continued)

### Pensions – overseas offices

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

### Research and Development

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

### Tangible assets

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

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

Freehold land and assets under construction are not depreciated.

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

### Intangible assets

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

### Leases

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

### Investments

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

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

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

### Endowments

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

### Short term deposits

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

1. ACCOUNTING POLICIES (continued)

**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

	2014 Group £m	2013 Group £m
Examination fees and other educational and assessment services:		
United Kingdom	156.0	153.3
European Union	41.0	35.6
Rest of the world	145.1	128.8
	<u>342.1</u>	<u>317.7</u>

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

3. ENDOWMENT AND INVESTMENT INCOME

	2014 Group £m	2013 Group £m
Income from specific endowment asset investments	0.2	0.2
Other investment income	7.7	6.5
Other interest receivable	0.1	0.2
	<u>8.0</u>	<u>6.9</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	
	2014 No.	2013 No.	2014 No.	2013 No.
Examination services	1,435	1,362	831	746
Administration and central services	574	521	574	521
Premises	90	93	90	93
	<u>2,099</u>	<u>1,976</u>	<u>1,495</u>	<u>1,360</u>

Staff costs for the above persons comprise:

	Group		Cambridge Assessment	
	2014 £m	2013 £m	2014 £m	2013 £m
Salaries and wages	69.0	63.4	50.3	44.5
Social security costs	6.5	5.8	4.5	4.0
Other pension costs (see note 18)	16.6	17.6	12.4	12.5
	<u>92.1</u>	<u>86.8</u>	<u>67.2</u>	<u>61.0</u>

Of the above costs £0.9m (2013: £1.3m) was capitalised as internally developed software.

#### Staff costs charged to the income and expenditure account

	Group		Cambridge Assessment	
	2014 £m	2013 £m	2014 £m	2013 £m
Examinations services	62.5	58.8	37.6	33.0
Administration and central services	25.8	23.8	25.8	23.8
Premises	2.9	2.9	2.9	2.9
	<u>91.2</u>	<u>85.5</u>	<u>66.3</u>	<u>59.7</u>

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

	Group		Cambridge Assessment	
	2014 No.	2013 No.	2014 No.	2013 No.
£100,000 - £110,000	4	3	2	3
£110,001 - £120,000	4	2	3	2
£120,001 - £130,000	2	1	2	1
£130,001 - £140,000	1	2	1	2
£140,001 - £150,000	-	3	-	2
£150,001 - £160,000	1	-	1	-
£160,001 - £170,000	1	1	1	1
£170,001 - £180,000	1	1	1	1
£190,001 - £200,000	-	1	-	-
£200,001 - £210,000	1	1	-	1
£220,001 - £230,000	1	-	1	-
£350,001 - £360,000	-	1	-	1
£400,001 - £410,000	1	-	1	-

5. OTHER OPERATING EXPENSES

	2014 Group £m	2013 Group £m
Examination services	146.0	131.6
Administration and central services	33.4	32.5
Premises	9.3	8.5
	<u>188.7</u>	<u>172.6</u>

	2014 Group £m	2013 Group £m
<b>Other operating expenses include:</b>		
Operating leases - other	0.9	0.9
- plant and machinery	0.4	0.3
Foreign exchange losses	1.5	0.5
Restructuring costs	2.4	0.3

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

- Fees payable to company's auditor and its associates for the audit of parent company and consolidated financial statements	0.1	0.1
- Fees payable to the company's auditors and its associates for the audit of company's subsidiaries and other services	0.1	0.2
	<u>0.1</u>	<u>0.2</u>

6. SURPLUS AFTER MINORITY INTEREST

	2014 £m	2013 £m
Cambridge Assessment's surplus for the year	56.8	51.6
(Loss)/surplus retained in subsidiary undertakings	(2.9)	0.9
	<u>53.9</u>	<u>52.5</u>

7. INTANGIBLE ASSETS

GROUP	Goodwill
<b>COST</b>	<b>£m</b>
At 1 August 2013	1.5
Currency adjustments	(0.3)
At 31 July 2014	<u>1.2</u>
<b>ACCUMULATED AMORTISATION</b>	
At 1 August 2013	-
Charge for the year	0.2
At 31 July 2014	<u>0.2</u>
<b>NET BOOK VALUE</b>	
At 31 July 2014	<u>1.0</u>
At 31 July 2013	<u>1.5</u>

On 15 March 2013, the Group purchased a majority shareholding of the Australian Occupational English Test ("OET") by means of buying a 70% share of a newly formed Australian Unit Trust, called Cambridge Boxhill Language Trust ("Trust"). The sole trustee of the Trust is Cambridge Boxhill Language Assessment Pty Limited, a wholly owned subsidiary of Cambridge English (Aus), which is wholly owned by Cambridge Assessment.

