



CAMBRIDGE ASSESSMENT

Cambridge Assessment Group

Annual Report and Accounts, 2012-2013

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Cambridge Assessment

Annual Report, 2012/2013

This is the one hundred and fifty-fifth Annual Report of Cambridge Assessment to the Council of the University of Cambridge. It covers the events of the year to 31 July 2013.

Introduction

It has been a busy year for the Cambridge Assessment Group. We have maintained strong international growth and overseen continued high levels of investment in our technological infrastructure.

Our strategic change programme, Project Threshold, has now moved into delivery phase. Threshold, which is designed to deliver business transformation through the replacement of legacy technology and processes with a common set of up-to-date software solutions, is making significant progress. IT is a crucial part of our Group infrastructure and it is right that we continue to invest heavily in it.

The year also saw an important development in the growth of the Group as we decided to proceed with proposals to develop a new purpose-built HQ on a site in Cambridge known as the Triangle which is owned currently by Cambridge University Press. It is an opportunity for the Group to bring together under one roof staff that are located in several offices around the city and, subject to planning permission, it is scheduled for completion in 2018. The proposals also reflect our continuing high levels of international growth and our confidence in the future.

In April we welcomed Michael O'Sullivan as the new Chief Executive for Cambridge International Examinations. Michael has long and varied experience both in the UK and Asia, a background with the British Council, and was formerly the Director of the Cambridge Commonwealth, European and International Trust. He joins at an important time for our international exam board as it embraces new opportunities for international growth. We are delighted to have him on board.

In the UK the past year saw a continuing rapid rate of qualification reform. In February the British Secretary of State for Education made a statement in the House of Commons outlining proposed reforms to GCSEs in which he acknowledged that his original proposal for a single exam board for each subject - the English Baccalaureate Certificate - was a "bridge too far".

The announcement means that there is still a large GCSE reform programme in place in which we will continue to play a full role, prepared, as always, to deliver research-led, rigorous and fair qualifications.

The year also saw the UK government announce its intention to reform A Levels in England, with a more influential role for higher education in particular. Our UK exam board has been an active participant in the discussions that followed and is fully committed to developing new A Levels that prepare students for university study and engage and enthuse students and teachers alike.

In the UK, the year also saw a High Court challenge to GCSE English results from the 2012 summer session. Our UK exam board was not directly involved but named as an interested party. The ruling found in favour of the England regulator and the exam boards and demonstrated an important principle: exam results should not be decided in court rooms.

There was growing recognition both at home and abroad of the value of a vocational and technical education. Our Group Director of Assessment Research and Development, Tim Oates, wrote a major paper in January which said there was no ‘magic bullet’ such as new qualifications, but instead called for “sophisticated, diverse, balanced and coherent policy, using insights from research”.

Meanwhile our UK exam board continues to innovate in this area, drawing on its RSA heritage. In May 2013 it launched a pilot traineeship project, the first by an awarding body, designed to help young people in areas of high unemployment in the UK gain the skills and experience needed to secure places on apprenticeships or find sustainable employment. Nearly all of the trainees were offered employment or places on apprenticeships or FE courses.

Finally, it has been an important year historically for our English language exam board. Cambridge English Language Assessment has been celebrating its centenary with a series of events at home and abroad. The story began in 1913 when three candidates sat down to a 12-hour English proficiency test. Now four million candidates the world over take Cambridge English exams. Testament indeed to the quality and calibre of our assessments, and a tribute to the Group’s position as an organisation recognised and respected the world over.

Achievements and Performance

Authority on Assessment

In the past year we saw a continuing rapid rate of qualification reform in the UK. Proposals for English Baccalaurate Certificates were abandoned in February after the UK Secretary of State for Education, Michael Gove, acknowledged they were “one reform too many”. The proposal for a single exam board for each subject was also abandoned. Instead the UK government said it would concentrate on reforming existing GCSEs.

Consultations followed on the content and structure of GCSEs in England, and our UK exam board responded extensively, drawing on its wealth of expertise and experience. We are active participants in the ongoing discussions with key stakeholders about new GCSEs and fully committed to the task of developing new qualifications that prepare students for university study, and engage and enthuse aspiring students and teachers alike.

We also offered our expertise and shared our experience in response to a great number of consultations over the past year, including A Level reform, apprenticeships, GCSE English, the National Curriculum review and 16-19 vocational reform.

We also helped advise the UK Government on its International Education Strategy, which was published in July. Having exported high quality academic and English language qualifications for the last 130 years the Group can draw on significant experience and expertise. We welcome the long term vision and look forward to working with the Government as it seeks to support exporters of education products and services.

As further testament to the Group’s expertise, our Director of Assessment Research and Development, Tim Oates, continued to act as an adviser to the National Curriculum Review and as a member of the Review’s Advisory Committee. He also presented an overview and critique of the Qualifications and Credit Framework in England to the board of the regulator for England, Ofqual.

In a major paper published in April, Mr Oates called for GCSE results to be reported on a

numerical scale score rather than using the existing A-G grade scale. In a separate paper on tiering at GCSE in England he also called for the introduction of a Level 1/Level 2 model like that used in Singapore, with no 'cap on aspiration'.

It has been a busy year on the regulatory front. Following the confirmation of a number of grade changes as a result of the discovery of clerical errors made in 2011, Ofqual issued our UK exam board, OCR, with a Direction in September 2012. In response, OCR formed an action group to address and manage the issues raised in the Direction, which was formally lifted in March 2013. That work has now been completed, but the group will continue to meet regularly to ensure that OCR is able to operate at the very best and highest level within regulatory requirements.

As experts in assessment and a body independent of government, the Group continues to seek to influence debate on education strategy and policy.

