

CAMBRIDGE ASSESSMENT GROUP
ANNUAL REPORT
FOR THE YEAR ENDED 31 JULY 2020

CAMBRIDGE ASSESSMENT GROUP
YEAR ENDED 31 JULY 2020

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CAMBRIDGE ASSESSMENT GROUP

CORPORATE GOVERNANCE AND INTERNAL CONTROL STATEMENT

The following statement is provided 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 ('UCLES'), is a constituent part of the University of Cambridge established under the Statutes and Ordinances of the University. The Cambridge Assessment Group ("the Group") consists of UCLES and its subsidiary undertakings.

The Syndicate (the Syndics) govern the activity of Cambridge Assessment and exercises oversight through the Press & Assessment Board.

The Press & Assessment Board are delegated the necessary powers by the Syndicate, within agreed terms of reference, for that Board to exercise joint oversight of both the Cambridge University Press (the "Press") and Cambridge Assessment (defined in note 24) on their behalf. The Press and Assessment Board discharges its responsibility for oversight of Cambridge Assessment both directly and through its joint committees, namely the Audit Committee, Remuneration Committee, Nominations Committee, Regulatory Compliance Committee and the Standards Committee. The Syndicate monitors the performance of the Press and Assessment Board.

The Regulatory Compliance Committee remit is to advise on the submission of annual statements of compliance to the qualifications' regulators in England, Wales and Northern Ireland, and to exercise general oversight of regulatory matters concerning qualifications.

The Standards Committee, established in November 2019, is responsible for ensuring that arrangements for assessment standards in Cambridge Assessment are appropriate and fit for purpose.

The Syndics are entitled to an annual honorarium of £2,000, payable in a single instalment in March 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 responsibilities of the Press & Assessment Board include the preparation and approval of the annual Financial Statements in accordance with Statute F Chapter I paragraph 6 of the University of Cambridge and on behalf of the Syndicate. The Press & Assessment Board receives a recommendation from its Audit Committee as part of the approval process and also the report of the Independent auditor. The approved financial statements are signed on its behalf and at its direction by Cambridge Assessment's Chief Executive.

The Press & Assessment Board are responsible for the oversight of Cambridge Assessment and 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.

Membership of the Press & Assessment Board and its various committees is set out in detail below.

Press & Assessment Board and sub-committees

Members of the Press & Assessment Board, who served throughout the year and up until the date of approval of these financial statements, unless otherwise stated, were as follows:

Mr Anthony Odgers (Chair) *Chief Financial Officer, University of Cambridge*
Professor Graham Virgo *Senior Pro-Vice-Chancellor for Education, University of Cambridge*
Professor Kenneth Armstrong (*appointed 17 September 2020*)
Mr Andrew Jordan (*appointed 17 September 2020*)
Sir David Bell *Senior Independent Director*
Professor Chris Kennedy
Dr Orlando Machado (*appointed 17 September 2020*)
Mr Saul Nassé *Cambridge Assessment Chief Executive*
Mr Richard Partington
Mr Peter Phillips *Cambridge University Press Chief Executive*
Professor Richard Prager
Ms Radhika Radhakrishnan (*appointed 17 September 2020*)
Professor David Runciman (*resigned 17 September 2020*)
Mr Jonathon Scott (*appointed 28 April 2020*)
Mr Nick Temple
Dr Annette Thomas (*resigned 4 February 2020*)
Mr Peter Williams (*resigned 3 December 2019*)

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CORPORATE GOVERNANCE AND INTERNAL CONTROL STATEMENT (continued)

Press & Assessment Board and sub-committees (continued)

Audit Committee

Members of the Press & Assessment Audit Committee who served throughout the year and up until the date of approval of these financial statements, unless otherwise stated, were as follows:

Mr Nick Temple (*Chair until 1 June 2020. Resigned 16 July 2020*)
Mr Jonathan Scott (*Chair from 2 June 2020*)
Ms Radhika Radhakrishnan (*appointed 17 September 2020*)
Ms Jessica Rusu
Mr Peter Williams (*resigned 3 December 2019*)

The committee, as part of its joint remit, provides assurance, as to the integrity of Cambridge Assessment's reporting processes and systems of financial governance, control and risk management.

Remuneration Committee

Members of the Press & Assessment Remuneration Committee who served throughout the year and up until the date of approval of these financial statements, unless otherwise stated, were as follows:

Sir David Bell (*Chair Senior Independent Director*)
Mr Anthony Odgers *Chief Financial Officer, University of Cambridge*
Mr Richard Partington
Dr Annette Thomas (*resigned 4 February 2020*)

The committee, as part of its joint remit, is responsible for setting the remuneration of the Chief Executive and the most senior executives of Cambridge Assessment.

Nominations Committee

Members of the joint Press & Assessment Nominations Committee who served throughout the year and up until the date of approval of these financial statements, unless otherwise stated, were as follows:

Sir David Bell (*Chair Senior Independent Director*)
Mr Anthony Odgers *Chief Financial Officer, University of Cambridge*
Mr Richard Partington

The committee, as part of its joint remit, is responsible for recommending to the Syndicates the appointment of members of the Press & Assessment Board.

Regulatory Compliance Committee

Members of the Press & Assessment Regulatory Compliance Committee who served throughout the year and up until the date of approval of these financial statements, unless otherwise stated, were as follows:

Mr Ian Pryce (*Chair*)
Mr Ed Elliott
Mr Richard Partington
Mr Jonathan Scott
Mr Saul Nassé *Cambridge Assessment Chief Executive*
Mrs Jackie Rippeth *Cambridge Assessment Chief Financial Officer (resigned 30 April 2020)*
Mrs Vanessa McPhee *Cambridge Assessment Chief Financial Officer (appointed 15 June 2020)*

CAMBRIDGE ASSESSMENT GROUP

CORPORATE GOVERNANCE AND INTERNAL CONTROL STATEMENT (continued)

Press & Assessment Board and sub-committees (continued)

Standards Committee

Members of the Standards Compliance Committee who served throughout the year and up until the date of approval of these financial statements, unless otherwise stated, were as follows:

Jonathan Belbin
Ed Elliott
Angelina Idun
Anthony Odgers *Chief Financial Officer, University of Cambridge*
Richard Partington (Chair)
Philida Schellekens
Mark Rendell

Corporate Board

The Corporate Board is the senior executive level committee. It supports the Group Chief Executive in the strategic management of the Group's activities.

Members of the Corporate Board, who served throughout the year and up until the date of approval of these financial statements, unless otherwise stated, were as follows:

Mr Saul Nassé *Cambridge Assessment Chief Executive*
Mrs Jackie Rippeth *Cambridge Assessment Chief Financial Officer (resigned 30 April 2020)*
Mrs Vanessa McPhee *Cambridge Assessment Chief Financial Officer (appointed 15 June 2020)*
Mrs Christine Özden *Cambridge Assessment International Education Chief Executive*
Mrs Fran Woodward *Cambridge Assessment English Chief Executive*
Mrs Jill Duffy *OCR Chief Executive*
Mrs Janet Scotcher *Group Human Resources and Transformation Director*
Mr Tim Oates *ARD, Group Director*
Mr David Bulman *Chief Information Officer (appointed 12 August 2019)*

CAMBRIDGE ASSESSMENT GROUP

RESPONSIBILITIES OF THE PRESS & ASSESSMENT BOARD IN RESPECT OF THE FINANCIAL STATEMENTS

The Press & Assessment Board is responsible for preparing the statutory group financial statements in accordance with Statute F Chapter I paragraph 6 of the University of Cambridge.