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

The OET is an English language test designed specifically to assess the skills of foreign-trained health practitioners wishing to practise in English-speaking countries.

8. TANGIBLE ASSETS

GROUP

Land & buildings

	Freehold £m	Long term leasehold £m	Short term leasehold £m	Plant and Equipment & furniture and fittings £m	Computer software & equipment £m	Assets under construction £m	Total £m
<b>COST</b>							
At 1 August 2013	81.9	9.3	1.4	6.7	58.8	7.9	166.0
Additions	3.2	4.8	-	1.8	14.4	12.7	36.9
Transfers within tangible assets	0.8	-	-	0.2	4.9	(5.9)	-
Disposals	-	-	-	(0.9)	-	(0.4)	(1.3)
At 31 July 2014	<u>85.9</u>	<u>14.1</u>	<u>1.4</u>	<u>7.8</u>	<u>78.1</u>	<u>14.3</u>	<u>201.6</u>
<b>ACCUMULATED DEPRECIATION</b>							
At 1 August 2013	18.3	2.8	0.6	4.6	40.2	-	66.5
Charge for the year	2.5	0.4	0.1	0.9	12.8	-	16.7
Disposals	-	-	-	(0.9)	-	-	(0.9)
At 31 July 2014	<u>20.8</u>	<u>3.2</u>	<u>0.7</u>	<u>4.6</u>	<u>53.0</u>	<u>-</u>	<u>82.3</u>
<b>NET BOOK VALUE</b>							
At 31 July 2014	<u>65.1</u>	<u>10.9</u>	<u>0.7</u>	<u>3.2</u>	<u>25.1</u>	<u>14.3</u>	<u>119.3</u>
At 31 July 2013	<u>63.6</u>	<u>6.5</u>	<u>0.8</u>	<u>2.1</u>	<u>18.6</u>	<u>7.9</u>	<u>99.5</u>

CAMBRIDGE ASSESSMENT

Land & buildings

	Freehold £m	Long term leasehold £m	Short term leasehold £m	Plant and Equipment & furniture and fittings £m	Computer software & equipment £m	Assets under construction £m	Total £m
<b>COST</b>							
At 1 August 2013	81.9	-	1.4	6.0	53.1	7.9	150.3
Additions	3.2	4.8	-	1.8	14.4	12.7	36.9
Transfers within tangible assets	0.8	-	-	0.2	4.9	(5.9)	-
Disposals	-	-	-	(0.5)	-	(0.4)	(0.9)
At 31 July 2014	<u>85.9</u>	<u>4.8</u>	<u>1.4</u>	<u>7.5</u>	<u>72.4</u>	<u>14.3</u>	<u>186.3</u>
<b>ACCUMULATED DEPRECIATION</b>							
At 1 August 2013	18.3	-	0.6	4.1	34.8	-	57.8
Charge for the year	2.5	0.2	0.1	0.9	12.5	-	16.2
Disposals	-	-	-	(0.5)	-	-	(0.5)
At 31 July 2014	<u>20.8</u>	<u>0.2</u>	<u>0.7</u>	<u>4.5</u>	<u>47.3</u>	<u>-</u>	<u>73.5</u>
<b>NET BOOK VALUE</b>							
At 31 July 2014	<u>65.1</u>	<u>4.6</u>	<u>0.7</u>	<u>3.0</u>	<u>25.1</u>	<u>14.3</u>	<u>112.8</u>
At 31 July 2013	<u>63.6</u>	<u>-</u>	<u>0.8</u>	<u>1.9</u>	<u>18.3</u>	<u>7.9</u>	<u>92.5</u>

9. INVESTMENTS

	Group		Cambridge Assessment	
	2014 £m	2013 £m	2014 £m	2013 £m
At 1 August	182.3	152.3	78.3	61.6
Additions	60.1	6.1	60.0	7.9
Disposals	(33.8)	-	(0.5)	-
Transfer to tangible assets	-	(1.4)	-	(1.4)
Increase in market value of investments	5.5	25.3	3.2	10.2
Currency adjustments	-	-	(0.2)	-
At 31 July	<u>214.1</u>	<u>182.3</u>	<u>140.8</u>	<u>78.3</u>
Represented by:				
University Endowment Fund units	213.3	181.5	139.6	76.3
Loans to subsidiary undertakings	-	-	1.2	1.9
Share of joint ventures	0.8	0.7	-	-
Loan to joint ventures	-	0.1	-	0.1
	<u>214.1</u>	<u>182.3</u>	<u>140.8</u>	<u>78.3</u>

Investments at market value comprise Cambridge University Endowment Fund units. The market value at 31 July 2014 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 2014 amounted to: Group £181.1m (2013: £144.7m); Cambridge Assessment £124.0m (2013: £64.0m).