The Group attended both the Conservative and the Labour Party conferences in autumn 2012, which provided us with an important platform to discuss educational issues with policy makers. We held fringe debates entitled 'How do we get value for money out of a world class education system?' and 'The future of GCSEs: another day, another solution'. Both events saw lively and frank debates about the current and future educational landscape.

Over the past year we held two well-attended events: '*Teaching and assessing 21st century skills*' and '*It doesn't add up: what's wrong with maths?*'. At the first, a panel of experts debated the idea that 21st century skills might not actually be that new, and it was agreed that it was ever more important that all - and not just a privileged few - possessed such skills. The second debate considered how to construct a better maths curriculum for England. The panel agreed that every child can succeed at maths, but action is needed now to make that vision a reality.

October 2012 saw the Group's sixth biennial conference, which had the title Examining risk: deeper analysis of the pressures on assessment in England. Keynote speakers included Cambridge International Examinations' Isabel Nisbet, and Glenys Stacey, Chief Executive of the exams regulator for England, who warned about the pace of change in England's exam system.

We also held timely roundtables on GCSE reform which provided an opportunity for teachers, businesses, students and parents to discuss and put forward their views on the future of GCSEs. Our final report was submitted to Government and published in the autumn. We hope the findings enabled policy makers to make valid and informed choices based on sound evidence.

In June, Cambridge English Language Assessment hosted the Cambridge Global Schools Forum, which brought together education ministries, policy makers and education professionals from all over the world to discuss case studies on language learning in the compulsory education sector. This event is part of a thought leadership programme which will help to position our English language exam board as the world's leading name in language teaching, learning and assessment.

In April we welcomed Michael O'Sullivan as the new Chief Executive for Cambridge International Examinations. Michael took over the role from Ann Puntis who stepped down after eight years in the post.

A fluent Mandarin speaker, Michael has long and varied experience both in the UK and Asia, and spent a significant part of his career with the British Council, most recently as Director, China.

In 2013 we celebrated an important milestone in the 100 year anniversary of Cambridge English exams. To coincide with the development, the exam board also changed its name to Cambridge English Language Assessment.

The Cambridge English story began in 1913 when three candidates in the UK took the first exam, which lasted for more than 12 hours and included translation, dictation and phonetic transcription. Now Cambridge English exams are taken by more than four million candidates around the world and they focus on the real-life communication skills candidates need for success in their studies, the workplace or the global society. A series of events have now been held to mark the centenary around the world.

Michael Milanovic, Cambridge English Language Assessment's Chief Executive, co-authored a new illustrated history of Cambridge English exams, from its humble beginnings to the current day. *Cambridge English Exams – the first hundred years* charts how important independent research is to the exam board's decision-making.

The Cambridge English Global Network programme was launched in July with the largest-ever conference for the organisation's managers around the world. The programme will radically change the way the organisation works by establishing hub offices in key countries and regions around the world, each headed by a Regional Director supported by specialist heads of Assessment, Network Services, Marketing and Business Development. The objective is to make Cambridge English much more responsive to local requirements while at the same time ensuring consistency of standards and processes worldwide.

In May 2013, our international exam board entered into a ground-breaking collaboration with the fourth largest school district in the US, Miami-Dade County Public Schools. Over the next three years, Cambridge programmes and qualifications will be rolled out in 70 schools in Miami-Dade County, Florida, including Cambridge Primary in elementary schools, Cambridge Secondary 1 in middle schools, and Cambridge IGCSE and the Cambridge AICE Diploma in senior high schools.

In the United States, 32 schools are piloting Cambridge programmes as part of the NCEE Excellence for All programme, an increase from 16 in 2012.

The US Higher Education Advisory Council (HEAC) is now in its fifth year. It meets twice per year and currently has 12 members (Columbia, Duke, Florida State, Maryland, Michigan, MIT, Penn State, Texas, University of Southern California, Virginia, Washington and Yale). The group continues to support our research programme of impact and predictive validity studies. The group is influential and the Cambridge profile is becoming better known thanks to an increasing number of presentations being accepted at key US conferences with HEAC members as panel members. This group will be key in developing our international exam board's work in the USA.

A Cambridge English test was used to assess the English of over 200,000 students in Chile to provide a comprehensive picture of the language skills of students in their final year of compulsory education throughout the country. The results were published in April 2013 and the test will be repeated in 2014 to measure progress in the country's ambitious programme to improve English teaching and learning in schools.

In March, our English language exam board and Australian further education provider Box Hill established a joint venture to develop and administer the Occupational English Test (OET), a long-established test for medical professionals which is widely recognised in Australia, New Zealand and Singapore. The joint venture will allow the test to benefit from Cambridge's quality management and customer services systems and OET will be made

available by Cambridge English's global centre network.

In October our English language exam board held a major event in the European Parliament to encourage greater focus on language learning in European Union education strategy. For the past five years we have been working with MEPs in the European Parliament's Culture Committee and the European Commission's Directorate General for Education, Culture and Sport to focus attention on EU language policy. During this year, we provided advice on prioritising language learning, which was adopted as part of the Parliament's response to the EU 'Rethinking Education' strategy.

May saw two important adoptions for the Cambridge English exams, which are now formally recognised by over 14,000 universities, employers, government agencies and other organisations around the world. The Brazilian Ministry of Education recognised Cambridge English: Advanced exams as part of its 'Science without borders' programme which provides grants for Brazilian science students to study at leading universities in other countries. IELTS is also recognised for this important initiative to strengthen the country's economic future. In the same month, Turkey's largest university, Anadolu University, announced adoption of the Cambridge Teaching Knowledge Test.

In the same month it was announced that over two million candidates had taken IELTS in the last 12 months, following several years of sustained growth for this world-leading test for higher education and immigration.