Under that Statute the Press & Assessment Board has elected to prepare the Group and Cambridge Assessment financial statements in accordance with the accounting and financial statement disclosure requirements of the Statement of Recommended Practice – Accounting for Further and Higher Education, the requirements of the Office for Students' ("OfS's" Accounts direction (OfS 2019.41)) and applicable accounting standards in the United Kingdom. The Press & Assessment Board has applied the accounting and disclosure requirements for the financial statements under the SORP but has not prepared a strategic report in accordance with section 3.16 of the SORP. Under the Statute, the Press & Assessment Board 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 Press & Assessment Board is 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 Press & Assessment Board is 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 Press & Assessment Board is responsible for the maintenance and integrity of Cambridge Assessment's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Press & Assessment Board certifies that:

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

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

Report on the audit of the financial statements

Opinion

In our opinion, Cambridge Assessment's group financial statements and parent financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the parent's affairs as at 31 July 2020 and of the group's and of the parent's income and expenditure, gains and losses and changes in reserves, and of the group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been properly prepared in accordance with the requirements of the Statement of Recommended Practice – Accounting for Further and Higher Education and the requirements of the Office for Students' ("OfS's") Accounts direction (OfS 2019.41), with the exception noted in the Responsibilities of the Press & Assessment Board in respect of the Financial Statements on page 6 not to have prepared a strategic report in accordance with section 3.16 of the SORP.

We have audited the financial statements, included within the Annual Report, which comprise the consolidated and parent Balance Sheets as at 31 July 2020; the consolidated and parent Statements of Comprehensive Income, the consolidated and parent Statements of Changes in Reserves, and consolidated Cash Flow Statement for the year then ended; and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the Press & Assessment Board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Press & Assessment Board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group and parent institution's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group and parent institution's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Press & Assessment Board is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the Press & Assessment Board for the financial statements

As explained more fully in the Responsibilities of the Press & Assessment Board in respect of the Financial Statements set out on page 6, the Press & Assessment Board is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Press & Assessment Board is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Press & Assessment Board is responsible for assessing the group and parent's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Press & Assessment Board either intends to liquidate the group and parent or to cease operations, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Press & Assessment Board as a body in accordance with Statue F Chapter 1 paragraph 6 of the University of Cambridge and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, including without limitation under any contractual obligations of the Parent save where expressly agreed by our prior consent in writing.



PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cambridge
6 November 2020

CAMBRIDGE ASSESSMENT GROUP

**CONSOLIDATED AND PARENT STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 JULY 2020**

		Group	Group	Cambridge Assessment	Cambridge Assessment
	Note	2020 £m	2019 £m	2020 £m	2019 £m
Income					
Examination fees	5	330.1	432.0	259.9	348.9
Other educational and assessment services	5	52.7	53.6	50.8	50.2
Other income	6	15.0	-	8.3	-
Investment income	7	6.3	9.8	3.0	5.9
Total income		<u>404.1</u>	<u>495.4</u>	<u>322.0</u>	<u>405.0</u>
Expenditure					
Staff costs	8	(122.2)	(157.1)	(89.1)	(120.3)
Other operating expenses	9	(216.8)	(228.2)	(171.8)	(179.3)
Depreciation	11	(12.4)	(12.3)	(12.1)	(12.0)
Interest and other finance costs		(0.8)	(0.6)	(0.7)	(0.5)
Total expenditure		<u>(352.2)</u>	<u>(398.2)</u>	<u>(273.7)</u>	<u>(312.1)</u>
Surplus before other gains/(losses) and share of operating (deficit) / surplus of joint ventures and associates		51.9	97.2	48.3	92.9
Surplus / (deficit) on disposal of fixed assets		1.3	(0.3)	1.1	(0.2)
Net (loss) / gain on investments	12	(3.1)	6.1	(0.2)	3.5
Share of operating (deficit) / surplus in joint ventures and associates		(0.6)	1.5	-	-
Surplus before tax		<u>49.5</u>	<u>104.5</u>	<u>49.2</u>	<u>96.2</u>
Taxation (overseas taxation)		(0.4)	(0.6)	(0.2)	(0.4)
Surplus for the year		<u>49.1</u>	<u>103.9</u>	<u>49.0</u>	<u>95.8</u>
Other comprehensive (expense) / income					
Currency translation differences		(0.8)	0.6	-	-
Total comprehensive income for the year		<u>48.3</u>	<u>104.5</u>	<u>49.0</u>	<u>95.8</u>
Comprising:					
Endowment comprehensive income for the year		(0.1)	0.2	(0.1)	0.2
Unrestricted comprehensive income for the year		47.8	102.8	49.1	95.6
Comprehensive income to non-controlling interest		0.6	1.5	-	-
		<u>48.3</u>	<u>104.5</u>	<u>49.0</u>	<u>95.8</u>

All income and expenditure relates to continuing activities.

CAMBRIDGE ASSESSMENT GROUP

CONSOLIDATED AND PARENT BALANCE SHEETS AS AT 31 JULY 2020

	Note	Group		Cambridge Assessment	
		2020 £m	2019 £m	2020 £m	2019 £m
Non-current assets					
Intangible assets and goodwill	10	61.3	45.9	49.9	44.2
Fixed assets	11	255.8	264.8	250.3	259.3
Investments	12	86.2	265.7	18.9	152.0
		<u>403.3</u>	<u>576.4</u>	<u>319.1</u>	<u>455.5</u>
Current assets					
Trade and other receivables	13	90.1	123.8	90.3	120.5
Cash and cash equivalents		180.9	171.8	113.9	128.8
		<u>271.0</u>	<u>295.6</u>	<u>204.2</u>	<u>249.3</u>
Creditors: amounts falling due within one year	14	(119.4)	(125.3)	(76.5)	(101.2)
Net current assets		<u>151.6</u>	<u>170.3</u>	<u>127.7</u>	<u>148.1</u>
Total assets less current liabilities		554.9	746.7	446.8	603.6
Creditors: amounts falling due after more than one year	15	(2.9)	(0.1)	(2.5)	(0.1)
Pension scheme liabilities	16	(26.5)	(46.9)	(22.1)	(39.5)
Provisions for liabilities	17	(2.1)	(2.2)	(1.1)	(1.3)
Total net assets		<u>523.4</u>	<u>697.5</u>	<u>421.1</u>	<u>562.7</u>
Restricted reserves					
Income and expenditure reserve – endowment reserve	18	6.6	6.7	6.6	6.7
Unrestricted reserves					
Income and expenditure reserve – unrestricted		515.3	689.3	414.5	556.0
		<u>521.9</u>	<u>696.0</u>	<u>421.1</u>	<u>562.7</u>
Non-controlling interest		1.5	1.5	-	-
Total reserves		<u>523.4</u>	<u>697.5</u>	<u>421.1</u>	<u>562.7</u>

The notes on pages 13 to 33 are an integral part of these financial statements.

The financial statements on pages 9 to 33 were approved and authorised for issue by the Press & Assessment Board on behalf of the Syndicate on 5 November 2020 and were signed on its behalf by Mr Saul Nassé, Chief Executive of Cambridge Assessment on 6 November 2020.