9. INVESTMENTS (continued)

Name of subsidiary undertaking	Country of registration & operation	Class of share	Percent held	Nature of business	Note
Oxford Cambridge and RSA Examinations	England	Member	100%	Examinations and assessment services	1
The West Midlands Examinations Board	England	Member	100%	Examination services	2
Sandonian Properties Limited	England	Ordinary	100%	Ceased trading and subject to members voluntary liquidation	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 English (Aus)	Australia	Member	100%	Examination services	7
Cambridge Boxhill Language Pty Limited	Australia	Ordinary	70%	Examination services	8
Cambridge Assessment	England	Member	100%	Dormant	3
Cambridge Assessment Inc.	US	Member	100%	Holding entity	6
Mill Wharf Limited	England	Ordinary	100%	Dormant	4
OCR Nationals	England	Member	100%	Dormant	3
Progress House Printers Limited	England	Ordinary	100%	Dormant	4
Quick Placement Tests Limited	England	Ordinary	100%	Dormant	4
RSA Examinations Board	England	Member	100%	Dormant	1
World Class Tests Limited	England	Ordinary	100%	Dormant	4
Cambridge Assessment Singapore	Singapore	Member	100%	Overseas office services	2
Cambridge Avaliacao Representacao e Promocao Ltda	Brazil	Ordinary	100%	Overseas office services	4

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

The former dormant subsidiary, CUAPTS Limited, was dissolved during the year.

**CAMBRIDGE ASSESSMENT  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2014**

**9. INVESTMENTS (continued)**

<b>Joint Ventures</b>	<b>Country of registration &amp; operation</b>	<b>Class of share</b>	<b>Percent held</b>	<b>Nature of business</b>	<b>Note</b>
IELTS Inc	US	Member	33%	Examination services	6
Cambridge Michigan Language Assessment LLC	US	Member	65%	Examination services	6
<b>Trusts</b>					
Cambridge Boxhill Language Assessment Unit Trust	Australia	Units	70%	Trust	

**Note**

- 1 Companies limited by guarantee and exempt charities
- 2 Company limited by guarantee and a registered charity
- 3 Company limited by guarantee
- 4 Companies having share capital
- 5 Spanish non-profit foundation
- 6 US non-profit corporation with no share capital
- 7 Australian company limited by guarantee and charitable status
- 8 Australian company having share capital

**10. ENDOWMENT ASSETS**

	<b>Group</b>		<b>Cambridge Assessment</b>	
	<b>2014 £m</b>	<b>2013 £m</b>	<b>2014 £m</b>	<b>2013 £m</b>
At 1 August	4.9	4.4	4.9	4.4
Increase in market value of University Endowment Fund units	0.1	0.5	0.1	0.5
At 31 July	<u>5.0</u>	<u>4.9</u>	<u>5.0</u>	<u>4.9</u>
Represented by:				
University Endowment Fund units	4.0	3.9	4.0	3.9
Short term deposits	1.0	1.0	1.0	1.0
	<u>5.0</u>	<u>4.9</u>	<u>5.0</u>	<u>4.9</u>

**11. DEBTORS**

	<b>Group</b>		<b>Cambridge Assessment</b>	
	<b>2014 £m</b>	<b>2013 £m</b>	<b>2014 £m</b>	<b>2013 £m</b>
Trade debtors (fee debtors)	58.9	58.3	57.2	55.7
Other debtors	1.9	1.1	1.7	1.1
Owed by Group undertakings	-	-	0.2	24.1
Prepayments and accrued income	21.7	11.9	23.0	9.3
	<u>82.5</u>	<u>71.3</u>	<u>82.1</u>	<u>90.2</u>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Cambridge Assessment	
	2014 £m	2013 £m	2014 £m	2013 £m
Trade creditors	14.4	14.4	13.0	7.2
Other taxes and social security	3.4	4.7	1.3	2.5
Other creditors	3.2	4.7	2.8	4.4
Accruals and deferred income (see below)	76.1	86.3	54.7	51.4
	<u>97.1</u>	<u>110.1</u>	<u>71.8</u>	<u>65.5</u>

Deferred income is analysed as:

At 1 August	41.8	57.0	20.2	18.8
Movement in the year	(8.8)	(15.2)	5.6	1.4
At 31 July	<u>33.0</u>	<u>41.8</u>	<u>25.8</u>	<u>20.2</u>

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

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

	Group		Cambridge Assessment	
	2014 £m	2013 £m	2014 £m	2013 £m
Loan from CUAPTS Limited	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.1</u>

The loan was cancelled on the dissolution of CUAPTS Limited (see note 9).

