



CAMBRIDGE ASSESSMENT

Cambridge Assessment Group

Annual Report and Accounts, 2008-2009

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Cambridge Assessment

Annual Report, 2008/2009

This is the one hundred and fifty-first Annual Report of Cambridge Assessment to the Council of the University of Cambridge. It covers the events of the year to 31 July 2009.

Introduction

This year has been another significant and successful one for the Group in many ways, which is especially encouraging when set against the current backdrop of not only the present uncertainties in the global economy but also the forthcoming first awards of several new UK qualifications.

We have seen the introduction of a new national curriculum, structural changes to A levels, new content and criteria for GCSEs and the beginnings of the implementation of the 14-19 Qualifications Strategy which introduces Diplomas, transforms Apprenticeships and ushers in Functional Skills and Projects. Legislation has already been passed to raise the age at which people in England can leave education and training, from 16 to 17 in 2013 and to 18 in 2015.

We saw the sudden abolition of the Department for Innovation, Universities and Skills. Their functions have been absorbed into the Department for Business, Enterprise and Regulatory Reform to create a new department, for Business Innovation and Skills.

We continued to celebrate our 150th anniversary with a series of highly successful events, culminating in the 'best ever' IAEA conference, according to delegate feedback, attended by over 500 delegates from around the world. And we have been busy around Westminster sharing our concerns that the Apprenticeships, Skills, Children and Learning Bill – which establishes the Office of the Qualifications and Examinations Regulator (Ofqual) – will fall short of delivering an independent, effective and accountable new regulator in England.

Our reputation as experts in assessment has been augmented with the launch of the Cambridge Approach which acts as our manifesto, setting out our principles for designing, administering and evaluating assessment in an accessible and succinct format. It has already received a very positive reception from staff and its external endorsement from two leading academics would suggest that it is timely as well as pertinent.

Internationally we continued to be involved in a number of education reform projects to help raise standards of education around the world.

We also celebrated and had time to reflect on the sheer pace of change in assessment in the UK with the 10th anniversary of our UK exam board, OCR, which was formed in 1998 when UCLES and the RSA Examinations Board joined forces.

The Cambridge Assessment Group

Cambridge Assessment is a department of the University of Cambridge and therefore has charitable status. As a charity we are very aware of the benefits that education can provide in unlocking and realising potential. By developing a broad range of products and services we seek to make these benefits widely accessible and, in doing so, also support the mission and core values of the University. Indeed, we play an important part in supporting the University's educational outreach and enable it, through our work, to deliver practical benefits to millions of people who would otherwise never come into contact with it. In this

way we provide recognition of individual learners' achievements, thereby assisting them to achieve their own educational and career objectives, giving them access to further progress in education (including entry to universities) and in the workplace. The Group's activities therefore contribute in a tangible way to the needs and development of countries across the world.

The Group values the involvement of the University in its work, through the participation of University staff as members of its committees or as examiners. We have also been exploring the opportunities for greater synergy with the University in our international activities and have, for example, collaborated with the Faculty of Education to offer professional development qualifications for teachers overseas.

The Cambridge Assessment Group is organised into three externally-trading business streams - Oxford, Cambridge and RSA Examinations (OCR), University of Cambridge International Examinations (CIE) and Cambridge ESOL (English for Speakers of Other Languages) - each of which has a distinct product range and group of customers. OCR is a company limited by guarantee with the University as its sole member. It is also an exempt charity, under Schedule 2(w) of the Charities Act 1993, on the grounds that it is administered on behalf of the University. OCR is responsible for examinations and other assessment activity for both general and vocational qualifications in the UK; CIE is responsible for international school examinations and international vocational awards; and Cambridge ESOL is responsible for examinations in English for speakers of other languages and qualifications for language teachers throughout the world.

The work of the three business streams is supported by the following corporate services: Finance, Human Resources, and Infrastructure Services comprising Printing & Operations, (IT) Development, and Service Delivery. In addition, the Assessment Research and Development (ARD) division brings together corporate research and innovation activities, as well as investigating and developing new business opportunities which may fall outside the remit of the business streams.

Regulation and standards

OCR's general qualifications are closely regulated by the Qualifications and Curriculum Authority (QCA) in England, the Department of Education, Lifelong Learning and Skills in Wales, and the Northern Ireland Council for the Curriculum Examination and Assessment. This regulation covers the subjects and the number of syllabuses that can be offered, syllabus content, schemes of assessment and many aspects of administration. Notwithstanding this regulatory framework, the maintenance of awarding standards remains the responsibility of OCR, through its Chief Executive and Director of Standards, the latter of whom is the Accountable Officer; this responsibility is subject to regular public scrutiny and audit. Regulation of OCR's vocational qualifications, although not yet so complete, is also exercised by QCA. The QCA has now been split in two in practice, although the relevant Bill has yet to be passed, with Ofqual being responsible for the regulation of standards and the Qualifications and Curriculum Development Agency (QCDA) looking after the development of the curriculum.

CIE is responsible for the definition and maintenance of standards for all of the Group's international qualifications, although where general qualifications are administered in partnership with a ministry of education, that ministry is increasingly involved in standard setting and in the administrative aspects of regulation. ESOL is fully responsible for the regulation of its work and for the setting and maintenance of standards.

Both CIE and ESOL have sought QCA accreditation for various qualifications in the UK and this of course means that these are subject to regulation by the QCA.

Achievements and Performance

Group Aim: To become more widely recognised as a leading world authority on assessment

We continue to influence education policy and strategy around the world as we strive towards our ambition of ensuring individuals are able to access the benefits of their education.

Our 150th anniversary celebrations, which included a programme of 40 special events and activities during 2008, provided a unique opportunity to demonstrate the full range and breadth of our expertise in assessment to a wider audience. The campaign generated widespread media coverage in a range of titles including both national and regional newspapers and education magazines as well as featuring on an array of broadcast programmes.

As part of the celebrations, we hosted a major international conference attended by almost 500 assessment and education experts from 58 countries. The 34th International Association for Educational Assessment (IAEA) annual conference took place in Cambridge from 7-12 September 2008. We challenged internationally recognised education experts to present views on the way assessment is changing as well as to exchange the latest research, ideas and experiences of their countries' education systems.

More than 140 parallel presentations ran alongside the main conference, which featured a total of 72 hours of presentations. Our research divisions presented 14 papers on topics ranging from the reliability of on-screen essay marking, evaluating the rank-ordering method for maintaining standards, to whether emotional and social abilities predict differences in attainment at secondary school.

The opening of IAEA 2008 also attracted a flurry of media coverage as comments from the Group Chief Executive, criticising political interference in the exam system, resonated with the education community.

We continue to be highly vocal about the damaging effect political interference has on the examination system. Although we welcomed the Government's intention to formally institute Ofqual as the independent regulator of qualifications, we believed the Bill – as drafted at the time of writing – will fall short of delivering an independent regulator that can maintain public confidence in examination standards.

Consequently over the last year we have been actively involved in offering suggestions on areas of the Bill which, in our view, require attention and/or change to help ensure that Ofqual fulfils its stated education mission effectively. We held a series of meetings, including several fringe events at the main political parties' conferences, and briefing papers were circulated to highlight matters of concern to a range of MPs, Peers, officials and stakeholders. In addition, the CEO of our UK exam board gave evidence and answered MPs' questions on the written submission made by the board at a public Committee hearing.

Elsewhere around the UK Parliament, we answered MPs' questions and gave evidence to the House of Commons Select Committee on Children, Schools and Families to inform its enquiry on School Accountability. We shared our concerns about the use of qualifications data for achievement/attainment tables and pointed out that qualifications designed by the Group's exam boards are designed for the purpose of recognising individual students'

achievements, not for the purpose of measuring schools' performance. We also called for a greater emphasis in looking at classroom interaction for accountability purposes.

We were pleased that our views on functional skills – the new practical skills qualifications in English, Maths and ICT designed to help learners gain the most out of work, education and everyday life – have been heard. We provided strong advice to Government and Ofqual against the creation of an artificial 'hurdle' within GCSEs and very much welcomed the Government decision to remove this requirement. Functional skills are going to be crucial to young people and their employers in a time of economic turbulence; by allowing them to stand independently from GCSEs the Government will ensure a particular focus on them within the curriculum.

We signed the Joint Council for Qualifications' strongly worded letter to the Education Secretary asking for a delay to the original timeframe for the development of Phase 4 Diplomas in Humanities, Languages and Science. We are already on record as having expressed concerns about the current vision and design of these three diplomas, through our consultation responses and at forums such as the Department for Children, Schools and Families' (DCSF) own Diploma Sub-programme Board. Ministers did announce that one of the Diplomas, the Advanced Diploma in Science, will be delayed by a year; taught in schools from September 2012, rather than 2011.

And as part of our engagement with the wider skills agenda, our UK exam board explained the importance of training and skills as the economy emerges from recession at the *World Class Skills 2009: Delivering new opportunities for employment* conference. We explained how qualifications need to be different when countries are coming out of a recession than when they are entering one.

Our voice also continues to be heard within the international arena where our overseas exam boards maintain their role as trusted advisors to foreign ministries in helping them reform their educational systems, as well as promoting global best practice.

We have been able to help reform the education system in Bahrain by developing and delivering new national tests. During the year more than 21,000 pupils in 133 government schools took the exam which we produced as a result of winning a competitive tender to work with the Bahrain Economic Development Board and Ministry of Education to establish a new National Examinations Unit as part of the Kingdom's National Education Reform Project in October 2007.

Working in partnership with Bermuda's Ministry of Education, we implemented new methods of teaching English, maths and science in public schools to raise standards and improve students' life chances. The Cambridge International Curriculum will be adopted in Bermuda's state schools from 2010.

Continuing to use our expertise in international education, we worked with the Ministry of Education in Egypt on a new curriculum for its Nile Egyptian Schools project. And following our involvement in the development of the course, the first students in Zambia graduated from the Goldman Sachs 10,000 Women Programme with a Certificate in Young Women's Leadership and Enterprise.