Mr Saul Nassé

CAMBRIDGE ASSESSMENT GROUP
CONSOLIDATED AND PARENT STATEMENTS OF CHANGES IN RESERVES
FOR THE YEAR ENDED 31 JULY 2020

Group	Income reserve: Endowment (Note 18) £m	Income and expenditure reserve: Un-restricted £m	Total reserves excluding NCI £m	Non-controlling interest (NCI) £m	Total reserves £m
Balance at 1 August 2018	6.5	638.1	644.6	1.7	646.3
Surplus for the year	0.2	102.2	102.4	1.5	103.9
Other comprehensive income for the year	-	0.6	0.6	-	0.6
Total comprehensive income for the year	0.2	102.8	103.0	1.5	104.5
Dividends paid to non-controlling interest	-	-	-	(1.7)	(1.7)
Transfer to the University	-	(51.6)	(51.6)	-	(51.6)
Balance at 31 July 2019	6.7	689.3	696.0	1.5	697.5
(Loss) / surplus for the year	(0.1)	48.6	48.5	0.6	49.1
Other comprehensive expense for the year	-	(0.8)	(0.8)	-	(0.8)
Total comprehensive income for the year	(0.1)	47.8	47.7	0.6	48.3
Dividends paid to non-controlling interest	-	-	-	(1.2)	(1.2)
CBLA share issue	-	-	-	0.3	0.3
Acquisition of ELiT (Note 22)	-	0.7	0.7	0.3	1.0
Transfer to the University	-	(222.5)	(222.5)	-	(222.5)
Balance at 31 July 2020	6.6	515.3	521.9	1.5	523.4
Cambridge Assessment					
Balance at 1 August 2018	6.5	512.0	518.5	-	518.5
Surplus for the year	0.2	95.6	95.8	-	95.8
Total comprehensive income for the year	0.2	95.6	95.8	-	95.8
Transfer to the University	-	(51.6)	(51.6)	-	(51.6)
Balance at 31 July 2019	6.7	556.0	562.7	-	562.7
(Loss) / surplus for the year	(0.1)	49.1	49.0	-	49.0
Total comprehensive income for the year	(0.1)	49.1	49.0	-	49.0
Acquisition of ELiT (Note 22)	-	0.2	0.2	-	0.2
Transfer to the University	-	(190.8)	(190.8)	-	(190.8)
Balance at 31 July 2020	6.6	414.5	421.1	-	421.1

Transfer to the University included an additional transfer comprising Group: £177.5m of CUEF units valued as at 31 December 2019 as a non-cash transfer and £30m in cash (Cambridge Assessment: £145.7m CUEF Units and £30m cash). In the prior year, freehold property with a net book value of £22.6m was transferred to the University.

CAMBRIDGE ASSESSMENT GROUP
CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 JULY 2020

	Note	2020 £m	2019 £m
Cash flow from operating activities			
Surplus for the year		49.1	103.9
Adjustment for non-cash items			
Depreciation	11	12.4	12.3
Amortisation and impairment	10	12.4	7.0
Decrease / (Increase) in debtors		32.9	(10.1)
(Decrease) / Increase in creditors and pension liabilities		(10.4)	36.5
(Decrease) in provisions		(0.3)	(0.1)
Share of operating deficit / (surplus) in joint ventures		0.6	(1.5)
Adjustment for investing or financing activities			
Investment income	7	(6.3)	(9.8)
Interest payable		0.8	0.6
(Gain) / Loss on disposal of fixed assets		(1.3)	0.3
Loss / (Gain) on investments		3.1	(6.1)
Net cash inflow from operating activities		93.0	133.0
Cash flows from investing activities			
Investment income		7.0	9.6
Acquisitions	22	(6.5)	(9.1)
Payments made to acquire fixed assets		(5.2)	(3.8)
Payments made to acquire intangible fixed assets		(16.1)	(11.5)
Payments made to acquire other investments		(1.1)	(0.3)
Net cash outflow from investing activities		(21.9)	(15.1)
Cash flows from financing activities			
Interest paid		(0.8)	(0.6)
Capital element of finance lease repayments		(1.1)	(1.4)
Shares issued to non-controlling interest		0.3	-
Dividend to non-controlling interest		(1.2)	(1.7)
Transfer to university		(59.0)	(25.9)
Net cash outflow from financing activities		(61.8)	(29.6)
Increase in cash and cash equivalents in the year		9.3	88.3
Cash and cash equivalents at beginning of the year		171.8	83.5
Exchange losses on cash and cash equivalents		(0.2)	-
Cash and cash equivalents at the end of the year		180.9	171.8
Analysis of cash and cash equivalents at 31 July			
Cash at bank and in hand		32.2	26.0
Short term deposits		148.7	145.8
		180.9	171.8

CAMBRIDGE ASSESSMENT GROUP
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020

1. GENERAL INFORMATION

Cambridge Assessment is the brand name of the University of Cambridge Local Examinations Syndicate which is a department of the University of Cambridge. Established over 150 years ago, Cambridge Assessment operates and manages the University of Cambridge's three exam boards; Oxford Cambridge and RSA Examinations ("OCR"), Cambridge Assessment International Education and Cambridge Assessment English. Cambridge Assessment also carries out leading-edge academic and operational research on assessment in education. The principal place of business is The Triangle Building, Shaftesbury Road, Cambridge, CB2 8EA, United Kingdom.

Cambridge Assessment is a not-for-profit organisation and a public benefit entity. It does not undertake any fundraising with the general public.

2. STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with the accounting and financial statement disclosure requirements of the Statement of Recommended Practice: Accounting for Further and Higher Education issued in October 2018, and in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102").

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These consolidated and separate financial statements are prepared on a going concern basis, under the historical cost convention.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group and Cambridge Assessment accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

(b) Going concern

The consolidated and separate financial statements of both the Group and Cambridge Assessment are prepared on a going concern basis, which contemplates continuity of normal operations and the realisation of assets and settlement of liabilities in the ordinary course of business. In making this assessment, the Press & Assessment Board has considered future events and conditions for a period of no less than twelve months following the approval of these financial statements by reference to a budget prepared after the emergence of the Covid-19 pandemic and the impact of global lockdowns. The plans have been additionally stress tested for further, significant business disruption from a resurgence of the virus and the re-imposition of protective measures.

(c) Basis of consolidation

The Group consolidated financial statements include the financial statements of Cambridge Assessment and all of its subsidiary undertakings together with the Group's share of the results of associates and joint ventures made up to 31 July.

A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where the Group owns less than 50% of the voting powers of an entity but controls the entity by virtue of an agreement with other investors which give it control of the financial and operating policies of the entity it accounts for that entity as a subsidiary.

Where a subsidiary has different accounting policies to the Group, adjustments are made to those subsidiary financial statements to apply the Group's accounting policies when preparing the consolidated financial statements.

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 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 net assets is included in investments in the consolidated balance sheet. The accounting periods of the joint venture undertakings are not coterminous with that of the parent undertaking but the effect is not material.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Basis of consolidation (continued)

An associate is an entity, being neither a subsidiary nor a joint venture, in which the Group holds a long-term interest and where the Group has significant influence. The Group considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate. The results of associates are accounted for using the equity method of accounting.

Any subsidiary undertakings or associates sold or acquired during the year are included up to, or from, the dates of change of control or change of significant influence respectively.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation. Adjustments are made to eliminate the profit or loss arising on transactions with associates to the extent of the Group's interest in the entity.

(d) Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with.

Advantage has been taken of the exemption available under FRS 102 paragraph 33.1A, not to disclose transactions with other entities that are wholly-owned within the University of Cambridge Group.

The Group has also taken advantage of (i) the exemption from disclosing the company key management personnel compensation, as required by FRS102 paragraph 33.7, and (ii) exemption from the financial instrument disclosures, required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29.

(e) Foreign currencies

(i) Functional and presentation currency

The Group and Cambridge Assessment financial statements are presented in pounds sterling and rounded to millions. The functional currency is pounds sterling.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Foreign exchange gains and losses are presented within 'Other operating expenses'.

(iii) Translation

The trading results of Group undertakings are translated into sterling at the average exchange rates for the year. The assets and liabilities of overseas undertakings, including goodwill and fair value adjustments arising on acquisition, are translated at the exchange rates ruling at the year end.

Exchange adjustments arising from the retranslation of opening net investments and from the translation of the profits or losses at average rates are recognised in 'Other comprehensive income' and allocated to non-controlling interest as appropriate.

(f) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the Group and value added taxes.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Revenue recognition (continued)

(i) Income from session based qualifications

Income from examination 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.