14. PROVISIONS FOR LIABILITIES

GROUP	Staffing £m	Other £m	Total £m
At 1 August 2013	0.2	0.1	0.3
Charges in the year	-	0.1	0.1
At 31 July 2014	<u>0.2</u>	<u>0.2</u>	<u>0.4</u>

CAMBRIDGE ASSESSMENT	Staffing £m	Other £m	Total £m
At 1 August 2013	0.2	0.1	0.3
Charges in the year	-	0.1	0.1
At 31 July 2014	<u>0.2</u>	<u>0.2</u>	<u>0.4</u>

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

15. RESTRICTED EXPENDABLE ENDOWMENTS

GROUP and CAMBRIDGE ASSESSMENT

	2014 £m	2013 £m
At 1 August	4.9	4.4
Income receivable from endowment asset investments	0.2	0.2
Expenditure	<u>(0.2)</u>	<u>(0.2)</u>
	4.9	4.4
Increase in market value of investments	0.1	0.5
At 31 July	<u>5.0</u>	<u>4.9</u>
<b>Representing</b>		
WMEB Fund	4.9	4.8
Scholarship funds	<u>0.1</u>	<u>0.1</u>
	<u>5.0</u>	<u>4.9</u>

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

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

16. RESERVES

GROUP

	General reserve £m	Revaluation reserve £m	Total £m
At 1 August 2013	310.5	41.0	351.5
Surplus retained for the year	53.9	-	53.9
Increase in market value of investments	-	5.5	5.5
Transfer between reserves	10.2	(10.2)	-
Transfer to University	<u>(15.9)</u>	<u>-</u>	<u>(15.9)</u>
At 31 July 2014	<u>358.7</u>	<u>36.3</u>	<u>395.0</u>

CAMBRIDGE ASSESSMENT

	General reserve £m	Revaluation reserve £m	Total £m
At 1 August 2013	236.3	16.4	252.7
Surplus retained for the year	56.8	-	56.8
Increase in market value of investments	-	3.2	3.2
Transfer to University	<u>(11.9)</u>	<u>-</u>	<u>(11.9)</u>
At 31 July 2014	<u>281.2</u>	<u>19.6</u>	<u>300.8</u>

17. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

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

	2014 £m	2013 £m
Surplus on continuing operations before tax	53.5	53.3
Endowment and investment income	(8.0)	(6.9)
Depreciation of tangible assets	16.7	13.2
Amortisation of goodwill	0.2	-
Movements in provisions	0.1	-
Decrease in creditors	(14.3)	(1.3)
(Increase)/decrease in debtors	(11.1)	3.7
Non-cash items included in the movement of joint ventures	(0.1)	(0.2)
Net cash inflow from operating activities	<u>37.0</u>	<u>61.8</u>

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

	2014 £m	2013 £m
Increase/(decrease) in cash in the year	0.1	(7.2)
Net cash (inflow)/outflow from decrease/increase in short term deposits	(31.8)	31.8
Change in net funds resulting from cash flows	<u>(31.7)</u>	<u>24.6</u>
Net funds at 1 August	108.5	83.9
Net funds at 31 July	<u>76.8</u>	<u>108.5</u>

c. Analysis of change in net funds

	At 1 August 2013 £m	Cash flows £m	At 31 July 2014 £m
Cash at bank and in hand	8.2	0.1	8.3
Short term deposits	100.3	(31.8)	68.5
Total	<u>108.5</u>	<u>(31.7)</u>	<u>76.8</u>

The short term deposits above include £1.0m (2013: £1.0m) held as endowment assets.

18. PENSION COSTS

USS and CPS schemes

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

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

The Group's contributions to the USS and CPS schemes are affected by a surplus or deficit in these schemes. It is not possible to identify the Group's share of underlying assets and liabilities of the schemes and therefore contributions are accounted for as if they were defined contribution schemes in accordance with FRS 17, "Employee Benefits".