The Group's exams continue to achieve global recognition and respect. During the year, the Greek civil service officially recognised our Business Language Testing Service (BULATS) as proof of knowledge of English. Further east, the Taiwan Ministry of Education recognised a range of our general, professional business and academic English language exams. In addition, the Vietnam National University in Hanoi recognised our Preliminary English Test and the First Certificate in English as benchmarks of English language ability for all non-

English majors.

Approval was also granted by the UK Home Office for a range of our English certificates which now count towards the UK's points-based immigration system. Across the water the Irish Department for Education and Science added our exams at various levels to its list of courses recognised for non-European Economic Area students seeking work.

We were selected by the regional government in Brittany, France, to provide English language certification in state schools in the region. This adds to the series of adoptions by national and regional governments around the world, who increasingly see Cambridge certificates as a valuable addition to their national qualifications.

The public Spanish university, the Universidad Carlos III de Madrid, began offering its students and teaching staff our First Certificate in English (FCE) exam giving it an internationally recognised benchmark of language ability. FCE is aimed at those who can use everyday written and spoken English at an upper-intermediate level and want to use English for work or study purposes.

A global leader in aerospace, defence and related services chose to integrate our BULATS into its worldwide strategy for language training. EADS Defence and Security – which comprises high-profile companies such as Airbus, Eurocopter and MBDA – will now use BULATS to assess the initial language level of its employees in English, German, Spanish and French before they begin language training courses.

We also received accreditation in the UK for two of our English exams, the International Legal English Certificate and International Certificate in Financial English. In addition BULATS was officially recognised as part of the UK's National Qualifications Framework.

In the UK we signed an agreement with the JCB Academy – an alternative to the traditional school environment for students aged 14-18 years who are interested in engineering, manufacturing, and business. The academy will be open from September 2010 and is funded by the DCSF and JCB, global manufacturers of construction equipment. Our UK exam board will work in partnership with academy staff to develop the curriculum. This coordinated and managed programme of work will directly connect employers and employees allowing us to build an informed view of the teaching, curriculum and assessment requirements.

The multinational technology corporation, IBM, chose our UK exam board as its partner to carry out a mapping exercise of its training programmes to establish which of these are in line with nationally accredited qualifications already provided by OCR and can therefore be awarded in accordance with the rules of the Qualifications and Credit framework (QCF). This has the backing of the National Employer Service and work has already started on mapping one area of IBM's training provision with an agreed implementation plan by December 2009 which will then be delivered throughout 2010. Once the model has been established it is intended to roll out to other disciplines within IBM's extensive UK infrastructure.

We promoted global best practice on the role of technology in education at our 4th Cambridge International Advisory Seminar. The event brought together representatives from schools in 15 countries. During the event international delegates had the opportunity to visit a local school to gain insight into how UK schools are implementing new technologies.

Best practice was also shared with over 300 educators from 120 schools across the sub-continent who attended one of our conferences in India to discuss the benefits of the student-centred approach to education.

Our House of Commons Research seminars continue to attract a lot of interest. Over 140 teaching professionals including researchers and practitioners attended the *Better Training: Better teachers?* seminar which prompted immense discussion on the national state of initial teacher training and continuing professional development in the UK. The seminars are part of a series designed to bring together a wide range of professionals in education to look at 'big picture' topics and enable policy makers to access the knowledge of leading experts.

We also continue to widen debates on key assessment issues. We hosted an event to discuss the issue of emotional intelligence following our research which revealed that certain aspects of emotional intelligence can lead to higher attainment at GCSE. The debate gave a platform to our panel of educational experts and attracted media coverage.

We brought together key global practitioners involved in policy design and the development of English in the compulsory education sector overseas to discuss English at primary school. The conference, attended by international delegates from education authorities and ministries, provided an opportunity to hear from presenters from Europe, Latin America, Russia and North Africa who outlined the positive impact of assessment in the classroom and the successful integration of English language teaching into the primary curriculum.

We continue to attract high profile speakers to our Network events including Kathleen Tattersall, head of the new regulator Ofqual who presented an historical perspective of the relationship between examination boards with schools and colleges, to discuss whether the experience of the past could help provide a direction for the future.

The Network continues to reinforce our position as a leading authority on assessment issues through its outreach and training activities. We supported the increasingly popular International Study Programme for those involved in assessment in other countries. Twenty two delegates from around the world attended this year's two-week course and heard presentations on the various aspects of developing and administering examinations around the globe.

Our research division continues to demonstrate that we have a strong research base from which to influence thinking, highlighting the organisation's academic integrity and educational values. In addition to sharing our research via our own publications, the Group also contributed articles to a wide selection of books and journals that are published around the world. We also published two more issues of *Research Matters*, three more issues of *Research Notes* and two more volumes of *Studies in Language Testing (SiLT)* – a series which addresses a wide range of important issues and new developments in language testing and assessment

Group aim: To deploy the use of modern technology effectively

Technology is transforming both learning and educational assessment and continues to be one of the areas of greatest change in education. Concepts including virtual learning environments, on-screen testing systems and electronic portfolios have now become integral in modern education, helping to drive personalised learning. This provides benefits for learners, teachers and those involved with the administration of assessment within schools, colleges and training providers.

Our focus is not to make existing paper-and-pen tests electronic but to explore ways that computers can add real value to assessment – i.e. to assess things that cannot be assessed on paper.

For instance we have increased the number of computer-based tests. The Cambridge IGCSE Geography assessment, first piloted in international schools in June 2006, had nearly 800 entries from 27 countries worldwide during the May 2009 exam session. This meant that entry volumes went up by 60 per cent. Without such online developments students in remote parts of the world would not be able to carry out simple practical geographical activities that students in the UK take for granted – such as the study of rivers or hedgerows. It was also the first time that this test was marked entirely online. This is something we will build on and we aim to increase our offering of computer-based tests in the next five years.

We also increased the number of our English language exams available as computer-based tests as they offer greater choice to those students who are more comfortable working with a keyboard than paper and pen. It also means we can offer more dates, faster results and greater flexibility. Over the coming year nearly 50% of our English language exams, both in terms of the exams covered and the number of dates available, will be available to take on-screen. Schools in Italy, Switzerland, Mexico and Argentina proved particularly quick to take up this new way of delivering tests and feedback from candidates and their teachers has been overwhelmingly positive.

However, we have not completely taken out the human element in some of our e-assessments. The speaking part of the BULATS test for instance uses a human examiner as our research shows this is the best way of assessing that skill. It helps candidates to get the best from their exam performance.

Over the year we also ramped up our e-working across the Group to provide an even more efficient, speedy and secure service. Enhancements to the Electronic Script Management service have significantly improved both its scalability and performance. E-marking is now business as usual. As a result we significantly increased the number of tests that are managed by on-screen marking. Over half of this year's scripts were marked online.

In addition to the launch of the on-line submissions system, OCR Nationals in Science will be involved in a trial of the 'Virtual classroom' – an interactive online delivery channel that enables teachers to log onto live or recorded training sessions. The virtual classroom trial sessions will give teachers the opportunity to engage with OCR examiners and leading practitioners, gaining advice and information on selected qualifications.

During the year we rolled out e-moderation – an electronic process where we look at a sample of work to check the internal assessment to ensure that the appropriate mark has been awarded and the relevant national standard has been applied. This marks a significant step forward in removing some of the time-consuming paper-based administration both for schools in the UK and the Group.

The web-based processes are already delivering greater levels of consistency and efficiency, with more long term benefits to follow. This development is complemented by the launch of the redeveloped repository by our UK exam board, which will open up the opportunity to submit moderation evidence that is not limited to the traditional paper format. Schools will benefit from the facility to easily and more conveniently manage the digital submission of moderation evidence that could include video and sound as well as more familiar assessment evidence.

And e-awarding is coming. Developments in technology have enabled the introduction of remote awards in the UK. This has been a major challenge for the organisation due to its significant difference to traditional awarding meetings. Awarders can now work from home and at their own pace. UK pilots were carried out for GCSE science and maths over the year and proved very successful. We hope that this change to awarding will save thousands of

pounds each year and will make the system more efficient for all those involved, including; no need for scripts to be moved, reducing logistical costs, and allowing staff to attend meetings remotely.

We have also been able to increase our international reach through the development of web portals that allow better interaction with candidates, schools and teachers. By offering access in an easy and intuitive manner we have been able to support all stakeholders in a timely and efficient way that meets their needs no matter where they are located.

For instance, online results for overseas candidates were extended to cover most of our ESOL exams. Nearly 80 per cent of candidates took advantage of this service to access their results on the day of their release. However, our modernisation drive is underpinned by an extensive research programme as we are determined to ensure that technological advance does not distort educational imperatives.

Our *Active Results* service, designed to help teachers review the performance of individual students or whole schools, has been adopted by 1,500 centres following the successful pilot last year. Subjects covered were also extended with all GCSEs and A levels being included by the end of 2010.

We continue, wherever possible, to reduce the heavy paper burden on exam officers and tutors that comes with administration of some qualifications. In the UK, we piloted a new online claims process to replace the existing paper-based system of confirmation and moderation sample lists, and certification record forms for our Nationals qualification. Having successfully piloted the scheme with 160 centres we hope to roll it out for all Nationals qualifications for all schools in late 2009.

The effective use of technology is also being demonstrated through the deployment of our new print facility at DC10 which is now operational and already delivering new efficiencies.

Other modernisation programmes are on-going across the Group. For example, the authorisation of suppliers' invoices by our Finance team changed to an online process. This replaced the existing paper based procedure and is designed to make the process more streamlined and efficient.

Group aim: To deliver a broad, attractive and innovative portfolio of assessments and qualifications, and related services

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

At a time of intense reform in qualifications in the UK, we made unprecedented efforts to provide information, support and guidance to schools and colleges with regular newsletters, training and free events about the changes.

In the UK we have been working closely with teachers on the development and delivery of new Maths, English and ICT GCSEs for 2010. We submitted draft specifications and specimen papers to the QCA for accreditation and made them available to teachers for feedback.