Due to the Covid 19 pandemic, the UK 2020 summer series was delivered through a novel Centre Assessed Grade (CAG) process with a provision for an additional autumn series. Service contract accounting principles have been adopted for recognising revenue and costs across the two series. Revenue has been recognised based upon the relative expected number of entries between the summer and autumn series. The estimated cumulative loss over both series has been fully recognised in the year to 31 July 2020.

(ii) Income from other types of qualifications

Other types of qualifications, not based on examination sessions (such as Qualification and Credit Framework) 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.

(iii) Consulting

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

(iv) Other income

Other income relates to amounts received under the Coronavirus Job Retention Scheme and is recognised as the related employee costs are incurred.

(g) Employee benefits

The Group provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined benefit pension plans.

(i) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

(ii) Defined benefit pension plan: Multi-employer defined benefit Plans

Cambridge Assessment participates as an employer in the Universities Superannuation Scheme ('USS'), a multi-employer defined benefit pension scheme.

The assets of the schemes are held separately from those of Cambridge Assessment. 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 accounts for the USS scheme as if it were a defined contribution scheme.

Cambridge Assessment is a participating employer that makes agreed deficit funding payments on a defined benefit multi-employer scheme which is accounted for as a defined contribution scheme, and therefore recognises a liability for its share of the scheme's future deficit funding contributions. The liability is measured at the present value of the contributions payable based on a discounted present value basis. The discount rate is based on a high quality corporate bond whose term covers the remaining duration of the plan. The unwinding of the discount is recognised as finance cost in the Statement of Comprehensive Income in the period in which it arises.

(iii) Defined benefit pension plan: Group Plans

Cambridge Assessment participates in the Cambridge University Assistants' Contributory Pension Scheme ("CPS"), a Group Plan whose assets are held separately from those of Cambridge Assessment.

Cambridge Assessment is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. Furthermore, there is no contractual agreement or stated policy for charging the net defined benefit cost of a defined benefit plan as a whole to individual group entities. The CPS scheme is therefore accounted for as if it were a defined contribution scheme. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the Balance Sheet.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Employee benefits (continued)

(iv) 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.

Cambridge Assessment maintains a 401(k) retirement savings plan for its US employees. The Group matches 100% of the first 3% of compensation that a participant contributes to the plan and 50% of the next 2% of compensation contributed to the plan.

(h) Research and Development

Development work on IT projects is capitalised within Intangible Assets when the overall project is expected to give rise to future economic benefits and the criteria set out in FRS102 section 18 are deemed to be met. Other expenditure on research and development is written off in the year in which it is incurred.

(i) 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 and overseas taxes.

(j) Business combinations and goodwill

Business combinations are accounted for by applying the purchase method.

The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination. Where control is achieved in stages the cost is the consideration at the date of each transaction.

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill. Where the fair value of contingent liabilities cannot be reliably measured they are disclosed on the same basis as other contingent liabilities.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the Group's interest in the identifiable net assets, liabilities and contingent liabilities acquired.

Goodwill is amortised over its expected useful life which is estimated up to ten years. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the income statement. No reversals of impairment are recognised.

(k) Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight-line method, to allocate the amortisable amount of the assets to their residual values over their estimated useful lives, as follows:

Software and licences	3 to 10 years
Content	3 years
Customer relationships	10 years

Amortisation is charged to 'Other operating expenses' in the Statement of Comprehensive Income.

Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances.

The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Intangible assets (continued)

Costs associated with maintaining computer software are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

(l) Fixed assets

Fixed assets are stated at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs.

(i) Land and buildings

Land and buildings include freehold and leasehold offices. Land and buildings are stated at cost (or deemed cost for land and buildings held at valuation at the date of transition to FRS 102) less accumulated depreciation and accumulated impairment losses.

(ii) Plant and equipment, furniture and fittings, and computer equipment

Plant and equipment, furniture and fittings, and computer equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

(iii) Depreciation and residual values

Land is not depreciated. Depreciation on other assets is calculated, using the straight-line method, to allocate the depreciable amount to their residual values over their estimated useful lives, as follows:

Freehold buildings:	Over periods up to 50 years.
Long term leasehold:	Over the term of the lease or 20 to 50 years on a straight line basis in line with the policy applied to equivalent freehold buildings, whichever is shorter.
Short term leasehold:	over the period of the lease.
Plant and equipment, furniture and fittings, and computer equipment:	4 to 30 years.

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

(iv) Subsequent additions and major components

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the Group and Cambridge Assessment and the cost can be measured reliably.

The carrying amount of any replaced component is derecognised. Major components are treated as a separate asset where they have significantly different patterns of consumption of economic benefits and are depreciated separately over their useful life.

Repairs, maintenance and minor inspection costs are expensed as incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Fixed assets (continued)

(v) Assets under construction

Assets under construction are stated at cost. These assets are not depreciated until they are available for use.

(vi) Derecognition

Fixed assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Comprehensive Income and included in 'Other operating (losses)/gains'.

(m) Leased assets

At inception the Group and Cambridge Assessment assess agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

(i) Finance leased assets

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases.

Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined the Group's incremental borrowing rate is used. Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost of the asset.

Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date.

The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

(ii) Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

(n) Investments

(i) Investment in subsidiary company – Cambridge Assessment

Investment in a subsidiary undertaking is held at cost less accumulated impairment losses.

(ii) Investment in associate and joint ventures - Cambridge Assessment

Investment in an associate is held at cost less accumulated impairment losses.

(iii) Investment in Cambridge University Endowment Fund units – Group and Cambridge Assessment

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

(o) Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits with banks and the University of Cambridge with original maturities of three months or less.

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.

(p) Provisions and contingencies

(i) Provisions

Provisions are recognised when the Group or Cambridge Assessment has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Provisions and contingencies (continued)

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations might be small.

Provision is not made for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

(ii) Contingencies

Contingent liabilities are not recognised, except those acquired in a business combination. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Group's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

(q) Financial instruments

The Group and Cambridge Assessment have chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including trade and other receivables and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the Statement of Comprehensive Income.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the Statement of Comprehensive Income.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Complex financial assets, including the investments in CUEF units, are initially recognised at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in the Statement of Comprehensive Income.

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables and loans from fellow Group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Derivatives, including forward foreign exchange contracts, are not basic financial instruments.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Financial instruments (continued)

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in the Statement of Comprehensive Income in 'Other operating expenses', unless they are included in a hedging arrangement.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

(iv) Hedging arrangements

The Group does not apply hedge accounting in respect of forward foreign exchange contracts held to manage the cash flow exposures of forecast transactions denominated in foreign currencies.

(r) Related party transactions

The Group and Cambridge Assessment disclose transactions with related parties which are not wholly-owned within the University of Cambridge Group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the Group and Cambridge Assessment financial statements.

4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY

Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting judgement

During the year the Group has utilised the Corona Job Retention Scheme in respect of its UK based assessment specialists. The UK based assessors are remunerated through PAYE and have been determined eligible as part of the furlough measures to the extent that they were not required to fulfil business critical tasks.

Key accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Given the current situation with the COVID-19 pandemic it is increasingly difficult to predict the impact on the Group's future financial position. Valuations for the Group's investments including the endowment fund units rely on third party and other market valuations. Forecasts of the Group's business combinations rely on future cash flow projections. These valuations are subject to inherent uncertainty as global markets and future economic circumstances remain volatile and unclear. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Defined benefit multi-employer plan: liability for the future deficit funding contributions (note 16)

Cambridge Assessment is a participating employer that makes agreed deficit funding payments on a defined benefit multi-employer plan which is accounted for as a defined contribution scheme, and therefore recognises a liability for its share of the scheme's future deficit funding contributions. The present value of this liability depends on a number of factors including a discount rate based on a high quality corporate bond whose term covers the remaining duration of the plan, salary inflation and assumed scheme membership percentage changes. Management estimates these factors in determining the liability in the balance sheet. The assumptions reflect historical experience and current trends.