The first Europe-wide quality auditing system for language exams, the ALTE Q-mark, was launched at the beginning of October, developed largely by researchers from Cambridge English Language Assessment. All of the Cambridge English exams submitted for audit successfully obtained this prestigious accreditation.

Recognition of the Cambridge English: Advanced exams in Australia continued to grow in the past year. The University of Sydney and the University of Adelaide joined an increasing number of top universities in saying they would recognise the exam as proof of language ability. An increasing number of universities in Finland are also using the qualification, which is important as Finland is increasingly becoming a top destination for English medium degrees.

Our International Study Programme proved to be yet another success, bringing together assessment experts from around the world to share best practice in public examinations development and administration. This year the course welcomed delegates from 13 countries including Oman, Kazakhstan and Portugal. Launched in 2006, the two-week programme provides a comprehensive insight into the development and delivery of public examinations for a multi-national audience. The course draws on the strength and depth of expertise of staff from across the Group, each speaker bringing a specialist understanding of their field with sessions on item writing and test construction, mark scheme development and e-assessment proving particularly popular.

We developed a bespoke blended learning course in assessment and education for the Netherlands' Institute for Curriculum Development. The course, attended by 30 delegates, focused on the principles of assessment and how they can be applied in the contexts of schools and the curriculum. The delegates were particularly keen on the topics of reliability and validity as well as exploring the distinction between standardisation and moderation which they believe will have the greatest influence on their future work.

Our annual Cambridge Teachers Conference continued to be popular. Nearly 200 teachers from 40 countries gathered in Cambridge to engage in high-quality discussion, compare experiences and develop their skills and practice. This year's theme was *'Confident learners,*

confident teachers: new ways of looking at leadership', and delegates challenged the idea that the school principal is the sole agent of change.

The Group demonstrated how its exam boards effectively use and deploy modern technology when it attended the 2013 BETT show, one of the largest education technology exhibitions in the world. It gave our UK exam board the chance to demonstrate the suite of teaching and learning resources it has developed to map Raspberry Pi - the new credit card-sized computer for schools - to the curriculum.

Developments in Technology

Millions of exam papers are marked online every year and technology plays a key role in examination administrative processes. Computer-based testing (CBT) is also growing rapidly, providing benefits to students, learners and those involved in the administration of assessment.

We continue to invest heavily in new IT infrastructure, recognising that modern technology is at the heart of everything we do.

The year saw the introduction of a programme focused on ensuring the quality of our applications and IT management processes. Under the Process Excellence programme our applications are proactively monitored to prevent service failure.

A new test facility has been created so that our IT testing teams can use different browsers and operating systems to simulate the real-life experience of schools and colleges. The programme will continue into 2013-14 with an ambitious schedule of work that is being agreed with the management team.

Our technology teams are also providing real value to the organisation by capacity planning, predicting times of high demand, giving staff at our exams warehouse (DC10) a real understanding of what is going to be coming through the door.

A new e-learning platform is being developed by Cambridge International Examinations to support teaching and learning of its Global Perspectives qualifications. The first of its kind within the Group, the platform enables teachers and learners to share resources and store research securely. The cross-curricular Global Perspectives qualifications develop critical thinking and research skills by asking learners to explore issues from different viewpoints. Initially the new platform has supported IGCSE and use is high, with 35% of the entire cohort accessing it at its peak. General feedback is that both teachers and learners found the platform motivating, and that it made it easy to collaborate with other schools.

The increasing use of on-screen marking technology for both paper and computer-based assessments has made it possible to introduce significant improvements. It brings the ability to monitor the quality of marking of each examiner against a set of common, 'definitively' marked scripts on an on-going basis. It also means scripts can be randomly and anonymously allocated and more detailed evidence is available of any 'aberrant' marking, with the ability to allocate re-marking immediately without the need to despatch paper scripts.

Our UK exam board remains committed to its target of marking 100 per cent of long-essay style answers online by 2014. On-screen marking brings with it many benefits and will help to reduce opportunities for human error. It increases the visibility of the whole marking process, allowing much closer monitoring and improving the quality of marking.

We are increasingly developing the use of Electronic Return of Marks, a system under which

examiners return marks electronically for scripts which have been marked on paper. Using ERM improves the accuracy of the recording of marks, reduces the time between examiners completing their marking and the marks being loaded onto the marks database, and reduces the chances of marks being delayed in the post.

In September 2012 we signed an agreement to enhance computer-based testing in China and elsewhere. Entries for Cambridge English computer-based testing have increased rapidly over the last few years and the series of agreements with Chinese computer-based testing specialists ATA will provide an increasingly sophisticated system for delivering these tests, both in China and more widely.

March 2013 saw a group of children from Hong Kong sit the first ever computer-based Cambridge English: Young Learners test. It uses the latest computer-based technology to measure English language skills in listening, reading, writing and even speaking.

Our international exam board has been investigating the use of online tools for recording, marking and moderating oral examinations, with positive results and feedback. Participating teachers and examiners said they found the system easy to use, and that it significantly reduced administration times.

Two new services to support the professional development of teachers and examiners were launched by our international exam board in the period covered by this report. A new online events booking system streamlines the process for delegates interested in attending either face-to-face or online events, and supports online payment. New video web conferences were also launched, which allow events to be more easily accessed by delegates across the world, and provide archived recordings for those unable to attend.

In line with other UK awarding bodies, our international exam board rolled out support for the Yellow Label traceable script collection service in the UK from the June 2013 series onwards. The developments made to its systems allow it to offer schools the same level of script return service for accredited IGCSEs as other UK awarding bodies offer for GCSE.

Our English language exam board continues to pioneer online learning initiatives. This year it launched its first online game, Academy Island, and this was followed by the launch of the Monkey Puzzles game designed to help children around the world practise their reading skills when learning English.