The redeveloped GCSEs will build upon the new key stage 4 programmes of study and every subject except English Literature will include the relevant functional skill. This aspect of the qualification will be assessed and certificated separately. These changes follow the redevelopment of the majority of GCSEs for first teaching in September 2009.

The publication of our new Religious Studies 'C' GCSE draft specification featured widely in the press. The new exam will be piloted in 50 schools from September 2009 until 2015 and includes humanism in three of the four units. The specification attracted interest from many schools, both state and independent, including an independent Quaker school.

We redeveloped the Entry Level certificates in line with current GCSE specifications and timelines to comply with regulatory arrangements for the QCF rather than those for general qualifications, which they are subject to at present.

This year we saw the first teaching of the reformed A levels which incorporate 'stretch and challenge' and bring in an A* grade for exceptional performance. The new A level was re-constituted to reduce the burden of assessment on learners and to incorporate greater challenge for the most able.

It was also the very first awarding of Diplomas for those students who embarked on a one year course instead of the two-year programmes which the majority of learners are following. As well as being a Diploma Awarding Body, our UK exam board is accredited for the Principal Learning component for four out of the first five lines of learning and for functional skills and Extended Project/Project elements.

We responded to consultations for all three of the new Phase 4 lines of learning – Science, Languages and Humanities – as we remain deeply concerned overall by Phase 4, and in particular the compressed timescale within which qualifications development must take place. We made the decision to continue with our application to be a Diploma Awarding Body for Phase 4. However, we will not proceed with our submissions for Principal Learning in Languages at all levels and in Humanities at Level 3 and will keep under review our position in relation to all Level 3 Diplomas in Phase 4. We also decided to proceed with our submissions for Principal Learning in Science at Levels 1 and 2 and in Humanities at Levels 1 and 2.

Nationals continue to be the fastest growing work-related qualifications in 14-19 education. Over 250,000 students achieved OCR Nationals during the year. The qualification is a leading vocational programme in schools and is now the fourth biggest qualification of all 14-19 offerings. Its practical approach to learning and assessment is a popular choice with schools as it suits a range of learning styles.

We had particular success with Nationals in ICT and Science at Level 2 – the latter helped in part by a successful awareness raising campaign which resulted in 400 schools requesting more details.

However, 2009/2010 will be a challenging period for OCR Nationals as they are all re-developed to meet the requirements laid out by the Qualifications and Credit Framework. As a precursor to the redevelopment, a significant piece of "voice of the customer" market research was undertaken to provide the redevelopment team with feedback from teachers. From the research a number of recommendations have been put forward, some of which have already been acted upon, namely the launch of an on-line submissions system. However, perhaps the most pleasing outcome from the research was the high satisfaction that teachers and students reported, which is reflected in the loyalty to OCR Nationals.

In the UK we are also undertaking additional pilot activity to help the QCA comprehensively evaluate the suitability of functional skills qualifications for adults. This follows the need identified by the then Department for Innovation, Universities and Skills for further research before a final decision is reached in respect of replacing the current Skills for Life qualifications. We have also been involved in the running of a three year Government pilot

for functional skills in all three subjects at all levels – Entry Level, Level 1 and Level 2.

We developed a suite of vocationally-related qualifications in Retail Knowledge for launch (subject to QCDA approval) in September 2009. The new credit-based qualification at Levels 2 and 3 will provide vital knowledge and understanding of key generic areas of the retail sector for current and future employees. It will also address the Technical Certificate aspect of the Retail Modern Apprenticeship programmes, meaning they are ideal for the Apprenticeship audience.

Our qualification offering in the UK was enhanced with the development of four new Cambridge IGCSE syllabuses – International Mathematics, Global Perspectives, Enterprise and India Studies. This follows a successful year where we saw worldwide entries for the Cambridge IGCSE June 2009 session increase by almost 25 per cent on last year.

UK schools are increasingly interested in Cambridge IGCSE as a means of extending choice in the curriculum. It is currently offered in more than 300 independent schools. During the year Ofqual accredited 16 of the most popular Cambridge IGCSE syllabuses, including Mathematics, Chemistry and Physics. And following conversations with the Department, nine subjects are now funded in state schools and will be included in school league tables from 2010.

Nearly 50 schools began teaching one or more Cambridge Pre-U Principal Subjects – our alternative to A level – in September 2008 and more than 200 are already planning to begin Cambridge Pre-U within the next two to three years. Fifteen of the schools that started teaching this year are from the state maintained sector and funding for the qualification is on a par with A levels. Also the first ever Cambridge Pre-U exams were taken this year by students sitting the short courses in Modern Foreign Languages.

Cambridge Pre-U has now been awarded UCAS tariff points. Unlike A levels, the qualification's grading scale is divided into three bands; Distinction, Merit and Pass, each of which is sub-divided into three grades (Distinction 1, Distinction 2, Distinction 3 and so on). A Distinction 2 grade (roughly aligned to A* at A level) will earn 145 UCAS points, Distinction 3 (benchmarked to the standard required for an A grade at A level) will earn 130, and there are 46 points for a Pass 3 (benchmarked to the border between E and U at A level). The tariff for a Distinction 1 pass will be announced after the first Cambridge Pre-U examination entries have been assessed in 2010.

The growth of English as a global language is prompting an increase in the provision of English language learning in state school systems. This is impacting the private language school sector, traditionally the source of much of ESOL's revenue, and it is responding by developing new services and products for the state sector. ESOL is also having to manage the impact of changed levels of overseas students studying at English speaking Universities.

We launched our new Employability Skills (Ready Steady Work) qualification to encourage learners to enter and progress in employment. Entry Levels 1-3 are suitable for all age groups and enable learners to develop a range of core skills from effective interviewing to financial competency.

We continue to offer support to students and teachers with our *Top Tips* series of revision guides. We launched the first *Top Tips* last year for First Certificate in English and have since developed two more titles to benefit students preparing for different exams. The books are proving very popular in Europe and Latin America and we are also seeing a large take-up in other markets around the world. The series now covers titles that support learners preparing for First Certificate in English, Preliminary English Test and Certificate in Advanced English – and we are currently working on *Top Tips* for our International English

Language Testing System (IELTS) exam.

More students also had access to English language qualifications via the global schools network following collaborations with EF, the world's largest language training organisation, and Kaplan Aspect, which offers English courses worldwide.

During the year we celebrated the 20th anniversary of our IELTS exam, marking its unprecedented international growth and success in setting the standard of English language proficiency for higher education and migration. Since its introduction in 1989, annual candidate numbers rose to well over one million in 2008 and it is now accepted by over 6,000 organisations worldwide.

The UK regulator (the QCA) formally accredited our professional English exams from the World of Work range as part of the UK's National Qualifications Framework. Official accreditation in the UK of our multilingual BULATS exam opens the way to recognition in other countries for employment in the state sector. It will also make it easier for employers to understand the value of the test.

Given the national decline in numbers studying languages at Key Stage 4 (14-16 yrs), we have seen an uptake at Key Stage 3 (11-14 yrs) where the freeing up of the curriculum and the end of SATs is letting schools experiment more. Asset Languages – our flexible assessment scheme designed to reward the progress of language learners – is fulfilling the need among language teachers to recognise achievement in KS3. The qualification received nearly 175,000 test entries in 08/09. Our research shows that approximately three quarters of all our tests are taken by KS3 pupils.

During the year the Asset Languages qualifications at Advanced Stage were awarded UCAS tariff points. The points for Asset Languages will come into effect for entry into higher education from 2010 onwards.

At the other end of the spectrum – in higher education – two new schemes of scholarships to the University of Cambridge was launched exclusively for undergraduate students from India and Pakistan respectively. The scholarships, funded by Cambridge Assessment, will enable students to study at the University without the worry of creating a financial burden for their families. As the programme develops there are expected to be up to 12 undergraduate scholars from India and Pakistan studying at the University at any one time.

For the first time in the region, three Palestinian universities collaborated with the British Council to take our Teaching Knowledge Test (TKT) – ideal for all current and potential teachers of English to speakers of other languages.

Uptake of our Thinking Skills Assessment (TSA) test increased over the year, underlining its usefulness in differentiating between highly able candidates for university courses where critical thinking skills are crucial. The TSA is part of the Group's suite of higher education admissions tests which in 2008 were taken by 13,000 candidates on behalf of five leading UK universities.

The University of Oxford also expanded its use of TSA. Applicants wishing to study Experimental Psychology or Economics and Management are now required to take the admissions test. Oxford uses the TSA as a pre-interview admissions test for six of its undergraduate courses and more than 3,000 Oxford applicants took it in 2008. In addition, during the year the TSA was adopted by University College London for its European Social and Political Studies course.

Due to growing demand, we increased our item bank of TSA questions enabling us to

accommodate and explore adaptive on-demand testing. We also began to replace paper based results for admissions tests with an online results system. For the first time candidates, centres and universities taking our Sixth Term Exam Paper (STEP) Mathematics exam were able to access their results online.

Group aim: To support world-wide delivery of examinations.

We maintain our reputation for quality of service and world-wide delivery of examinations. Our exam board's relationships with schools and centres are acutely valuable and we are extremely active in helping teachers and partners replicate those high standards through our wraparound and support services.

The number and spectrum of UK training events over the year was larger than ever before, to match the unprecedented level of change and the numerous waves of new qualifications being introduced. For example, around 10,000 teachers attended our events while attendees at our free introductory training events for new qualifications doubled to a record 14,000.

We also held a very popular series of free regional events called Talk English and Maths aimed at teachers and local authority advisors – regardless of which exam board they work with. The events provided teachers with tips, techniques and practical content about the changes to GCSEs in 2010. It also offered them the chance to ask questions and to network with others in their field.

A series of free events to explain what is happening to GCSEs for first teaching in 2009 were hugely popular. More than 1,500 teachers attended the regional events where they met subject experts and took part in presentations covering all aspects of our 93 newly accredited GCSE qualifications in 52 different subjects.