(ii) Intangible assets - Software

The capitalisation of software development costs as intangible assets in the balance sheet depends critically on the assessment of future economic benefits arising and requires an estimate of those benefits which could be subject to change over the next year. Furthermore, the amortisation expense is the recognition of the decline in the value of the asset and allocation of the cost of the asset over the periods in which the asset will be used. Judgements are made as to the estimated useful lives of the assets which are regularly reviewed to reflect the changing environment.

CAMBRIDGE ASSESSMENT GROUP
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020

5. INCOME BY GEOGRAPHICAL SEGMENTS

	Group		Cambridge Assessment	
	2020 £m	2019 £m	2020 £m	2019 £m
Examination fees and other educational and assessment services:				
United Kingdom	90.1	174.9	38.8	114.6
European Union	37.0	60.1	36.4	60.0
Rest of the world	255.7	250.6	235.5	224.5
	<u>382.8</u>	<u>485.6</u>	<u>310.7</u>	<u>399.1</u>

The Press & Assessment Board has determined that there is only one class of business and the majority of activities are UK by origin.

6. OTHER INCOME

The Group utilised the UK Coronavirus Job Retention Scheme and similar global schemes for certain employees and Assessment Specialists during the year. As at 31 July 2020, the Group and Cambridge Assessment received income of £15.0m and £8.3m respectively, which is offset by payments within expenditure. Amounts included within debtors (note 13) total Group £6.6m and Cambridge Assessment £3.4m respectively (2019: Group and Cambridge Assessment: £nil).

7. INVESTMENT INCOME

	Group		Cambridge Assessment	
	2020 £m	2019 £m	2020 £m	2019 £m
Income from specific endowment asset investments	0.2	0.2	0.2	0.2
Other investment income	5.9	9.3	2.7	5.5
Other interest receivable	0.2	0.3	0.1	0.2
	<u>6.3</u>	<u>9.8</u>	<u>3.0</u>	<u>5.9</u>

8. STAFF COSTS

The average number of persons employed by the Group and Cambridge Assessment during the year was:

	Group		Cambridge Assessment	
	2020 No.	2019 No.	2020 No.	2019 No.
Examination services	2,081	1,912	1,362	1,259
Administration and central services	736	711	736	711
Premises	84	71	84	71
	<u>2,901</u>	<u>2,694</u>	<u>2,182</u>	<u>2,041</u>

Staff costs for the above persons comprise:

	Group		Cambridge Assessment	
	2020 £m	2019 £m	2020 £m	2019 £m
Salaries and wages	106.3	99.0	78.0	74.6
Social security costs	11.6	12.0	8.4	8.2
Other pension costs (see note 16)	26.5	23.5	22.0	19.4
USS pension (credit) / charge (see note 16)	(20.1)	25.0	(17.2)	20.5
	<u>124.3</u>	<u>159.5</u>	<u>91.2</u>	<u>122.7</u>

Of the above costs £2.1m (2019: £2.4m) was capitalised as internally developed software.

Staff costs charged to the income and expenditure account

	Group		Cambridge Assessment	
	2020 £m	2019 £m	2020 £m	2019 £m
Examinations services	98.0	94.9	64.9	58.1
Administration and central services	21.8	59.8	21.8	59.8
Premises	2.4	2.4	2.4	2.4
	<u>122.2</u>	<u>157.1</u>	<u>89.1</u>	<u>120.3</u>

CAMBRIDGE ASSESSMENT GROUP
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020

8. STAFF COSTS (continued)

Staff emoluments over £100,000
(Basic pay)

	Group		Cambridge Assessment	
	2020 No.	2019 No.	2020 No.	2019 No.
£100,001 - £105,000	9	5	3	4
£105,001 - £110,000	6	4	4	1
£110,001 - £115,000	3	3	1	1
£115,001 - £120,000	3	5	-	3
£120,001 - £125,000	2	3	-	1
£125,001 - £130,000	-	1	-	1
£130,001 - £135,000	2	2	2	2
£135,001 - £140,000	4	3	4	1
£140,001 - £145,000	1	1	1	1
£145,001 - £150,000	1	2	1	2
£150,001 - £155,000	-	2	-	2
£155,001 - £160,000	1	-	1	-
£160,001 - £165,000	-	1	-	1
£165,001 - £170,000	-	1	-	1
£170,001 - £175,000	2	-	2	-
£175,001 - £180,000	1	-	1	-
£180,001 - £185,000	1	-	1	-
£185,001 - £190,000	1	1	-	-
£190,001 - £195,000	2	-	1	-
£200,001 - £205,000	1	-	1	-
£240,001 - £245,000	-	1	-	1
£295,001 - £300,000	-	1	-	1
£315,001 - £320,000	1	-	1	-

9. OTHER OPERATING EXPENSES

	Group		Cambridge Assessment	
	2020 £m	2019 £m	2020 £m	2019 £m
Examination services	126.5	139.5	94.6	103.8
Administration and central services	82.6	80.0	69.5	66.8
Premises	7.7	8.7	7.7	8.7
	<u>216.8</u>	<u>228.2</u>	<u>171.8</u>	<u>179.3</u>

	Group		Cambridge Assessment	
	2020 £m	2019 £m	2020 £m	2019 £m
Other operating expenses include:				
Operating leases	2.9	2.9	0.9	1.1
Foreign exchange losses / (gains)	0.3	(1.7)	0.1	(2.0)
Restructuring costs	0.7	0.7	0.6	0.6
Amortisation	12.4	7.0	9.4	6.8

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

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

10. INTANGIBLE ASSETS AND GOODWILL

Group	Goodwill £m	Other Intangible assets £m	Computer software £m	Software- assets under construction £m	Total £m
Cost					
At 1 August 2019	4.8	3.9	115.4	23.2	147.3
Additions	-	-	5.8	10.1	15.9
Acquisition (Note 22)	9.9	0.3	1.9	-	12.1
Transfers	-	-	19.6	(19.6)	-
Disposals	-	-	(14.6)	(0.2)	(14.8)
At 31 July 2020	<u>14.7</u>	<u>4.2</u>	<u>128.1</u>	<u>13.5</u>	<u>160.5</u>
Accumulated amortisation					
At 1 August 2019	1.4	0.1	86.4	13.5	101.4
Charge for the year	2.5	0.7	9.2	-	12.4
Transfers	-	-	13.5	(13.5)	-
Disposals	-	-	(14.6)	-	(14.6)
At 31 July 2020	<u>3.9</u>	<u>0.8</u>	<u>94.5</u>	<u>-</u>	<u>99.2</u>
Net book value					
At 31 July 2020	<u>10.8</u>	<u>3.4</u>	<u>33.6</u>	<u>13.5</u>	<u>61.3</u>
At 31 July 2019	<u>3.4</u>	<u>3.8</u>	<u>29.0</u>	<u>9.7</u>	<u>45.9</u>
Cambridge Assessment					
	Goodwill £m	Other Intangible assets £m	Computer software £m	Software- assets under construction £m	Total £m
Cost					
At 1 August 2019	3.5	3.9	108.2	23.2	138.8
Additions	-	-	5.3	10.0	15.3
Transfers	-	-	19.6	(19.6)	-
Disposals	-	-	(14.1)	(0.2)	(14.3)
At 31 July 2020	<u>3.5</u>	<u>3.9</u>	<u>119.0</u>	<u>13.4</u>	<u>139.8</u>
Accumulated amortisation					
At 1 August 2019	0.1	0.1	80.9	13.5	94.6
Charge for the year	0.4	0.7	8.3	-	9.4
Transfers	-	-	13.5	(13.5)	-
Disposals	-	-	(14.1)	-	(14.1)
At 31 July 2020	<u>0.5</u>	<u>0.8</u>	<u>88.6</u>	<u>-</u>	<u>89.9</u>
Net book value					
At 31 July 2020	<u>3.0</u>	<u>3.1</u>	<u>30.4</u>	<u>13.4</u>	<u>49.9</u>
At 31 July 2019	<u>3.4</u>	<u>3.8</u>	<u>27.3</u>	<u>9.7</u>	<u>44.2</u>