In October 2012 our English language exam board also launched a safe, cost-free resource that allows schools around the world to exchange virtual postcards in English. Cambridge English Pen Friends was quickly adopted by hundreds of schools in more than 40 countries.

The year also saw the strategic design and re-launch of the Group's websites. Inspired by the best and most modern designs, they are intended to be easier to use for students, teachers and stakeholders around the world. They feature a fresh, new, modern look with improved navigation and quick access to key materials.

Building on the increased use of social media by students, parents and guardians, teachers and news agencies, OCR added to its results day support in 2012 by successfully implementing a pre-planned digital engagement strategy through Twitter, Facebook, LinkedIn and Storify.

Cambridge English Language Assessment announced the establishment of the Automated Language Teaching and Assessment (ALTA) institute, a joint programme with other departments of the University. Professor Ted Briscoe of the University's Computer Laboratory will be the director of the Institute. The ALTA Institute forms part of the

Cambridge Language Sciences Strategic Initiative and will provide a focus for the development of technological innovation in language teaching and learning.

Assessment Services

Our international exam board is collaborating with Cambridge University Press (CUP) and NRICH (a University of Cambridge project designed to enrich mathematical study) on a new web-based initiative called Cambridge Primary Maths, which provides new support for its primary maths curriculum based on a problem-solving approach. This was developed by researching the most effective pedagogies used in high-performing jurisdictions and contextualising these for learners.

The Cambridge Primary Maths website will link the Curriculum Framework for Primary Maths with CUP and NRICH resources. NRICH is tagging a selection of its own highly regarded online activities to the Cambridge Primary Maths Curriculum Framework. The first phase of the website is scheduled to go live in early 2014.

This year saw the UK government and the English exams regulator announce consultations on proposed changes to the content and structure of GCSEs taken by students in England. The new GCSEs would be taught in schools from September 2015 with first exams in summer 2017.

Current plans are for new GCSEs in English language, English literature and mathematics being ready for first teaching in September 2015, with new GCSEs in the sciences, history and geography, as well as languages, scheduled for first teaching in September 2016. Maths and English are the foundation of our education system, and we agree it makes sense to deal with these subjects first. Our UK exam board OCR continues to keep schools and colleges informed of developments.

Since the launch of OCR's pilot GCSE Computing qualification three years ago, the exam board has been at the forefront of development in this new and exciting area. In February the Secretary of State for Education in England announced that computer science would form part of the English Baccalaureate, one of the measures used in school league tables in England. It is one of just two such qualifications that will count in EBacc performance tables.

Over the past year, we have seen significant growth for Cambridge IGCSE in the UK, with exam entries more than doubling, rising from 52,000 in 2012 to 115,000 in 2013, and the number of schools offering it almost doubling.

We have seen a threefold rise in English language entries – 18,000 in 2012 rising to 63,000 in 2013 – and the number of schools rising from 394 to 1030. Science entries, while fewer in number than English language, have more than doubled from 4,000 to 9,000.

Around 10% of all UK students who sat exams for IGCSE or GCSE English Language in June 2013 took Cambridge IGCSE English Language. Five hundred additional examiners were recruited and inducted in the UK to mark the increased Cambridge IGCSE entry, particularly in respect of IGCSE English.

This year also saw the launch of Cambridge IGCSE World Literature, an innovative new qualification that encourages learners to explore literature from different countries and cultures.

And following a commitment to the Indonesian Ministry of Education, we have been developing a Cambridge IGCSE Bahasa Indonesia. The new qualification will focus on certificating students' language skills in Bahasa Indonesia, providing them with excellent

preparation for the next stage of their education and university, both in Indonesia and overseas.

The reform of A Levels in England progressed with government plans to bring in new A Levels to be taught in schools from September 2015. The focus is on reforming A Levels in 13 subject areas – ‘facilitating’ subjects (as defined by the Russell Group) such as English and the sciences and popular subjects such as business studies and psychology. One of the key proposals is that the AS becomes a stand-alone qualification, and no longer contributes to the final A Level grade.

The government has sought input from Higher Education into the subject content of new A Levels. Our UK exam board has been ideally placed to consult with academics and contribute to the debate on A Level reform, as it has nearly 200 representatives from a broad range of universities on its forums. In particular OCR took part in a post-session review with Cambridge University in August 2012, held a 'pop-up' forum in spring 2013 looking at post-16 maths for non-specialist users, and provided key evidence to Professor Mark E Smith's criteria review conducted in the summer of 2013.

Cambridge Pre-U is now well established in the UK admissions landscape and we continue to receive positive feedback from universities. Over 2000 Cambridge Pre-U students applied using UCAS to 155 different universities. In addition, significant numbers are gaining places in US universities - including the Ivy League - and making successful applications in other countries.

We have been redeveloping Cambridge Pre-U over the past year, in over twenty subjects, preparing for re-submission to the regulator for England, Ofqual. This work has entailed consulting widely with colleagues in higher education, examiners and schools. The rigour that Cambridge Pre-U provides is clearly valued by its loyal following of schools. The scale of the revision varies from subject to subject but we have kept to the vision of providing the best possible preparation for university.

Students who took the first Cambridge Pre-U exams in June 2010 graduated from university this year, marking a significant milestone for the qualification. They have commented how the qualification, with its emphasis on self-directed learning and critical thinking, helps close the gap between school and university so that students feel prepared when they arrive on campus.

In May 2013 our UK exam board launched a pilot traineeship project - the first by an awarding body - which was designed to help young people in areas of high unemployment in the UK gain the skills and experience needed to secure places on apprenticeships or find sustainable employment. The success of the project was celebrated at a special event in the UK Parliament which was attended by Skills Minister Matthew Hancock MP.