With changes in teachers' Continuous Professional Development plans we saw an increased trend for requests to host events within UK schools. We were able to customise events to offer schools precisely what they needed at a time and place that suited them. The most popular topics we covered at over 200 such events were Functional Skills and the Project and Extended Project.

We continue to review and develop systems to support UK and international schools, from tools to assist with the administration of exams to online professional development for teachers. E-learning tools such as virtual learning environments and our range of online professional development courses, led by subject-specialist tutors, proved to be incredibly popular. In the last 12 months more than 6,000 teachers took part in our online courses and shared learning and ideas with colleagues.

Internationally we held a wide range of training workshops and many other events including conferences, award ceremonies and exhibitions. We also began using social media channels, including Twitter – a free social networking and micro-blogging service – as a way of communicating with students and teachers.

In addition we set up a new Compliance Unit to maintain the fairness and integrity of our examinations overseas, which is fundamental to ensuring their global recognition as valid and reliable assessments. Part of the Unit's responsibility is to conduct centre inspections during examination sessions and to investigate concerns about malpractice and maladministration.

We also continue to use interactive technologies to allow real-time online participation for some of the conference events for those who could not be there in person. Online forums on conference themes also proved to be incredibly popular, enabling the debate to continue

after the event.

Overseas we are making some significant changes to exam timetables to improve security across time-zones. The programme of change will take at least a year and further changes will be seen in the 2010 sessions.

Once again, our IT operations and systems passed British Standards Institution (BSI) inspection to maintain ISO 20000 and ISO 27001 accreditations – an international standard for quality management systems. Following a successful BSI six monthly audit of ISO9001 in the early part of 2009 our ISO9001 accreditation was upgraded to ISO9001/2008 from ISO9001/2003. This means that teachers, candidates, examiners and employees can continue to have confidence that our IT operations and systems are managed to the highest levels in terms of quality and security and that we continue to have a comprehensive strategy to protect our people, processes and systems.

Supporting and delivering assessment by digital means is playing an increasingly significant role in examining.

Our greater reliance on technology and need for future capacity to keep pace with our growth lead to a doubling in space at our Data Centre. Similarly we have also extended the use of our Print and Operations facility so that we can accommodate the new digital print capability and further automation in a number of key areas such as collations and despatch. Also the improved automation of our warehousing has given us the ability to respond more rapidly to opportunities around the world where speed is essential.

We continue to redevelop our overall Business Continuity Plans (BCP) and a new framework for BCP was adopted. This included plans for Print and Operations function to attain BS25999 certification – the best-practice standard for certifying business continuity management plans.

Our Print and Operations function has now incorporated the new digital managed print service and the benefits of this are already being realised. Further enhancements will include the online submission and management of new question papers which will improve consistency and turnaround times.

Group aim: To pursue internal synergies to achieve economies of scale and maximise educational impact.

We consolidated our position as experts in assessment with the launch of the Cambridge Approach – a landmark document which sets out the Group's principles for designing, administering and evaluating assessment. It is intended both to reflect the best practice in assessment that we seek to follow as an organisation and to be a practical guide for those involved in the development of new assessments.

We wanted the Cambridge Approach to be different – succinct and readable. It demonstrates international good practice and enables us to lead the assessment debate through the progressive use of the concept of validity. It provides an overarching structure for individual qualifications but is not designed to relate to every aspect. The Cambridge Approach covers the full lifecycle of an assessment and will be kept up to date with the latest developments.

Our approach emphasises the need for manuals for individual assessments: detailed criteria and requirements linked to specific tests and examinations, with these reflecting their different purposes, measurement models, modes of assessment, and modes of operation. Although these detailed criteria and requirements will change over time – as measurement

practice improves, legal regulation changes and solutions to operational problems are devised – they will be maintained by the Group to ensure that all its assessments are fair and have sound ethical underpinning according to the highest technical standards.

The Advantage programme – established to ensure that we create competitive advantage from our investment in IT – is now 'business as usual'. A great deal of progress was made over the year which was reflected in the results of the 'trust' questionnaire. Feedback showed that the programme has helped us to instil a more efficient and collaborative way of working with our Information Management team. In all areas, excellent progress has been made and the most significant change has been a cultural one with more positive behaviours being demonstrated by all.

We put in place a new research team to focus on supporting comparability work across the Group. The team will utilise state of the art methods to examine issues of comparability between qualification specifications, between subjects, and over time. This work is essential to effective standards setting, standards maintenance and public trust. It will increase the transparency of the processes used by the Group in awarding and testing, and is designed to meet the demands of the new regulatory requirements which Government is putting in place.

We also continue to research the way in which markers interact with the new technologies being developed for electronic management of scripts. This research confirms the benefits which electronic script management is bringing to the Group. Our work on the marking of extended text shows that although markers need to adapt to the new marking processes, reliability is not affected by their introduction.

New quality systems are now possible within electronic script management and prototype work on statistical detection of malpractice has now proved itself operationally effective.

Group aim: to ensure that staff have the right skills and to provide training and development opportunities.

As a leading world authority on assessment, it matters to us that people rise to bigger challenges, reach their potential and gain new skills. Our training and development plans are also there to make sure staff across the Group have the necessary skills and abilities to perform to their full potential.

In recognition of the increased collaboration and sharing of resources within the Group, many of this year's development sessions were on relationships, team management and communication. "Effective Team Working" and "Team Management" proved to be popular additions to our 2009 schedules.

We also introduced a second level of our "Building Personal Confidence" programme following positive feedback regarding level one.

However, the most significant change during the last year has been how we deliver staff training courses. For the first time, we have been able to offer staff a range of e-learning courses they can do at their desks, offering them a more flexible and convenient way to learn. Whilst these packages are not designed to replace facilitator-led programmes or face to face learning, they offer a substantial back-up to existing courses and as a short refresher. The first e-learning courses, available via our intranet, were interview techniques, objective setting and performance management.

We held our first highly successful Knowledge Matters event called 'Mind the Gap'. The focus of the event, which was attended by over 50 staff, was current policy and practice with

regard to educational technology in learning and assessment. The aim was to bring together a collection of speakers selected from conferences/seminars attended by the ARD division to present directly to staff and stimulate dialogue between work colleagues from across the Group. This included speakers from the DCSF, Becta – a Government agency driving the use of technology in learning, the Scottish Qualifications Authority, the Open University and various technology suppliers.

Almost two thirds of staff took part in our first Group-wide staff survey, 'Your Work, Your Say!' to give their thoughts on aspects of working life at Cambridge Assessment. Overall results were very positive; working relationships and peer support in particular were highly praised, and we have been working on initiatives to make improvements where these are necessary.

The Cambridge Assessment Network continues to offer formal and informal professional development activities for people working in assessment, both within the Group and externally. Throughout the year it ran a comprehensive programme of 45 events, seminars and courses. We maintain close links with the Association of Educational Assessors in Europe (AEA) and completion of the Certificate in the Principles and Practice of Assessment courses can assist in the process of gaining professional status with AEA.

During the year, 14 people completed the Certificate in the Principles and Practice of Assessment course. Participants included five members of our own staff alongside students from organisations such as Scottish Qualifications Authority, Ofqual, Institute of Legal Executives and Qualifications and Curriculum Authority.

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 £37.0 million for the financial year ended 31 July 2009 (2008: £36.9 million). Each of the three business streams recorded an operating surplus.

Income from examination fees and other educational and assessment services increased from £212.8 million to £237.7 million due to increased demand across all three business streams.

The overall costs for the year, before taxation and loss on asset disposals, were higher at £202.4 million than for the preceding period (£181.1 million). Expenditure is incurred in maintaining and developing qualifications, registration and certification of candidates, together with the quality control of examined and assessed schemes. In this year, significant expenditure has been incurred on development activities related to UK A Levels and GCSE's. Expenditure has also been incurred on changes and additions to systems, including increased levels of on-line administration.

We continue to forecast an increase in the number of examination entries. The Group continues to provide services to customers in around 160 countries. This brings with it challenges related to exchange rate exposures and economic difficulties which are reviewed and managed by the Corporate Board. Note 19 in the financial statements shows the

organisation's exposure to exchange risks from forward exchange contracts.

The Group has £53.1 million in cash and short term deposits at the year end (£52.5 million at 31 July 2008), together with £86.5 million invested in University Endowment Fund Units (£77.0 million at 31 July 2008).

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

The Group has considerable financial resources together with contracts with a large number of customers across different geographic areas (see note 2 to the financial statements). As a consequence the Syndics believe that it is well placed to manage its risks successfully, despite the current uncertain economic outlook. The Syndics have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Syndics believe that the Group's reserves are at a level which is suitable to ensure financial stability, to provide protection against unforeseen contingencies and the risks to which the Group is exposed. Reserves are also maintained to ensure that the Group is able to fund investment in the development of the Group's infrastructure and business, including research, and to ensure that no financial liability will ever fall on general University funds. Syndics consider that it would be imprudent for the Group to rely on loans to fund any of these requirements and that the University is unlikely to wish to divert general resources to support the Group's work. The Group must therefore maintain sufficient reserves to meet all its funding requirements, in bad as well as good times. Syndics have reviewed the level of reserves with the University and believe that the levels held are reasonable given the issues faced by the Group. It has been the Group's policy to invest the available reserves in the University's Endowment Fund. This policy has served the Group (and the University) well over the years, enabling substantial support to be given to a range of general University purposes and to scholarship schemes for students from the Commonwealth and other countries. However, the policy introduces its own risk when, from time to time, stock markets fall.

During the year £24.4 million was transferred to the University from reserves compared with £12.4 million for the previous year, due to the similar level of operating surplus generated and a special transfer relating to accumulated reserves of £12 million.

In addition, the Group has given financial assistance on a small scale to a number of University activities that relate closely to the Group's mission such as the Millennium Mathematics Project, an outreach activity to schools run jointly by the Departments of Education and of Applied Mathematics and Theoretical Physics; the admissions interview programme in China; and continuing support for the Cambridge Overseas Trust, in recognition of the importance of international work to the Group.