CAMBRIDGE ASSESSMENT GROUP
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020

11. FIXED ASSETS

GROUP

	<u>Land & buildings</u>			Plant and equipment & furniture and fittings £m	Computer equipment £m	Assets under construction £m	Total £m
	Freehold £m	Long term leasehold £m	Short term leasehold £m				
Cost							
At 1 August 2019	234.8	18.6	1.4	29.7	22.2	0.1	306.8
Additions	0.1	0.3	-	0.7	1.7	0.6	3.4
Transfers	-	-	-	0.1	-	(0.1)	-
Disposals	-	-	-	-	(1.3)	-	(1.3)
At 31 July 2020	<u>234.9</u>	<u>18.9</u>	<u>1.4</u>	<u>30.5</u>	<u>22.6</u>	<u>0.6</u>	<u>308.9</u>
Accumulated depreciation							
At 1 August 2019	10.5	2.6	1.3	14.9	12.7	-	42.0
Charge for the year	4.7	0.6	0.1	3.9	3.1	-	12.4
Disposals	-	-	-	-	(1.3)	-	(1.3)
At 31 July 2020	<u>15.2</u>	<u>3.2</u>	<u>1.4</u>	<u>18.8</u>	<u>14.5</u>	<u>-</u>	<u>53.1</u>
Net book value							
At 31 July 2020	<u>219.7</u>	<u>15.7</u>	<u>-</u>	<u>11.7</u>	<u>8.1</u>	<u>0.6</u>	<u>255.8</u>
At 31 July 2019	<u>224.3</u>	<u>16.0</u>	<u>0.1</u>	<u>14.8</u>	<u>9.5</u>	<u>0.1</u>	<u>264.8</u>

CAMBRIDGE ASSESSMENT

	<u>Land & buildings</u>			Plant and equipment & furniture and fittings £m	Computer equipment £m	Assets under construction £m	Total £m
	Freehold £m	Long term leasehold £m	Short term leasehold £m				
Cost							
At 1 August 2019	234.8	12.7	1.4	29.2	22.1	0.1	300.3
Additions	0.1	-	-	0.7	1.7	0.6	3.1
Disposals	-	-	-	-	(1.3)	-	(1.3)
At 31 July 2020	<u>234.9</u>	<u>12.7</u>	<u>1.4</u>	<u>29.9</u>	<u>22.5</u>	<u>0.7</u>	<u>302.1</u>
Accumulated Depreciation							
At 1 August 2019	10.5	2.0	1.3	14.6	12.6	-	41.0
Charge for the year	4.7	0.4	0.1	3.8	3.1	-	12.1
Disposals	-	-	-	-	(1.3)	-	(1.3)
At 31 July 2020	<u>15.2</u>	<u>2.4</u>	<u>1.4</u>	<u>18.4</u>	<u>14.4</u>	<u>-</u>	<u>51.8</u>
Net book value							
At 31 July 2020	<u>219.7</u>	<u>10.3</u>	<u>-</u>	<u>11.5</u>	<u>8.1</u>	<u>0.7</u>	<u>250.3</u>
At 31 July 2019	<u>224.3</u>	<u>10.7</u>	<u>0.1</u>	<u>14.6</u>	<u>9.5</u>	<u>0.1</u>	<u>259.3</u>

The net carrying amount of assets held under finance leases included in plant and equipment is:
 Group and Cambridge Assessment £0.1m (2019: £1.1m).

CAMBRIDGE ASSESSMENT GROUP
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020

12. INVESTMENTS

	Group		Cambridge Assessment	
	2020 £m	2019 £m	2020 £m	2019 £m
At 1 August	265.7	257.2	152.0	148.5
Additions	-	2.4	11.5	-
Disposals	(176.0)	-	(144.4)	-
(Decrease) / increase in market value of investments	(3.1)	6.1	(0.2)	3.5
Acquisition of controlling interest in former associate	(0.4)	-	-	-
At 31 July	<u>86.2</u>	<u>265.7</u>	<u>18.9</u>	<u>152.0</u>
Represented by:				
University Endowment Fund units	76.9	255.9	6.2	150.8
Investment in subsidiaries	-	-	11.2	-
Investment in joint ventures	7.8	8.9	-	-
Investment in associates	0.1	0.1	0.1	0.5
Loan to associates	0.7	0.4	0.7	0.4
Other investments	0.7	0.4	0.7	0.3
	<u>86.2</u>	<u>265.7</u>	<u>18.9</u>	<u>152.0</u>

Investments at market value comprise Cambridge University Endowment Fund units. The market value at 31 July 2020 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. In December 2019, the Group transferred its total holdings of Endowment Fund units, excluding those held for The West Midlands Exam Board Fund and 30% of the units held by OCR to the University. The historical cost of these investments at 31 July 2020 amounted to: Group £45.1m (2019: £154.6m); Cambridge Assessment £3.1m (2019: £97.5m).

Subsidiary undertaking	Address of registered office	Class of share	Percent held	Nature of business	Foot-note
Oxford Cambridge and RSA Examinations	The Triangle, Shaftesbury Road, Cambridge, CB2 8EA, UK	Member	100%	Examination services	1
The West Midlands Examinations Board	The Triangle, Shaftesbury Road, Cambridge, CB2 8EA, UK	Member	100%	Examination services	2
Cambridge Assessment Overseas Limited	The Triangle, Shaftesbury Road, Cambridge, CB2 8EA, UK	Ordinary	100%	Overseas office services	4
Oxford and Cambridge International Assessment Services Limited	The Triangle, Shaftesbury Road, Cambridge, CB2 8EA, UK	Ordinary	100%	Overseas office services	4
Fundación UCLES	C/ Alcalá, 21 3º Izda, Madrid, 28014, Spain	Member	100%	Overseas office services	5
Cambridge English (Aus)	LEVEL 11, 446 Collins Street, Melbourne VIC 3000, Australia	Member	100%	Overseas office services	7
Cambridge Boxhill Language Pty Limited	Mezzanine, 278, Flinders Lane, Melbourne VIC 3000, Australia	Ordinary	100%	Examination services	8
Cambridge Assessment Inc.	295 Madison Avenue, Suite 715, 10017 New York, USA	Member	100%	Overseas office services	6
Cambridge Assessment Singapore	331 North Bridge Road, #7-01 Odeon Towers, 188720 Singapore	Member	100%	Overseas office services	2

CAMBRIDGE ASSESSMENT GROUP
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020

12. INVESTMENTS (continued)

<u>Subsidiary undertaking</u>	Address of registered office	Class of share	Percent held	Nature of business	Foot-note
Cambridge Avaliacao Representacao e Promocao Ltda	Av. Paulista, 1337 conj. 201, São Paulo, 01311 915 Brazil	Ordinary	100%	Overseas office services	4
Cambridge Assessment India Private Limited	Splendor Forum, 314, Plot #3, Jasola, New Delhi, 110 025, India	Ordinary	100%	Overseas office services	4
Cambridge Consulting (Beijing) Co. Ltd	Room 0603, No 2 Building, 66 Zhongguancun East Road, Beijing, China	Ordinary	100%	Overseas office services	4
Cambridge Assessment Pakistan Private Limited	Office no. 23, 2nd Floor, Park Lane Tower, 172 Tufail Road, Lahore, Pakistan	Ordinary	100%	Overseas office services	4
Cambridge Assessment	The Triangle, Shaftesbury Road, Cambridge, CB2 8EA, UK	Member	100%	Dormant	3
English Language iTutoring Limited	The Triangle, Shaftesbury Road, Cambridge, CB2 8EA, UK	Ordinary	75%	Examination services	4
OCR Nationals	The Triangle, Shaftesbury Road, Cambridge, CB2 8EA, UK	Member	100%	Dormant	3
Quick Placement Tests Limited	The Triangle, Shaftesbury Road, Cambridge, CB2 8EA, UK	Ordinary	100%	Dormant	4
RSA Examinations Board	The Triangle, Shaftesbury Road, Cambridge, CB2 8EA, UK	Member	100%	Dormant	1

All of the subsidiary undertakings have been included in the consolidation. The Press & Assessment Board believes that the carrying value of the investments is supported by their underlying net assets.