The pilot has enabled OCR to roll out its own ‘Cambridge Traineeships’, tried and tested by the experience. Of the 25 trainees, 12 were offered employment or places on apprenticeships. A further 12 started FE courses. One trainee was offered a job at an estate agency where he showed real promise by selling a house in his first week.

In September 2012 our UK exam board broadened its apprenticeship portfolio by offering its first Higher Apprenticeship, in Professional Services. More than forty employers were actively involved in the detailed design of the new Level 4 framework, which was developed to fit across all sectors and employers – not just specialist professional services firms. We believe it shows how apprenticeships are now able to offer young people a viable professional alternative to university education.

This year also saw the launch of OCR's Cambridge Progression qualifications in English and Maths, designed to fill the gap left by the ending of Basic and Key Skills. Available from Entry Level to Level 2, the qualifications focus on the fundamentals of adult learning in English and Maths and demonstrate a commitment to building respected qualifications in basic skills.

Work is also underway to extend the ladder of the Cambridge Technicals vocational range in order to meet the needs of those aged 19 or over. The Technicals range was originally intended for 16 to 19-year-olds, but from September 2013 will be rolled out for post-19 learners studying full or part-time.

We believe it is our role, as experts in assessment and as a body independent of government, to influence and offer advice on education policy and strategy around the world. In January 2013 Tim Oates, Cambridge Assessment's Director of Assessment Research and Development published a paper calling for an evidence-based analysis of vocational and technical education in Britain and Europe.

'Towards a new VET: Effective Vocational Education and Training' was written as part of a major collaborative project between Cambridge Assessment and UK think tank Policy Exchange.

January saw the launch of a partnership between our UK exam board and Google to distribute thousands of free credit card-sized computers. The Raspberry Pi, developed to inspire a generation of learners, went to thousands of schools, clubs and organisations around the UK.

It was also announced that the first ever online GCSE Computing course was to be developed as a result of a partnership between our UK exam board, the Raspberry Pi Foundation and Cambridge University Press. Cambridge GCSE Computing Online is based on the OCR qualification and will be made up of a series of 10 to 15-minute videos, written and presented by computing experts.

Through a focus on priority countries, our international exam board has beaten its target for registration of new schools. The 2012/13 target of 900 new schools was exceeded in March, driven by further growth in the UK. The outturn for the end of the financial year is approximately 1350 new schools, 500 of which will be outside the UK. The rate of increase in the number of new Cambridge International Schools registered has risen each year since 2009/10. Whilst the UK has seen the largest year-on-year increase, many other countries are contributing to overall growth.

In Kazakhstan, Cambridge International Examinations has developed and supported the implementation of a new curriculum for Grades 1–12. It is also developing and supporting the implementation of new external summative assessments in Grades 5, 10, 11 and 12, the implementation of a new system for on-going classroom-based assessment and a system for school evaluation. The Nazarbayev Intellectual Schools (NIS) has requested further extensions and growth of its collaborative programme into 2014 and beyond. Together with colleagues at the Faculty of Education of the University of Cambridge, we look forward to building on the work of nearly three years and continuing with support for the long-term goal of enhancing the wider education system in Kazakhstan.

Our international exam board's 2012 work with Mongolia was successfully completed in December and, since then, they have been working with the new government to determine the most valuable ways they can support their new policies. The Mongolian nation is undergoing significant change and has high aspirations for state education providing access to all. Initial work focuses on supporting curriculum and assessment development and school

and teacher evaluation and appraisal.

In Egypt, Cambridge International Examinations have been supporting Nile Egyptian Schools (NES) since 2009. The aim is to successfully develop and pilot a bespoke education system in a number of new state schools in Egypt. This system will be benchmarked to Egyptian and international standards. The continued turbulence in Egypt presented a challenging context and travel to and within Egypt has proven difficult for the project. Despite this, work has progressed very well in all key areas and we have worked hard with our partners in Egypt, particularly teachers and staff in schools, to find innovative ways of ensuring continuity of support. We have begun formal discussions regarding the nature and scope of a post-pilot relationship beyond 2015.

In Bahrain, our international exam board has completed handover of National Examinations at Grades 3, 6 and 9 to the Directorate of National Examinations (DNE) and will complete handover of Grade 12 assessments in 2014. The aim of the project was to drive improvements in the education system and provide information for monitoring of standards over time. The DNE is well established and they continue to look to Cambridge for support and training. We fully expect this to continue beyond 2014.

During this year Cambridge International Examinations were invited by the Government of Macedonia to contribute to their plans to enhance national provision for resources, standards and teaching and learning in mathematics and science. We expect to start on this in the latter half of 2013, working alongside Cambridge University Press and the Macedonian Bureau for Development of Education.

Our international exam board's strategy for Cambridge Professional Development, as an integrated framework of syllabus-focused, general, and accredited professional development, has been agreed and is being implemented. Teachers engaging with Cambridge programmes around the world will be able to access introductory, intermediate and advanced level courses relevant to their needs, whilst Cambridge schools will benefit from improved courses, resources and qualifications to support the professional development of their teachers.

Meanwhile our UK exam board continues to offer a popular series of Continued Professional Development. The 2012-13 programme included sessions in which history teachers were able to enhance knowledge and debate topical issues in their subject area. One teacher remarked how welcome it was to attend a course that focused on subject and "not just mark schemes".

Cambridge Assessment and its exam boards have a long record of involvement in Asia Pacific countries, in curriculum development and in the creation, design and operation of examinations. It works with over 2,000 schools in the region who offer Cambridge international qualifications and in partnership with governments, carrying out leading edge and operational research on assessment in education.