Since 1981 the Group has transferred £193 million from its reserves and investment income - £171 million to general University funds; £19 million to the Cambridge Commonwealth and Overseas Trusts; and £3 million to establish the Research Centre for English and Applied Linguistics.

Risk Management

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

a. Policies and Procedures

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

b. Risk Register

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

Conclusion

We have had another very busy and successful year. The IAEA Conference, which we hosted as part of our own anniversary celebrations, was a particular highlight and received very positive feedback from attendees. Events like this help to raise our profile and reinforce our position as a leading authority on assessment matters in the UK and overseas.

We are also very pleased that we have achieved growth across the Group not least because this helps us to support the University's mission to extend the benefits of education to as many people as possible as well as giving us the opportunity to invest in our infrastructure and thereby provide a better service to our customers.

Signed:

Professor A Badger (Chairman)

Mr P Derham

Dr D Good

Professor J Gray

Dr J Guy

Ms D Hall

Dr J Leake

Mr R Martineau

Mr R Partington

Mr B Picking

Dr K Pretty

Mr A Reid

Handwritten signatures on a lined document, corresponding to the names listed on the left. The signatures are written in blue ink. The names and their corresponding signatures are: Professor A Badger (Chairman), Mr P Derham, Dr D Good, Professor J Gray, Dr J Guy, Ms D Hall, Dr J Leake, Mr R Martineau, Mr R Partington, Mr B Picking, Dr K Pretty, and Mr A Reid.

26 November 2009. Syndicate Buildings, 1 Hills Road, Cambridge, CB1 2EU

Auditors

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

Bankers

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

Appendix A: The Local Examinations Syndicate

Professor Tony Badger (Chairman)	Master of Clare College
Mr Patrick Derham	Head Master, Rugby School
Dr David Good	Fellow of King's College
Professor John Gray	Professor of Education in the Faculty of Education, University of Cambridge
Dr John Guy	Principal of Farnborough Sixth Form College
Ms Denise Hall	Director of Marketing and Sales, SpecialSteps
Dr John Leake	Fellow of St John's College
Mr Richard Martineau	Former Chairman of RSA
Mr Richard Partington	Senior Tutor, Churchill College
Mr Bruce Picking	Chairman of Governors of Havering College of Further and Higher Education
Dr Kate Pretty	Principal of Homerton College and Pro-Vice-Chancellor, University of Cambridge
Mr Andrew Reid	Director of Finance, University of Cambridge
Professor Richard Taylor	Director of Institute of Continuing Education, University of Cambridge

Appendix B: The OCR Board

Mr Simon Lebus (Chairman)	Cambridge Assessment Group Chief Executive
Professor Tony Badger	Master of Clare College
Mr Patrick Derham	Head Master, Rugby School
Dr David Good	Fellow of King's College
Professor John Gray	Professor of Education in the Faculty of Education, University of Cambridge
Dr John Guy	Principal of Farnborough Sixth Form College
Ms Denise Hall	Director of Marketing and Sales, SpecialSteps
Dr John Leake	Fellow of St John's College
Mr Richard Martineau	Former Chairman of RSA
Mr Richard Partington	Senior Tutor, Churchill College
Mr Bruce Picking	Chairman of Governors of Havering College of Further and Higher Education
Dr Kate Pretty	Principal of Homerton College and Pro-Vice-Chancellor, University of Cambridge
Mr Andrew Reid	Director of Finance, University of Cambridge
Professor Richard Taylor	Director of Institute of Continuing Education, University of Cambridge

Appendix C: Cambridge Assessment Group Corporate Board

Mr Simon Lebus	Group Chief Executive	
Mr Ian Campbell	Interim Group Infrastructure Services Director	(From 6.5.09)
Mrs Sue Durham	Group HR Director	
Mr Mark Lovell	Group Infrastructure Services Director	(On medical leave from April 2009)
Dr Mike Milanovic	Chief Executive, ESOL	
Mr Tim Oates	Group Director, Assessment Research & Development	
Mrs Ann Puntis	Chief Executive, CIE	
Mrs Jackie Rippeth	Group Finance Director	
Mr Gregor Watson	Chief Executive, OCR	

Appendix D: List of Acronyms

AEA	Association of Educational Assessors
ARD	Assessment, Research and Development
BSI	British Standards Institution
BULATS	Business Language Testing Service
CIE	Cambridge International Examinations
DCSF	Department for Children, Schools and Families
ESOL	English for Speakers of Other Languages
FCE	First Certificate in English
GCSE	General Certificate of Secondary Education
IAEA	International Association for Educational Assessment
ICT	Information and Communication Technology
IELTS	International English Language testing System
IGCSE	International General Certificate of Secondary Education
IM	Information Management
IT	Information Technology
ISO	International Standards Organisation
KS	Key Stage
OCR	Oxford, Cambridge and RSA Examinations
Ofqual	Office of the Qualifications and Examinations Regulator
QCA	Qualifications and Curriculum Authority
QCDA	Qualifications and Curriculum Development Agency
QCF	Qualifications and Credit Framework
RSA	Royal Society for the Encouragement of Arts Manufactures & Commerce
SAT	Scholastic Assessment Test
SiLT	Studies in Language Testing
STEP	Sixth Term Exam Paper
TKT	Teaching Knowledge Test
TSA	Thinking Skills Assessment
UCAS	Universities and Colleges Admissions Service
UCLES	University of Cambridge Local Examinations Syndicate

**UNIVERSITY OF CAMBRIDGE
LOCAL EXAMINATIONS SYNDICATE**

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2009**

CAMBRIDGE ASSESSMENT

CORPORATE GOVERNANCE AND INTERNAL CONTROL STATEMENT

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

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

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

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

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

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

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

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

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

CAMBRIDGE ASSESSMENT

RESPONSIBILITIES OF THE SYNDICS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2009

The Syndics are responsible for preparing the Annual Report and the financial statements for each financial year in accordance with Statute FII 4 of the University of Cambridge.

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

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

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

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

The Syndics certify that:

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

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

We have audited the group financial statements' of University of Cambridge Local Examinations Syndicate for the year ended 31 July 2009 which comprise the Consolidated Income and Expenditure Account, the Statement of Total Recognised Gains and Losses, the Statement of Historical Cost Surpluses and Deficits, the Group and Cambridge Assessment Balance Sheets, the Consolidated Cash Flow Statement, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of the Syndics and auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Syndics in accordance with the Statutes of the University of Cambridge. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

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

In addition we report to you if, in our opinion, the institution has not kept adequate accounting records, if the financial statements are not in agreement with the accounting records or if we have not received all the information and explanations we require for our audit.

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

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

Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinion

In our opinion:

- i. the financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice of the state of affairs of the Group and Cambridge Assessment at 31 July 2009, and of the Group's income and expenditure, recognised gains and losses, and statement of cash flows for the year then ended;
- ii. the financial statements have been properly prepared in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education; and
- iii. the information in the Corporate Governance and Internal Control Statement is consistent with the financial statements.



PricewaterhouseCoopers LLP
Chartered Accountants
Cambridge
26 November 2009

CAMBRIDGE ASSESSMENT

**CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 JULY 2009**

	Note	2009 £m	Restated* 2008 £m
Income			
Examination fees	2	224.3	199.6
Other educational and assessment services	2	13.4	13.2
Endowment and investment income	3	4.4	5.2
Total income		242.1	218.0
Expenditure			
Staff costs	4	61.0	54.4
Other operating expenses	5	133.5	120.9
Depreciation		7.9	5.8
Total expenditure		202.4	181.1
Surplus after depreciation of tangible fixed assets and before tax		39.7	36.9
Taxation		(0.2)	-
Surplus after depreciation of tangible fixed assets and tax		39.5	36.9
Loss on disposal of fixed assets		(2.5)	-
Surplus for the year after depreciation of tangible fixed assets and disposal of assets and tax	6	37.0	36.9
Transfer from accumulated income within specific endowments	14	4.4	4.6
Surplus for the year retained within general reserves		41.4	41.5

All income and expenditure relates to continuing activities.

* The comparative amounts for 2008 have been restated to show transfers to the University as a movement on reserves and to reclassify examination allowances to discounts. See note 1 for details.

CAMBRIDGE ASSESSMENT

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 JULY 2009

		2009 £m	Restated 2008 £m
Surplus for the year		37.0	36.9
(Decrease) in market value of investment assets		(2.0)	(10.2)
Actuarial (loss) on defined benefit pension scheme	17	(0.6)	(0.6)
Total recognised gains and losses for the year		<u>34.4</u>	<u>26.1</u>

		2009 £m	Restated 2008 £m
Reconciliation			
Opening reserves and endowments		190.5	176.8
Total recognised gains and losses for the year		34.4	26.1
Transfer to the University		(24.4)	(12.4)
Closing reserves and endowments		<u>200.5</u>	<u>190.5</u>

STATEMENT OF HISTORICAL COST SURPLUSES AND DEFICITS FOR THE YEAR ENDED 31 JULY 2009

		2009 £m	Restated 2008 £m
Surplus for the year		37.0	36.9
Realisation of investment revaluation gains of previous years		12.1	-
Historical cost surplus for the year		<u>49.1</u>	<u>36.9</u>