<u>Joint Ventures:</u>	Address of registered office	Class of share	Percent held	Nature of business	Foot-note
IELTS Inc.	825 Colorado Boulevard, Suite 221, Los Angeles, CA 90041, USA	Member	33%	Examination services	6
Cambridge Michigan Language Assessment LLC	Argus 1 Building, 535 West William St., Ann Arbor, 48103,	Member	65%	Examination services	6
Cambridge ClassServer LLP	University Printing House, Shaftesbury Road, Cambridge, CB2 8BS, UK	Member	33%	Examination services	9
Cambridge Assessment Japan Foundation	25-2, 1-chome, Sendagaya, Shibuya-ku, Tokyo, Japan.	Partner	60%	Overseas office services	11
<u>Associates:</u>					
IELTS UK Services Ltd	First Floor, Bedford House, 69 – 79 Fulham High Street London, SW6 3JW	Ordinary	33%	Examination services	4

CAMBRIDGE ASSESSMENT GROUP
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020

12. INVESTMENTS (continued)

Trusts:

Cambridge Boxhill Language Assessment Unit Trust	Mezzanine, 278, Flinders Lane, Melbourne VIC 3000, Australia	Units	70%	Trust	10
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Other:

Emerge Venture Partners I LP	Jisc, 15 Fetter Lane, London, EC4A 1BW			Investment in a UK Limited Partnership	9
Kidaptive, Inc.	101 Redwood Shores Parkway, Suite 130, Redwood City, CA 94065, USA	Series C Preferred Stock	<5%	Investment in an US Incorporation	

Foot note

- 1 *Companies limited by guarantee and exempt charities.*
- 2 *Company limited by guarantee and a registered charity.*
- 3 *Company limited by guarantee.*
- 4 *Companies having share capital.*
- 5 *Spanish non-profit foundation.*
- 6 *US non-profit corporation with no share capital.*
- 7 *Australian company limited by guarantee and holding charitable status.*
- 8 *Australian company having share capital.*
- 9 *Member of a UK Limited Liability Partnership.*
- 10 *Australian registered trust.*
- 11 *Japan incorporated foundation with no share capital*

13. TRADE AND OTHER RECEIVABLES

	Group		Cambridge Assessment	
	2020 £m	2019 £m	2020 £m	2019 £m
Trade debtors (fee debtors)	54.1	91.1	49.6	90.0
Owed by Group undertakings	-	-	11.4	1.6
Other debtors	2.5	3.0	2.3	2.8
Prepayments and accrued income	33.5	29.7	27.0	26.1
	<u>90.1</u>	<u>123.8</u>	<u>90.3</u>	<u>120.5</u>

Trade debtors are stated after provisions for impairment of Group: £1.5m (2019: £0.2m); Cambridge Assessment: £1.4m (2019: £0.2m)

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Cambridge Assessment	
	2020 £m	2019 £m	2020 £m	2019 £m
Trade creditors	13.3	19.2	9.6	12.8
Finance leases	0.1	1.1	0.1	1.1
Other taxes and social security	2.8	5.0	2.5	3.4
Other creditors	22.9	2.1	9.2	1.6
Accruals and deferred income (see below)	80.3	97.9	55.1	82.3
	<u>119.4</u>	<u>125.3</u>	<u>76.5</u>	<u>101.2</u>

Deferred income is analysed as:

At 1 August	43.5	41.8	32.5	31.6
Movement in the year	(3.6)	1.7	(10.4)	0.9
At 31 July	<u>39.9</u>	<u>43.5</u>	<u>22.1</u>	<u>32.5</u>

Income is deferred in accordance with the income recognition policy (see note 3).

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

	Group		Cambridge Assessment	
	2020	2019	2020	2019
	£m	£m	£m	£m
Amounts falling due between one and five years:				
Finance leases	-	0.1	-	0.1
Other creditors	2.9	-	2.5	-
	<u>2.9</u>	<u>0.1</u>	<u>2.5</u>	<u>0.1</u>

Finance leases: Group and Cambridge Assessment

The future minimum finance lease payments are as follows:

	2020	2019
	£m	£m
Not later than one year	0.1	1.2
Later than one year and not later than five years	-	0.1
Total gross payments	<u>0.1</u>	<u>1.3</u>
Less: finance charges	-	(0.1)
Carrying amount of liability	<u>0.1</u>	<u>1.2</u>

The finance lease relates to printing equipment used in the Group's print and distribution operations. There are no contingent rental, renewal or purchase option clauses.

16. PENSION SCHEME LIABILITIES

USS and CPS schemes

The Group participates in two defined benefit pension schemes; (i) the Universities Superannuation Scheme ("USS"), a multi-employer defined benefit pension scheme, and (ii) the Cambridge University Assistants' Contributory Pension Scheme ("CPS"), a Group plan.

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 on a consistent and reasonable basis. Therefore, contributions are accounted for as if they were defined contribution schemes.

Both contribution rates will be reviewed as part of each triennial valuation and may be reviewed more frequently.

The Group currently recognises a provision for its obligation to fund past deficits arising within the Universities Superannuation Scheme. The deficit recovery plan currently in place relates to the 2018 actuarial variation.

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 2018
Salary scale increases	4.2%
Market value of assets at date of last valuation	£67.3bn
Funding ratio	95%

The 2018 deficit recovery plan requires deficit payments of 2.0% of salaries from 1 October 2019 to 30 September 2021 and then payments of 6.0% of salaries from 1 October 2021 to 31 March 2028. In the prior year, the deficit payments were 5.0% of salaries up to 31 March 2031

16. PENSION SCHEME LIABILITIES (continued)

This change in deficit payments aligned with the reduced funding period has given rise to a significant decrease in the Group's deficit provision. The USS pension liability at 31 July 2020 was £26.5m and £22.1m for the Group and Cambridge Assessment respectively (2019: £46.9m and £39.5m respectively). See note 3.g (ii). This includes a £20.1m (Group) and £17.2m (Cambridge Assessment) decrease of the deficit funding obligation in the year, following the 2018 valuation.

CPS

Latest actuarial valuation	31 July 2018
Salary scale increases	0.5% - 3.0%
Pension increases per annum (RPI related)	2.7%
Market value of assets at date of last valuation	£708m
Funding level	95%

Employer's contribution rate in respect of:

		<u>Pre</u>	<u>1 Aug 2013</u>
		<u>31 July 2013</u>	<u>onwards</u>
Salary sacrifice members	- 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%

A full triennial valuation of the scheme was carried out by the actuary for the trustees of the scheme as at 31 July 2018, with a further funding update as at 31 July 2019. The next funding update is due as at 31 July 2020 and the next triennial actuarial valuation is due as at 31 July 2021.