18. PENSION COSTS (continued)

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

**USS**

Latest actuarial valuation	March 2011
Salary scale increases	4.4% plus 3.65% short term
Pension increases per annum	3.4% to 31/03/14; then 2.6%
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 re-valued benefits section	5.2%

**CPS**

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

Employer's contribution rate in respect of:

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

**RSAEB scheme**

Previously the Group participated in the RSAEB pension scheme; a closed scheme which had no active members. The Trustee had agreed with the employers in the scheme to wind up the scheme and a buyout of the scheme liability was arranged with Metlife Assurance Limited. The buyout was completed in June 2013.

**Other schemes – overseas offices**

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

**Total Group pension cost for the year**

	<b>2014</b>	<b>2013</b>
	<b>£m</b>	<b>£m</b>
USS	9.8	8.6
CPS	6.7	8.7
RSAEB	-	0.2
Other – overseas offices	0.1	0.1
	<u>16.6</u>	<u>17.6</u>

At 31 July 2014, the Group and Cambridge Assessment had outstanding pension contributions amounting to £1.7m (2013: £2.7m) and £1.3m (2013: £1.9m) respectively.

## 19. OPERATING LEASES

At 31 July 2014, the Group had annual commitments under non-cancellable operating leases as follows:

	Group		Cambridge Assessment	
	2014	2013	2014	2013
	£m	£m	£m	£m
Land and buildings commitments expiring:				
Between 2 and 5 years	0.8	0.9	0.7	0.7
Other commitments expiring:				
In 1 year	0.1	0.1	0.1	0.1
Between 2 and 5 years	0.2	0.2	0.1	0.1
	<u>1.1</u>	<u>1.2</u>	<u>0.9</u>	<u>0.9</u>

## 20. FORWARD CURRENCY CONTRACTS

As at 31 July 2014, the Group had forward exchange contracts for the sale of €47.5m and \$39.5m (2013: €26.0m and \$12.0m).

## 21. CAPITAL COMMITMENTS

There were £13.0m (2013: £9.5m) capital commitments for Cambridge Assessment and the Group as at 31 July 2014 in respect of construction projects, equipment and computer software.

## 22. CONTINGENT LIABILITIES

There were no (2013: £nil) material contingent liabilities as at 31 July 2014.

## 23. 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 2014 was £15.9m (2013: £15.9m). The balance due at 31 July 2014 was £15.9m (2013: £15.9m).

The Group paid £7.80m (2013: £2.07m) to the University in respect of construction work, rentals and other services. Examination fees and sales of other services amounting to £0.02m (2013: £0.03m) were charged to the University. At 31 July 2014, £2.20m (2013: £0.37m) was due to the University in respect of these transactions.

Transactions with Cambridge University Press ("CUP") and its subsidiaries, another Syndicate of the University of Cambridge were as follows: amounts payable in respect of joint arrangement, overseas offices and other services £5.17m (2013: £3.47m); amounts receivable in respect of joint arrangement and other services £5.44m (2013: £2.04m). At 31 July 2014, a balance of £2.28m (2013: £0.29m) was owed by CUP and its subsidiaries.

**23. RELATED PARTY TRANSACTIONS (continued)**

A total of £1.0m (2013: £1.0m) was payable to Colleges of the University in respect of rent, venue hire and scholarships. Property rental of £nil (2013: £0.07m) was receivable from Downing College. £0.003m was received from the Colleges in respect of examination services (2013: £nil). At 31 July 2014, £0.04m was owed to the Colleges (2013: owed by the Colleges £0.01m).

The Group paid £0.003m to JBS Executive Education Ltd, a subsidiary of the University of Cambridge, for training services (2013: £0.08m).

£0.10m (2013: £0.09m) was paid to the Cambridge Commonwealth, European and International Trust, a charity linked to the University of Cambridge, in respect of scholarships.

The Group received £0.06m (2013: £0.29m) from the Joint Council for Qualifications ("JCQ"), an unincorporated association and registered charity of which OCR is a member, in respect of rent and other services, and paid £0.28m (2013: £0.42m) for subscriptions and services. At 31 July 2014, £0.04m was owed to JCQ (2013: owed by JCQ £0.16m).

As more fully described in the Corporate Governance and Internal Control Statement, the Syndics are entitled to an annual honorarium of £6,000. No further remuneration was paid to the Syndics or to any connected persons (2013: £nil). Travel expenses of £888 (2013: £1,650) were payable to three (2013: five) Syndics. At 31 July 2014, £nil was owed to Syndics (2013: £nil).

**24. ULTIMATE PARENT UNDERTAKING**

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

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