CAMBRIDGE ASSESSMENT

BALANCE SHEET AS AT 31 JULY 2009

		Group		Cambridge Assessment	
	Note	2009 £m	2008 £m	2009 £m	2008 £m
Fixed assets					
Tangible fixed assets	7	72.4	65.4	62.5	56.7
Investments	8	87.9	78.5	44.3	91.2
		<u>160.3</u>	<u>143.9</u>	<u>106.8</u>	<u>147.9</u>
Endowment assets	9	3.9	7.6	3.9	7.6
Current assets					
Debtors	10	53.5	48.5	44.7	38.6
Short term deposits		52.5	51.3	24.6	2.7
Cash at bank and in hand		0.6	1.2	0.2	0.6
		<u>106.6</u>	<u>101.0</u>	<u>69.5</u>	<u>41.9</u>
Creditors: amounts falling due within one year	11	(69.3)	(60.3)	(43.7)	(48.4)
Net current assets/(liabilities)		<u>37.3</u>	<u>40.7</u>	<u>25.8</u>	<u>(6.5)</u>
Total assets less current liabilities		201.5	192.2	136.5	149.0
Creditors: amounts falling due after one year	12	-	-	(0.1)	(10.6)
Provisions for liabilities and charges	13	(0.4)	(1.7)	(0.4)	(1.6)
Net assets excluding pension scheme liability		<u>201.1</u>	<u>190.5</u>	<u>136.0</u>	<u>136.8</u>
Pension liability	17	(0.6)	-	-	-
Total net assets		<u><u>200.5</u></u>	<u><u>190.5</u></u>	<u><u>136.0</u></u>	<u><u>136.8</u></u>
Restricted expendable endowments	14	3.9	7.6	3.9	7.6
Reserves					
Revaluation reserve	15	1.6	15.2	-	14.9
Investment property revaluation reserve	15	0.1	0.3	0.1	0.3
General reserve	15	195.5	167.4	132.0	114.0
Total reserves excluding pension reserve		<u>197.2</u>	<u>182.9</u>	<u>132.1</u>	<u>129.2</u>
Pension reserve	15	(0.6)	-	-	-
Total reserves including pension reserve		<u>196.6</u>	<u>182.9</u>	<u>132.1</u>	<u>129.2</u>
		<u><u>200.5</u></u>	<u><u>190.5</u></u>	<u><u>136.0</u></u>	<u><u>136.8</u></u>

CAMBRIDGE ASSESSMENT

BALANCE SHEET AS AT 31 JULY 2009

The financial statements on pages 5 to 26 were approved by the Syndics on 26 November 2009 and were signed on their behalf by:

Professor A J Badger



*Chairman of the Local
Examinations Syndicate*

Dr K Pretty CBE



*Member of the Local
Examinations Syndicate*

CAMBRIDGE ASSESSMENT

**CONSOLIDATED CASHFLOW STATEMENT
FOR THE YEAR ENDED 31 JULY 2009**

	Note	2009		Restated 2008	
		£m	£m	£m	£m
Net cash inflow from operating activities	16a		47.5		30.4
Returns on investments and servicing of finance					
Investment income		3.6		3.8	
Interest received		1.1		2.9	
			4.7		6.7
Taxation			(0.1)		-
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(15.0)		(11.0)	
Payments to acquire investments		(40.0)		(18.0)	
Receipts from sale of fixed asset investments		30.0		1.1	
			(25.0)		(27.9)
Transfer to University			(24.4)		(9.3)
Cash inflow/ (outflow) before use of liquid resources			2.7		(0.1)
Management of liquid resources					
Net movement on short term deposits	16c		(3.3)		(2.2)
(Decrease) in cash in the year	16b		<u>(0.6)</u>		<u>(2.3)</u>

1. ACCOUNTING POLICIES

Basis of accounting

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

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

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

Basis of consolidation

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

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

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

Restatement of prior year amounts

Allowances to customers for costs they incur as they take over running their own examinations have previously been treated as costs. They have now been reclassified as a reduction in examination income, which is a more appropriate classification. The figures for the prior year have been restated to more appropriately disclose the nature of the transaction. The reclassification has not affected the results for the prior year.

Transfers to the University are now shown as a movement on reserves rather than as expenditure within the Income and Expenditure Account, and the prior year has been amended to be consistent.

Recognition of income and deferral of incoming resources

Income from session-based examinations is recognised when services are rendered and substantially completed at the reporting date. Income received in advance of services being rendered is deferred and recognised in subsequent financial periods when the respective examination sessions or courses take place.

For assessments not based on examination sessions and other ongoing customer contracts where the assessment or contract extends past the financial year end, income is recognised on the basis of the proportion of work completed at the reporting date.

Where course entry is purchased in advance for which candidates have not been entered, income is deferred and recognised when a named candidate is entered and the service rendered. Where a product is replaced, the entries may (in some cases) be exchanged for entries for replacement products, in which case the income continues to be deferred until the conditions for recognition are met. Where no such exchange is made and no further entries can be made, any remaining deferred income is immediately recognised.

1. ACCOUNTING POLICIES (continued)

Pension schemes

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

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

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

Research and Development

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

Fixed assets and depreciation

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

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

Freehold land is not depreciated.

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

Leases

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

Investments

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

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

**CAMBRIDGE ASSESSMENT
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2009**

1. ACCOUNTING POLICIES (continued)

Investments (continued)

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

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

Endowments

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

Short term deposits

Short term deposits relate to cash on deposit with the University of Cambridge and money market deposits in foreign currency that are not accessible within 24 hours.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains and losses on translation are included in the income and expenditure account.

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 and are not discounted.

CAMBRIDGE ASSESSMENT
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2009

2. INCOME BY GEOGRAPHICAL SEGMENTS

	2009 Group £m	Restated 2008 Group £m
Examination fees and other educational and assessment services:		
United Kingdom	144.1	138.4
European Union	22.5	18.8
Rest of the world	71.1	55.6
	<u>237.7</u>	<u>212.8</u>

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

3. ENDOWMENT AND INVESTMENT INCOME

	2009 Group £m	2008 Group £m
Income from specific endowment asset investments	0.2	0.5
Other investment income	3.3	2.8
Other interest receivable	0.9	1.9
	<u>4.4</u>	<u>5.2</u>

4. STAFF COSTS

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

	Group		Cambridge Assessment	
	2009 No.	2008 No.	2009 No.	2008 No.
Examination services	1,270	1,253	631	624
Administration and central services	407	372	407	372
Premises	90	91	90	88
	<u>1,767</u>	<u>1,716</u>	<u>1,128</u>	<u>1,084</u>

Staff costs for the above persons comprise:

	Group		Cambridge Assessment	
	2009 £m	2008 £m	2009 £m	2008 £m
Salaries and wages	50.6	46.2	32.7	29.4
Social security costs	4.2	3.7	2.8	2.3
Other pension costs (note 17)	7.9	6.2	4.9	3.9
	<u>62.7</u>	<u>56.1</u>	<u>40.4</u>	<u>35.6</u>

Of the above costs £1.7m (2008: £1.7m) was capitalised as internally developed software.

Staff costs charged to the Income and Expenditure Account

	Group		Cambridge Assessment	
	2009 £m	2008 £m	2009 £m	2008 £m
Examination services	43.8	39.6	21.5	19.1
Administration and central services	15.1	12.8	15.1	12.8
Premises	2.1	2.0	2.1	2.0
	<u>61.0</u>	<u>54.4</u>	<u>38.7</u>	<u>33.9</u>

CAMBRIDGE ASSESSMENT
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2009

4. STAFF COSTS (continued)

Staff emoluments over £70,000
(Excluding employer's pension contributions)

	Group		Cambridge Assessment	
	2009 No. staff	2008 No. staff	2009 No. staff	2008 No. staff
£70,001 - £80,000	12	8	9	7
£80,001 - £90,000	5	4	3	2
£90,001 - £100,000	3	5	3	3
£100,001 - £110,000	5	3	2	2
£110,001 - £120,000	1	1	1	1
£120,001 - £130,000	-	1	-	1
£130,001 - £140,000	2	2	2	2
£140,001 - £150,000	1	-	1	-
£150,001 - £160,000	1	1	1	-
£160,001 - £170,000	1	-	-	-
£270,001 - £280,000	-	1	-	1
£300,001 - £310,000	1	-	1	-

5. OTHER OPERATING EXPENSES

	2009 Group £m	Restated 2008 Group £m
Examination services	108.9	100.0
Administration and central services	16.9	13.9
Premises	7.7	7.0
	<u>133.5</u>	<u>120.9</u>

	2009 Group £m	2008 Group £m
Other operating expenses include:		
Auditors' remuneration - audit of annual report and subsidiary undertakings	0.1	0.1
Internal audit fee	0.1	0.1
Operating leases - land & buildings	0.6	0.8
- plant, machinery & equipment	0.6	0.6
Foreign exchange (gains)/losses	(0.5)	0.1
	<u>(0.5)</u>	<u>0.1</u>

6. SURPLUS ON CONTINUING OPERATIONS FOR THE YEAR

	2009 £m	Restated 2008 £m
Cambridge Assessment's surplus for the year	21.2	16.1
Group level adjustments re: defined benefit schemes	-	2.0
Surplus retained in subsidiary undertakings	15.8	18.8
	<u>37.0</u>	<u>36.9</u>

CAMBRIDGE ASSESSMENT
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2009

7. TANGIBLE FIXED ASSETS

GROUP

	Land & buildings			Plant & equip. furniture & fittings £m	Assets under construction £m	Total £m
	Freehold £m	Long term leasehold £m	Short term leasehold £m			
COST						
At 1 August 2008	59.2	8.3	0.5	28.4	2.1	98.5
Additions	3.5	-	-	8.4	3.0	14.9
Transfers	0.3	-	-	1.8	(2.1)	-
Disposals	-	-	-	(0.3)	-	(0.3)
At 31 July 2009	<u>63.0</u>	<u>8.3</u>	<u>0.5</u>	<u>38.3</u>	<u>3.0</u>	<u>113.1</u>
DEPRECIATION						
At 1 August 2008	10.9	1.9	0.3	20.0	-	33.1
Disposals	-	-	-	(0.3)	-	(0.3)
Charge for the year	1.7	0.3	-	5.9	-	7.9
At 31 July 2009	<u>12.6</u>	<u>2.2</u>	<u>0.3</u>	<u>25.6</u>	<u>-</u>	<u>40.7</u>
NET BOOK VALUE						
At 31 July 2009	<u>50.4</u>	<u>6.1</u>	<u>0.2</u>	<u>12.7</u>	<u>3.0</u>	<u>72.4</u>
At 31 July 2008	<u>48.3</u>	<u>6.4</u>	<u>0.2</u>	<u>8.4</u>	<u>2.1</u>	<u>65.4</u>