Cambridge International Examinations is seeing strong worldwide growth, and is stepping up expansion of its in-country teams. It established a new Singapore office, including more staff to support schools, universities and policymakers, and has plans to grow teams in other countries, including the US, India and China. The Singapore model of a main hub office will be followed in some cases; in others the regional team may be distributed across several locations. The benefit of this investment will be higher sustainable growth through enhanced ability to identify and respond to opportunities, and better support to existing schools and ministry partners.

As a not-for-profit body, our Group is committed to widening access to education and

maximising accessibility. Our UK exam board's Bursary Scheme continues to provide valued support to talented students from the West Midlands region. Ten awards were made this year of £3,000 a year to help support students during their undergraduate degrees at Cambridge University. One recipient moved to the UK from war-torn Somalia just over 10 years ago with no formal education.

OCR also continues to support the Helena Kennedy Foundation, which helps disadvantaged students from FE and adult education to transform their lives by providing financial support, mentoring, skills training and work placement opportunities. The Foundation awarded nearly 100 students with £1,500 bursaries towards their studies.

Our Best Young Speaker from Asia competition continues to reward talented language students from across Asia. This year's winner was awarded an MBA scholarship at the London School of Business Finance, one of the event's sponsors.

In Malaysia, a programme for the Council of Trust for the Indigenous Peoples (commonly abbreviated as MARA) is using Cambridge IGCSE to implement a bilingual dual-certification programme at secondary level. We are working with MARA to help integrate Cambridge programmes into the Malaysian curriculum and train teachers. We have an important relationship with MARA, a government agency which promotes educational and economic opportunity for Malays and other indigenous peoples, especially in rural areas.

In 2012, Cambridge International Examinations embarked on a localisation project with the Examinations Council of Lesotho (ECOL), building their capacity to produce their own qualification, the Lesotho GCSE (LGCSE), in place of the Cambridge O Levels which currently make up their School Certificate. The project spans four years of intensive training and consultancy and includes 20 syllabuses. In the first year, LGCSEs were developed in six subjects and in 2013 training and development started on seven more subjects. The LGCSE is benchmarked against the Cambridge IGCSE and will be quality controlled and accredited by Cambridge. This brings Lesotho in line with Cambridge's other partners in Southern Africa – Botswana, Namibia and Swaziland – whose qualifications are also accredited by Cambridge.

Continuous Improvement and Efficiency

Our strategic change programme, Project Threshold, has made significant progress and has now moved into delivery phase. Threshold is designed to deliver business transformation through the replacement of legacy technology and processes with a common set of the latest software solutions to support our core exam processing activities as well as central functions.

The foundation of this is SAP, the primary business application to manage the Group's operation and administrative activity. The past year saw the achievement of a key milestone as our finance and procurement processes were fully integrated into the SAP system. From December 2012 the processing of invoices and the raising of orders became fully embedded and fully automated. Now the focus shifts to preparing for the implementation of the SAP system in exam processing for the first time.

Staff training remains a key focus for Project Threshold, and some 600 staff across the Group received training in the new processes. As Threshold continues through its delivery phase, training will continue to be vital.

Importantly, the year saw the launch of our new Content Creation and Management System (CCMS). This demonstrates how the Group is moving to common tools and modernising its approach. A secure online environment for creating and reviewing content speeds up the

process, cuts down on paper use, and allows the Group to make better use of rich data.

Significant economies of scale have been achieved by the introduction of permanent shift teams at DC10, which deliver a responsive and flexible operation for our growing international customer base. The formation of a dedicated continuous-improvement team has ensured we get the best out of our Sitma machines which count, verify and securely bag exam papers. There has been a between 10 to 30 per cent uplift in output while still maintaining high standards of safety and accuracy. Now, to cater for growing demand, the Group has approved the investment in a third Sitma machine which is scheduled for delivery in late November 2013.

The importance of close collaboration was demonstrated in July when the Group Collations team and the Logistics team at DC10 collated and despatched more than 7,000 Raspberry Pi computers to schools throughout England, Wales and Northern Ireland. Working closely with their OCR colleagues, the teams assembled and despatched the credit card-sized computers and packages accurately and on time.

Work is also ongoing to achieve an internationally-recognised safety standard, OSHAS 18000, at our modern warehouse and distribution centre, DC10, and the aim is to achieve this in the next few months.

Our exam boards continue to work collaboratively. Cambridge International Examinations has been working with Nazarbayev Intellectual Schools (NIS) in Kazakhstan since 2011 to provide new curriculum documents, new assessments and wider support for their implementation underpinned with new pedagogical approaches. Cambridge International Examinations leads on the contract and provides subject specialist knowledge across a wide range of subjects and partners with Cambridge English to support the work on English. Representatives from the Cambridge University Faculty of Education are also involved as the Faculty is also a partner on this project.

Progress is being made on a pilot project in which Cambridge International Examinations and OCR are working together to develop a new version of the Mauritius Examination Syndicate's Higher School Certificate (HSC). The HSC Professional is intended to increase secondary retention post-16 by providing an employment-related course of studies including at least one of OCR's Cambridge Technical subjects alongside Cambridge AS and A Levels. The first stage of the pilot is now scheduled to begin in January 2015, with an initial pilot group of 250 students. Training of teachers is being planned for 2014, to ensure that Mauritian teachers can manage the new requirements for pedagogy and assessment in the HSC Professional.

The year saw an important development in the growth of the Group as we decided to proceed with proposals to develop a new purpose-built HQ on a site in Cambridge known as 'The Triangle'. It is an opportunity for the Group to bring together our several existing offices located around the city together under one roof and, subject to planning permission, it is scheduled for completion in 2018.

In the meantime, however, our international exam board is growing and its UK home at 72 Hills Road is proving too small. As a result, nearly a hundred staff will be relocated to 1 Hills Road towards the end of the year. This will have the benefits of making it less likely that further moves will be needed soon, and of creating space for better meeting room facilities at both buildings. The move to 1 Hills Road will also enable the design of better working environment for the Customer Services Team.