Other schemes – overseas offices

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

Total Group pension cost for the year
Employer's contributions:

	2020	2019
	£m	£m
USS - contributions payable	18.0	15.7
CPS	8.1	7.5
Other - overseas offices	0.4	0.3
	<hr/>	<hr/>
	26.5	23.5
USS - (decrease) / increase in deficit funding obligation (see below)	(20.1)	25.0
	<hr/>	<hr/>
	6.4	48.5

At 31 July 2020, the Group and Cambridge Assessment had outstanding pension contributions amounting to £2.0m (2019: £1.6m) and £1.7m (2019: £1.3m) respectively.

CAMBRIDGE ASSESSMENT GROUP
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020

16. PENSION SCHEME LIABILITIES (continued)

Movement in deficit funding obligation	Group	Cambridge Assessment
	£m	£m
At 1 August 2019	46.9	39.5
Unwinding of discount factor (finance cost)	0.8	0.7
Deficit contributions paid	(1.1)	(0.9)
Change in deficit obligation	<u>(20.1)</u>	<u>(17.2)</u>
	<u>(21.2)</u>	<u>(18.1)</u>
At 31 July 2020	<u>26.5</u>	<u>22.1</u>

17. PROVISIONS FOR LIABILITIES

GROUP

	Employment long-service £m	Other £m	Total £m
At 1 August 2019	0.9	1.3	2.2
Additions	0.7	0.9	1.6
Amounts utilised	(0.7)	(1.0)	(1.7)
Unused amounts released	-	-	-
At 31 July 2020	<u>0.9</u>	<u>1.2</u>	<u>2.1</u>

CAMBRIDGE ASSESSMENT

	Employment long-service £m	Other £m	Total £m
At 1 August 2019	0.7	0.6	1.3
Additions	0.5	0.3	0.8
Amounts utilised	(0.6)	(0.4)	(1.0)
Unused amounts released	-	-	-
At 31 July 2020	<u>0.6</u>	<u>0.5</u>	<u>1.1</u>

The employment long-service provision relates to amounts that would be due to employees in certain overseas locations when they leave employment.

18. INCOME AND EXPENDITURE RESERVE - ENDOWMENT RESERVE

GROUP and CAMBRIDGE ASSESSMENT

	2020 £m	2019 £m
At 1 August	6.7	6.5
Income receivable from endowment asset investments	0.2	0.2
Expenditure	<u>(0.1)</u>	<u>(0.1)</u>
	6.8	6.6
(Decrease) / increase in market value of investments	(0.2)	0.1
At 31 July	<u><u>6.6</u></u>	<u><u>6.7</u></u>
Representing		
WMEB Fund	6.5	6.6
Scholarship funds	<u>0.1</u>	<u>0.1</u>
	<u><u>6.6</u></u>	<u><u>6.7</u></u>

The WMEB Fund is a trust fund created from assets transferred from the West Midlands Examinations Board. The restricted 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 restricted amounts of money left to Cambridge Assessment to give to students for prizes or awards.

19. OPERATING LEASES

The Group and Cambridge Assessment had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	Group		Cambridge Assessment	
	2020 £m	2019 £m	2020 £m	2019 £m
Payments due:				
Not later than one year	1.6	2.1	0.7	0.5
Later than one year and not later than five years	3.0	3.1	1.0	0.3
Later than five years	2.0	2.5	0.5	0.5
	<u>6.6</u>	<u>7.7</u>	<u>2.2</u>	<u>1.3</u>

20. CAPITAL COMMITMENTS

There were no material (2019: £nil) capital commitments for Cambridge Assessment and the Group as at 31 July 2020 in respect of construction projects, equipment and computer software.

21. CONTINGENT LIABILITIES

There were no (2019: £nil) material contingent liabilities as at 31 July 2020.

22. BUSINESS COMBINATIONS

On 13 December 2019, the Group purchased the non-Group or Press owned shares in English Language iTutoring Limited (ELiT) a technology business, taking the Group's shareholding from from 25% to 75%. The Press owns the remaining 25% share. ELiT provides online learning tools and resources using automated assessment technologies to support learners of English. Full ownership of ELiT significantly increases both the Group's and Press's capabilities in machine learning for teaching, learning and assessment, a crucial part of our digital journey.

The cost of acquiring the 50% share capital was £10.3m. Including the Group's initial 25% holding, the total cost was £10.8m.

The following table summarises the consideration paid by the Group, the fair value of assets acquired and liabilities assumed at the acquisition date.

	£m
Consideration at 13 December 2019:	
Cash	7.0
Deferred consideration	0.7
Contingent consideration	2.3
	<u>10.0</u>
Directly attributable costs	0.3
Initial 25% holding	0.5
Total consideration	<u>10.8</u>

	£m
Recognised amounts of identifiable assets acquired and liabilities	
Software platform	1.9
Licences	0.3
Cash and Cash equivalents	0.5
Related party liabilities	(1.1)
Other liabilities	(0.4)
Total identifiable net assets	<u>1.2</u>
Non-controlling interest	(0.3)
Goodwill	9.9
Total	<u><u>10.8</u></u>

For cash flow disclosure purposes the amounts are recognised as follows:

Cash consideration	7.0
Less Cash and Cash equivalents acquired	(0.5)
	<u>6.5</u>

The deferred consideration is payable in two tranches. The £0.4m was paid in September 2020. The final tranche, £0.3m, is payable in December 2020.

Contingent consideration is payable based on continuing support from previous shareholders until the third anniversary of the acquisition date. The amount payable is £2.3m and it is anticipated that this amount will be fully payable.

The activity of ELiT is to provide services to the Group, consequently the overall contribution to the Group's revenue is nil.

22. BUSINESS COMBINATIONS (continued)

In the prior year, Cambridge Assessment Group and the Press jointly acquired the trade and assets of the Centre for Evaluation and Monitoring ("CEM") from the University of Durham. CEM is an independent research group based at Durham University that provides aptitude assessments internationally to measure learner progress and potential. CEM is accounted for as a jointly controlled operation by the Group and the Press. The Group's share of the consideration amounted to £9.1m.

23. RELATED PARTY TRANSACTIONS

The Group has taken advantage of the exemption allowed under FRS 102 paragraph 33.1A, not to disclose transactions or balances with other entities that are wholly-owned within the University of Cambridge group.

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

A total of £697k (2019: £1,061k) was payable to Colleges of the University in respect of rent, venue hire and scholarships. At 31 July 2020, £nil was owed to the Colleges (2019: £13k). The balance owed is unsecured and interest free.

The Group paid £202k (2019: £208k) to the Joint Council for Qualifications CIC ("JCQ"), a not-for-profit Community Interest Company of which OCR is a member, for subscriptions and services. At 31 July 2020, £nil was due to JCQ (2019: £nil).

As more fully described in the Corporate Governance and Internal Control Statement, the Syndics are entitled to an annual honorarium of £2,000 (2019: £2,000). In 2020, eight (2019: six) Syndics received total honorarium of £16,000 (2019: £12,000) from the Group. During the year total fee of £nil (2019: £nil) was paid to nil (2019: nil) trustees in respect of examination services. No further remuneration was paid to the Syndics or to any connected persons (2019: £nil). Travel expenses of £nil (2019: £nil) were payable to nil (2019: nil) Syndics. At 31 July 2020, £nil was owed to Syndics (2019: £nil).

All related party transactions were subject to Cambridge Assessment's standard payment terms and conditions

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, United Kingdom.

25. EVENTS AFTER THE REPORTING DATE

On 20 October 2020, the Vice Chancellor of the University of Cambridge announced that Cambridge Assessment and Cambridge University Press would combine into a single organisation. Transition to the combined organisation is expected to conclude on 1 August 2021, by which time the potential impacts of the combination will be fully understood. This is being treated as a non-adjusting post balance sheet event.