CAMBRIDGE ASSESSMENT

	Land & buildings			Plant & equip. furniture & fittings £m	Assets under construction £m	Total £m
	Freehold £m	Long term leasehold £m	Short term leasehold £m			
COST						
At 1 August 2008	55.6	-	0.1	27.2	1.3	84.2
Additions	3.5	-	-	6.2	2.7	12.4
Transfers	0.3	-	-	1.0	(1.3)	-
Disposals	-	-	-	(0.3)	-	(0.3)
At 31 July 2009	<u>59.4</u>	<u>-</u>	<u>0.1</u>	<u>34.1</u>	<u>2.7</u>	<u>96.3</u>
DEPRECIATION						
At 1 August 2008	8.2	-	-	19.3	-	27.5
Disposals	-	-	-	(0.3)	-	(0.3)
Charge for the year	1.6	-	-	5.0	-	6.6
At 31 July 2009	<u>9.8</u>	<u>-</u>	<u>-</u>	<u>24.0</u>	<u>-</u>	<u>33.8</u>
NET BOOK VALUE						
At 31 July 2009	<u>49.6</u>	<u>-</u>	<u>0.1</u>	<u>10.1</u>	<u>2.7</u>	<u>62.5</u>
At 31 July 2008	<u>47.4</u>	<u>-</u>	<u>0.1</u>	<u>7.9</u>	<u>1.3</u>	<u>56.7</u>

CAMBRIDGE ASSESSMENT
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2009

8. INVESTMENTS

	Group		Cambridge Assessment	
	2009 £m	2008 £m	2009 £m	2008 £m
At 1 August 2008	78.5	69.7	91.2	82.1
Additions	40.0	18.0	-	18.0
Disposals	(27.0)	-	(42.0)	-
(Decrease) in market value of investments	(3.6)	(9.2)	(4.9)	(8.9)
At 31 July 2009	<u>87.9</u>	<u>78.5</u>	<u>44.3</u>	<u>91.2</u>
Represented by:				
University Endowment Fund units	86.5	77.0	42.8	74.6
Investment properties	1.3	1.4	1.3	1.4
Investment in subsidiary undertakings	-	-	0.1	0.1
Loan to OCR	-	-	-	15.0
Loan to Joint Venture	0.1	0.1	0.1	0.1
	<u>87.9</u>	<u>78.5</u>	<u>44.3</u>	<u>91.2</u>

Investments at market value comprise Cambridge University Endowment Fund units. The market value at 31 July 2009 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 2009 amounted to: Group £86.8m (2008: £61.6m); Cambridge Assessment £44.8m (2008: £59.6m).

Investment properties are stated at fair value. The valuation at 31 July 2009 was provided by the Group Finance Director, based on local property indices and comparative data. For 2008 the valuation was carried out by an independent chartered surveyor based on market values.

The loan to OCR was repaid during the year. No interest has been charged in the year ended 31 July 2009.

**CAMBRIDGE ASSESSMENT
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2009**

8. INVESTMENTS (continued)

Subsidiary undertakings:

Name of subsidiary undertaking	Country of registration & operation	Class of share	Proportion held	Nature of business	Note
Oxford Cambridge and RSA Examinations	England	Member	100%	Examination & assessment services	1
The West Midlands Examinations Board	England	Member	100%	Examination services	2
Sandonian Properties Limited	England	Ordinary	100%	Property Holding	4
Cambridge Assessment Overseas Limited	England	Ordinary	100%	Overseas office services	4
OCIAS Limited	England	Ordinary	100%	Overseas office services	4
Fundacion UCLES	Spain	Member	100%	Overseas office services	5
Cambridge Assessment	England	Member	100%	Dormant	3
CUAPTS Limited	Hong Kong	Ordinary	100%	Dormant	4
Mill Wharf Limited	England	Ordinary	100%	Dormant	4
OCR Nationals	England	Member	100%	Dormant	3
Progress House Printers Limited	England	Ordinary	100%	Dormant	4
Quick Placement Tests Limited	England	Ordinary	100%	Dormant	4
RSA Examinations Board	England	Member	100%	Dormant	1
World Class Tests Limited	England	Ordinary	100%	Dormant	4

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

Joint Ventures:

IELTS Inc	US	Member	33%	Examination services	6
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Note

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

CAMBRIDGE ASSESSMENT
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2009

9. ENDOWMENT ASSETS

	Group		Cambridge Assessment	
	2009 £m	2008 £m	2009 £m	2008 £m
At 1 August 2008	7.6	12.3	7.6	12.3
(Decrease) in market value of University Endowment Fund units	(0.3)	(1.0)	(0.3)	(1.0)
Disposal of assets to support expenditure	(3.4)	(3.7)	(3.4)	(3.7)
At 31 July 2009	<u>3.9</u>	<u>7.6</u>	<u>3.9</u>	<u>7.6</u>
Represented by:				
University Endowment Fund units	2.8	8.6	2.8	8.6
Short term deposits/ (Bank overdraft)	1.1	(1.0)	1.1	(1.0)
	<u>3.9</u>	<u>7.6</u>	<u>3.9</u>	<u>7.6</u>

10. DEBTORS

	Group		Cambridge Assessment	
	2009 £m	2008 £m	2009 £m	2008 £m
Trade debtors	40.3	35.9	35.4	30.0
Amounts owed by Group undertakings	-	-	-	0.2
Other debtors	0.4	1.1	0.3	0.3
Prepayments and accrued income	12.8	11.5	9.0	8.1
	<u>53.5</u>	<u>48.5</u>	<u>44.7</u>	<u>38.6</u>

**CAMBRIDGE ASSESSMENT
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2009**

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Cambridge Assessment	
	2009 £m	2008 £m	2009 £m	2008 £m
Bank overdraft	-	-	-	6.3
Trade creditors	6.2	4.6	3.8	2.9
Amounts due to Group undertakings	-	-	-	-
Other taxes and social security	5.8	5.4	1.9	1.7
Other creditors	0.6	0.8	0.4	0.4
Accruals and deferred income (see below)	56.7	49.5	37.6	37.1
	<u>69.3</u>	<u>60.3</u>	<u>43.7</u>	<u>48.4</u>

Deferred income is analysed as:

At 1 August 2008	22.6	18.5	18.7	15.6
Deferred in current year	23.9	22.0	19.5	18.7
Released from previous year	(20.8)	(17.9)	(18.1)	(15.6)
At 31 July 2009	<u>25.7</u>	<u>22.6</u>	<u>20.1</u>	<u>18.7</u>

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

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

	Group		Cambridge Assessment	
	2009 £m	2008 £m	2009 £m	2008 £m
Loan from OCR	-	-	-	10.5
Loan from CUAPTS	-	-	0.1	0.1
	<u>-</u>	<u>-</u>	<u>0.1</u>	<u>10.6</u>

The loan from OCR was repaid during the year. The loan from CUAPTS is unsecured and has no fixed repayment date. No interest was charged on either loan in the year to 31 July 2009 (2008: nil).

13. PROVISIONS FOR LIABILITIES AND CHARGES

GROUP

	Staffing £m	Other £m	Total £m
At 1 August 2008	0.3	1.4	1.7
Charges in the year	0.1	0.1	0.2
Utilised in the year	-	(1.3)	(1.3)
Released during the year	(0.2)	-	(0.2)
At 31 July 2009	<u>0.2</u>	<u>0.2</u>	<u>0.4</u>

CAMBRIDGE ASSESSMENT
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2009

13. PROVISIONS FOR LIABILITIES AND CHARGES (continued)

CAMBRIDGE ASSESSMENT

	Staffing £m	Other £m	Total £m
At 1 August 2008	0.2	1.4	1.6
Charges in the year	0.1	0.1	0.2
Utilised in the year	-	(1.3)	(1.3)
Released during the year	(0.1)	-	(0.1)
At 31 July 2009	<u>0.2</u>	<u>0.2</u>	<u>0.4</u>

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

14. RESTRICTED EXPENDABLE ENDOWMENTS

GROUP and CAMBRIDGE ASSESSMENT

	2009 £m	2008 £m
At 1 August 2008	7.6	12.3
Income receivable from endowment asset investments	0.2	0.5
Expenditure	<u>(4.6)</u>	<u>(5.1)</u>
	(4.4)	(4.6)
Transfer from TWMEB reserves	1.0	0.9
(Decrease) in market value of investments	(0.3)	(1.0)
At 31 July 2009	<u>3.9</u>	<u>7.6</u>
Representing		
WMEB Fund	3.8	7.5
Scholarship Funds	0.1	0.1
	<u>3.9</u>	<u>7.6</u>

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

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

CAMBRIDGE ASSESSMENT
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2009

15. RESERVES

GROUP

	General reserves £m	Revaluation reserve £m	Investment property revaluation reserve £m	Total excluding pension reserve £m	Pension reserve £m	Total £m
At 1 August 2008	167.4	15.2	0.3	182.9	-	182.9
Surplus retained for the year	41.4	-	-	41.4	-	41.4
Decrease in market value of investments	-	(1.5)	(0.2)	(1.7)	-	(1.7)
Transfer to University	(24.4)	-	-	(24.4)	-	(24.4)
Other transfers	(1.0)	-	-	(1.0)	-	(1.0)
Realisation of previous years revaluation gains	12.1	(12.1)	-	-	-	-
Actuarial loss	-	-	-	-	(0.6)	(0.6)
At 31 July 2009	<u>195.5</u>	<u>1.6</u>	<u>0.1</u>	<u>197.2</u>	<u>(0.6)</u>	<u>196.6</u>

CAMBRIDGE ASSESSMENT

	General reserves £m	Revaluation reserve £m	Investment property revaluation reserve £m	Total £m
At 1 August 2008	114.0	14.9	0.3	129.2
Surplus retained for the year	25.6	-	-	25.6
Decrease in market value of investments	-	(2.8)	(0.2)	(3.0)
Transfer to University	(19.7)	-	-	(19.7)
Realisation of previous years revaluation gains	12.1	(12.1)	-	-
At 31 July 2009	<u>132.0</u>	<u>-</u>	<u>0.1</u>	<u>132.1</u>

CAMBRIDGE ASSESSMENT
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2009

16. NOTES TO CONSOLIDATED CASHFLOW STATEMENT

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

	2009 £m	2008 £m
Surplus on continuing operations before tax	39.7	36.9
Endowment and investment income	(4.4)	(5.2)
Depreciation of tangible fixed assets	7.9	5.8
Adjustment for revaluation	1.9	-
Movements in provisions	-	(0.2)
Increase in creditors	7.7	2.4
(Increase) in debtors	(5.3)	(7.3)
Pension costs (FRS17)	-	(2.0)
Net cash inflow from operating activities	<u>47.5</u>	<u>30.4</u>

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

	2009 £m	2008 £m
(Decrease) in cash in the year	(0.6)	(2.3)
Net cash inflow from short term deposits	<u>3.3</u>	<u>2.2</u>
Change in net funds resulting from cashflows	2.7	(0.1)
Net funds at 1 August 2008	51.5	51.6
Net funds at 31 July 2009	<u>54.2</u>	<u>51.5</u>

c. Analysis of change in net funds

	At 1 August 2008 £m	Cash flows £m	At 31 July 2009 £m
Cash at bank and in hand	1.2	(0.6)	0.6
Short term deposits	50.3	3.3	53.6
Total	<u>51.5</u>	<u>2.7</u>	<u>54.2</u>

The short term deposits above include £1.1m (2008: (£1.0m)) held as endowment assets.