The year saw us conclude negotiations over energy contracts in which environmental priorities formed a key part of the agenda. Our main supplier is now providing us with green

energy from renewable sources.

We are undertaking a major programme of maintenance work at our offices at 1 Hills Road, replacing the roof, insulation and air conditioning. We anticipate this will enable us to make significant improvements in energy efficiency.

The introduction of Dry Mixed Recycling and the installation of energy efficient hand driers enabled us to remove general waste from all our sites. Cardboard and paper recycling is significant, running at an average of 16 tonnes per month of paper offcuts from our printing processes and an average of nearly five tonnes per month of cardboard. Work is now underway to introduce a new skip waste disposal process to ensure that none of our waste goes to landfill.

Energy efficient lighting was installed in a number of areas, allowing us to reduce our power consumption without impacting on the business. Energy management systems were installed at our offices in 9 Hills Road, also allowing us to reduce energy use.

Our annual Travel for Work survey was held and it showed once again that as a business we have a higher than average ratio of people cycling, walking or using public transport to get to work. This is testament to the commitment of staff and management to sustainable travel to work.

Support for Staff

We are committed to providing opportunities for learning, development and training to help everyone fulfill their potential through the acquisition and sharing of knowledge and skills. We seek to create a culture of continual professional development, from training through to mentoring, secondments and work attachments.

In particular we seek to develop and share our management skills. We have invested in our future managers with an Aspiring Managers programme designed to provide an insight into what being a manager means and an opportunity to learn and practise line management skills. In a testament to the value of the course, the majority of those who attended last year were either seconded or promoted.

This year for the first time we ran courses designed for people in more specialist roles who are keen to explore line management. The *Specialist to Manager* course enabled a number of employees to take the step up to management roles.

Staff also continue to make the most of the wealth of training and development opportunities on offer, with more than 2,000 training days held across the Group over this past year. The most popular courses included Time Management, Building Personal Confidence and Project Management.

In January we launched desktop training which enabled new and existing staff to access information about their role and the wider Group at their fingertips. The Training and Development Portal addresses a host of areas from learning and development through to performance and standards.

The capacity to adapt to change is vital in the world of education and our courses in this area proved particularly popular. The Leading and Managing Change course for managers and the Change and Me course for staff at all levels attracted a high degree of interest.

In addition to regular training events on assessment principles and practice, delivered by Cambridge Assessment Network, we continue to build the expertise of Cambridge

Assessment staff through bespoke training online and face-to-face events, ensuring staff remain in tune with the latest developments in assessment.

In 2013 we also welcomed a new Group HR Director. Liz Allan comes with a wealth of experience, and joined after seven years with Danaher Corporation. She replaces Sue Durham who retired in July after 12 years as Group HR Director.

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 £52.5 million for the financial year ended 31 July 2013 (2012: £61.7 million). Each of the three business streams recorded an overall surplus.

Income from examination fees and other educational and assessment services increased from £301.7 million to £317.7 million.

The overall costs for the year, before taxation and loss on asset disposals, were higher at £271.3 million than for the preceding year (£245.3 million). Expenditure is incurred in maintaining and developing qualifications, registration and certification of candidates, and the quality control of examined and assessed schemes. Expenditure has also been incurred on improvements and additions to systems, mainly relating to the Threshold programme.

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

The Group has £107.5 million in cash and short term deposits at the year end (£82.9 million at 31 July 2012). The deposits are invested by the University, mainly in its deposit pool, which is managed by the University Finance Division. The Group has £181.5 million invested in the Cambridge University Endowment Fund (£150.3 million at 31 July 2012), which is managed by the University's Investment Office with the advice and oversight of the Investment Board.

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

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

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

During the year £15.9 million was transferred to the University from reserves compared with £32.9 million for the previous year. In addition, the Group has given financial assistance on a smaller scale to support scholarships run by the Cambridge Overseas Trust and Cambridge Commonwealth Trust.

Since 1981 the Group has transferred £271.2 million from its reserves and investment income - £249 million to general University funds; £19 million to the Cambridge Commonwealth and Overseas Trusts; and £3.2 million to establish the Research Centre for English and Applied Linguistics.

Risk Management

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

a. Policies and Procedures

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

b. Risk Register

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

Signed:

Professor J Rallison (Chairman)

Mrs S Coutu

Mr E Elliott

Dr D Good

Professor J Gray

Ms D Hall

Dr J Keeler

Mr R Partington

Mr B Picking

Mr I Pryce

Mr A Reid

Dr N White

Mr P Williams

14 November 2013. Syndicate Buildings, 1 Hills Road, Cambridge, CB1 2EU

Auditors

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

Bankers

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

Appendix A: The Local Examinations Syndicate

Sir Christopher Hum (Chairman)	Master of Gonville and Caius College	Resigned 30.09.12
Professor John Rallison (Chairman)	Pro-Vice-Chancellor, University of Cambridge	From 01.10.12
Mrs Sherry Coutu	Investor and Independent Non-Executive Director	
Mr Edward Elliott	Head, The Perse School	
Dr David Good	Fellow of King's College	
Professor John Gray	Professor of Education in the Faculty of Education, University of Cambridge	
Ms Denise Hall	Director of Marketing and Sales, SpecialSteps	
Dr James Keeler	Senior Tutor, Selwyn College	
Mr David Mansfield	Headteacher, Coopers' Company & Coborn School	Resigned 30.04.12
Mr Richard Partington	Senior Tutor, Churchill College	
Mr Bruce Picking	Former Chairman of Governors of Havering College of Further and Higher Education	
Dr Kate Pretty	Principal of Homerton College	Retired 30.09.13
Mr Ian Pryce	Principal and Chief Executive, Bedford College	From 29.07.13
Mr Andrew Reid	Director of Finance, University of Cambridge	
Dr Nick White	Fellow and Director of Studies in Modern and Medieval Languages, Emmanuel College	
Mr P Williams	Former Finance Director of Daily Mail and General Trust plc	