**CAMBRIDGE ASSESSMENT
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2009**

17. PENSION COSTS

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

The CPS and USS schemes are not closed, nor is the age profile of their active membership rising significantly. The RSAEB scheme is a closed scheme which has 9 (2008: 11) active members. The rates of contribution payable are determined by the trustees on the advice of the actuaries.

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

USS and CPS	USS	CPS
Latest actuarial valuations	Mar 2008	Jul 2006
Investment returns per annum	4.4%	6.9%
Salary scale increases per annum	4.3%	4.5%
Pension increases per annum	3.3%	3.0%
Market value of assets at date of last valuation	£28,842m	£276m
Funding level	103%	97%
Employer's contribution rate	14%*	19.7%

The results of the July 2009 actuarial valuation of the CPS scheme are not yet available. Full details of the CPS scheme can be obtained from the University of Cambridge (see note 20).

* Increasing to 16% with effect from 1 October 2009.

RSAEB pension scheme

The latest full actuarial valuation of the scheme, as at 31 July 2007, showed a funding deficit of £1.8m. The employers made a single payment to fund the deficit in July 2008 as a consequence of which no further deficit funding payments were required in the year ended 31 July 2009.

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

The results of the actuarial valuation have been updated to 31 July 2009 by a qualified independent actuary in accordance with the requirements of FRS 17.

The major assumptions used by the actuary were:

	At 31 July 2009	At 31 July 2008
Discount rate	6.3%	6.3%
Retail price inflation	3.4%	3.6%
Salary increase rate	5.4%	5.6%
Pensions increases (at Limited Price Indexation)	3.6%	3.8%
Deferred pension revaluation	3.4%	3.6%

At 31 July 2009 the mortality assumption followed the standard table known as PA92 with medium cohort mortality improvements subject to a 1% minimum to the annual improvements. The mortality assumptions used at the previous year end followed the PA92 table with medium cohort mortality improvements.

Life expectancy in years, assuming retirement at 65:

Male aged 65 now	22.6	22.0
At 65 for male aged 45 now	24.6	23.1
Female aged 65 now	25.9	24.9
At 65 for a female aged 45 now	28.0	25.9

**CAMBRIDGE ASSESSMENT
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2009**

17. PENSION COSTS (continued)

	At 1 Aug 2008	At 1 Aug 2007
Expected return on assets at beginning of year:		
Equities	7.9%	8.1%
Bonds	5.4%	5.4%
Other	5.0%	5.8%

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

Analysis of amounts recognised in the balance sheet

	2009 £m	2008 £m
Fair value of scheme assets	7.0	7.5
Value of funded obligations	<u>(7.6)</u>	<u>(7.5)</u>
	<u>(0.6)</u>	<u>-</u>

Analysis of amounts recognised in the Income and Expenditure account

	2009 £m	2008 £m
Current service cost	0.2	0.2
Interest on obligation	0.4	0.4
Expected return on assets	<u>(0.5)</u>	<u>(0.4)</u>
	<u>0.1</u>	<u>0.2</u>
Actual return on assets	(0.3)	(0.2)

Amounts recognised in the statement of total recognised gains and losses

	2009 £m	2008 £m
Actual return less expected return on pension scheme assets	(0.8)	(0.6)
Experience gains on the liabilities	-	0.1
Change in assumptions	(0.1)	0.2
Adjustment for 2008 Surplus not recoverable	0.3	(0.3)
Actuarial loss	<u>(0.6)</u>	<u>(0.6)</u>

Analysis of change in the defined benefit obligation

	2009 £m	2008 £m
Opening defined benefit obligation	7.5	7.2
Current service cost	0.2	0.2
Interest on obligation	0.4	0.4
Actuarial (gains)	(0.2)	-
Benefits paid	<u>(0.3)</u>	<u>(0.3)</u>
	<u>7.6</u>	<u>7.5</u>

**CAMBRIDGE ASSESSMENT
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2009**

17. PENSION COSTS (continued)

Analysis of change in the fair value of scheme assets

	2009 £m	2008 £m
Opening fair value of scheme assets	7.5	5.8
Expected return on assets	0.5	0.4
Actuarial (losses)	(0.8)	(0.6)
Contributions	0.1	2.2
Benefits paid	(0.3)	(0.3)
	<u>7.0</u>	<u>7.5</u>

The Group expects to contribute £0.19m to this defined benefit pension scheme in the year to 31 July 2010.

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

	Assets at 31 July 2009	Assets at 31 July 2008
Equities	50%	37%
Bonds	48%	37%
Other	2%	26%

Amounts for the current and previous four periods:

	31 July 2009 £m	31 July 2008 £m	31 July 2007 £m	30 Sept 2006 £m	30 Sept 2005 £m
Defined benefit obligation	(7.6)	(7.5)	(7.2)	(7.6)	(7.4)
Scheme assets	7.0	7.5	5.8	5.5	5.5
(Deficit)	<u>(0.6)</u>	<u>-</u>	<u>(1.4)</u>	<u>(2.1)</u>	<u>(1.9)</u>
Experience adjustments on scheme liabilities	-	0.1	-	(0.1)	(0.1)
Experience adjustments on scheme assets	(0.8)	(0.6)	(0.1)	0.1	0.6

Total Group pension cost for the Year

	2009 £m	2008 £m
USS	4.3	3.3
CPS	3.4	2.7
RSAEB	0.2	0.2
	<u>7.9</u>	<u>6.2</u>

**CAMBRIDGE ASSESSMENT
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2009**

18. OPERATING LEASES

At 31 July 2009 the Group had annual commitments under non-cancellable operating leases as follows:

	Group		Cambridge Assessment	
	2009 £m	2008 £m	2009 £m	2008 £m
Amounts payable under operating leases which fall due in the next financial year:				
Land and buildings, commitments expiring:				
In 1 year	-	-	-	-
Between 2 & 5 years	0.1	0.1	0.3	0.3
After 5 years	0.4	0.4	0.3	0.3
Plant, machinery and equipment, commitments expiring:				
In 1 year	0.1	0.2	0.1	0.1
Between 2 & 5 years	0.3	0.2	0.2	0.1
	<u>0.9</u>	<u>0.9</u>	<u>0.9</u>	<u>0.8</u>

19. FORWARD CURRENCY CONTRACTS

As at 31 July 2009 the Group had forward exchange contracts for the sale of €15.8m (2008: € 16.8m).

20. CAPITAL COMMITMENTS

There were £2.2m (2008: £1.1m) capital commitments for Cambridge assessment and the Group as at 31 July 2009 in respect of property, machinery and equipment and computer software.

21. CONTINGENT LIABILITIES

There were no (2008: £nil) contingent liabilities as at 31 July 2009.

22. RELATED PARTY TRANSACTIONS

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

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

Transactions with Cambridge University Press ("CUP") and its subsidiaries, another Syndicate of the University of Cambridge were as follows:- purchase of printing services £3.1m (2008: £10.5m), purchase of other services £0.45m (2008: £0.28m), receipt of royalties £0.52m (2008: £0.39m), sale of services £0.27m (2008: £0.26m). At 31 July 2009 a balance of £0.07m (2008: £0.76m) was due to CUP and its subsidiaries.

**CAMBRIDGE ASSESSMENT
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2009**

22. RELATED PARTY TRANSACTIONS (continued)

The total transfer to the University of Cambridge in respect of 2009 was £24.4m (2008: £12.4m). The balance due at 31 July was £12.4m (2008: total £11.1m).

The group paid £0.42m (2008: £0.44m) to the University in respect of rentals and other services. Examination fees of £0.04m (2008: £0.04m) were charged to the University. At 31 July 2009 £0.05m (2008: £0.06m) was due to the University in respect of these transactions.

A total of £0.95m (2008: £0.95m) was payable to Colleges of the University in respect of venue hire and scholarships. Property rental of £0.06m (2008: £0.06m) was receivable from Downing College and sundry income of £6,370 (2008: £2,402) in total was received from seventeen (2008: twelve) colleges. At 31 July 2009 £0.22m (2008: £0.22m) was owed to Colleges.

£0.07m (2008: £0.07m) was paid to the Cambridge Overseas Trust in respect of scholarships.

£nil (2008: £6,000) was paid to Syndics in respect of consultancy services, £1,393 (2008: £1,631) to one Syndic in respect of examination services; no other remuneration was paid to Syndics or to any connected persons (2008: £nil). Total travel expenses of £1,767 (2008: £2,253) were payable to 5 (2008: 7) Syndics. At 31 July 2009, £121 was owed to 2 (2008: nil) trustees.

23. ULTIMATE PARENT UNDERTAKING

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