Appendix B: The OCR Board

Mr Simon Lebus (Chairman)	Cambridge Assessment Group Chief Executive	
Mrs Sherry Coutu	Investor and Independent Non-Executive Director	
Mr Edward Elliott	Head, The Perse School	
Dr David Good	Fellow of King's College	
Professor John Gray	Professor of Education in the Faculty of Education, University of Cambridge	
Ms Denise Hall	Director of Marketing and Sales, SpecialSteps	
Sir Christopher Hum	Master of Gonville and Caius College	Resigned 30.09.12
Dr James Keeler	Senior Tutor, Selwyn College	
Mr David Mansfield	Headteacher, Coopers' Company & Coborn School	Resigned 30.04.12
Mr Richard Partington	Senior Tutor, Churchill College	
Mr Bruce Picking	Former Chairman of Governors of Havering College of Further and Higher Education	
Dr Kate Pretty	Principal of Homerton College	Retired 30.09.13
Mr Ian Pryce	Principal and Chief Executive, Bedford College	From 29.07.13
Professor John Rallison	Pro-Vice-Chancellor, University of Cambridge	From 01.10.12
Mr Andrew Reid	Director of Finance, University of Cambridge	
Dr Nick White	Fellow and Director of Studies in Modern and Medieval Languages, Emmanuel College	
Mr P Williams	Former Finance Director of Daily Mail and General Trust plc	

Appendix C: Cambridge Assessment Group Corporate Board

Mr Simon Lebus	Group Chief Executive	
Mrs Liz Allan	Group HR Director	From 02.09.13
Mr Mark Dawe	Chief Executive, OCR	
Mrs Sue Durham	Group HR Director	Retired 31.07.13
Mr Bruno Laquet	Group Infrastructure Services Director	
Dr Mike Milanovic	Chief Executive, ESOL	
Mr Michael O'Sullivan	Chief Executive, Cambridge International Examinations	From 02.04.13
Mr Tim Oates	Group Director, Assessment Research & Development	
Mrs Ann Puntis	Chief Executive, Cambridge International Examinations	Retired 01.04.13
Mrs Jackie Rippeth	Group Finance Director	

Appendix D: List of Acronyms

AICE	Advanced International Certificate of Education
ALTA	Automated Language Teaching and Assessment
ALTE	Association of Language Testers in Europe
AS	Advanced Subsidiary
CBT	Computer Based Testing
CCMS	Content Creation and Management System
CUP	Cambridge University Press
DNE	Directorate of National Examinations (Bahrain)
ECOL	Examinations Council of Lesotho
ERM	Electronic Return of Marks
EU	European Union
FE	Further Education
GCSE	General Certificate of Secondary Education
HEAC	Higher Education Advisory Council (US)
HSC	Higher School Certificate
IELTS	International English Language Testing System
IGCSE	International General Certificate of Secondary Education
IT	Information Technology
MARA	Council of Trust for the Indigenous Peoples (Malaysia)
MEP	Member of the European Parliament
NES	Nile Egyptian Schools
NIS	Nazarbayev Intellectual Schools
OCR	Oxford, Cambridge and RSA Examinations
OET	Occupational English Test
Ofqual	Office of the Qualifications and Examinations Regulator
RSA	Royal Society for the encouragement of Arts, Manufactures and Commerce
UCAS	Universities and Colleges Admissions Service

**UNIVERSITY OF CAMBRIDGE
LOCAL EXAMINATIONS SYNDICATE**

**ANNUAL REPORT
FOR THE YEAR ENDED 31 JULY 2013**

CAMBRIDGE ASSESSMENT

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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 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 control, financial reporting and risk management in consultation with internal and external auditors. Its review of the system of internal control is informed by the work of the internal auditors. The Audit Committee advises the Syndicate on the appointment of internal 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 2013

The Syndics are responsible for preparing the Annual Report and the financial statements for each financial year in accordance with Statute F II.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; and
- 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.

CAMBRIDGE ASSESSMENT

INDEPENDENT AUDITORS' REPORT TO THE SYNDICS OF CAMBRIDGE ASSESSMENT

We have audited the Group and parent institution financial statements (the "financial statements") of the University of Cambridge Local Examinations Syndicate for the year ended 31 July 2013 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. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of the Syndics and auditors

As explained more fully in Responsibilities of the Syndics for the Preparation of the Financial Statements on page 4, the Syndics are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and institution's affairs as at 31 July 2013 and of the Group's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

Matters on which we are required to report by exception

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

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cambridge
14 November 2013

Notes:

(a) The maintenance and integrity of the Cambridge Assessment website is the responsibility of the Syndics; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

CAMBRIDGE ASSESSMENT

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 JULY 2013

	Note	2013 £m	2012 £m
Income			
Examination fees	2	290.3	279.7
Other educational and assessment services	2	27.4	22.0
Endowment and investment income	3	6.9	6.8
Total income		<u>324.6</u>	<u>308.5</u>
Expenditure			
Staff costs	4	(85.5)	(79.6)
Other operating expenses	5	(172.6)	(154.3)
Depreciation		(13.2)	(11.4)
Total expenditure		<u>(271.3)</u>	<u>(245.3)</u>
Surplus after depreciation of tangible assets and before tax		53.3	63.2
Taxation (overseas taxation)		(0.1)	-
Surplus after depreciation of tangible assets and tax		<u>53.2</u>	<u>63.2</u>
Loss on disposal of tangible assets		(0.5)	(1.5)
Surplus for the year after depreciation of tangible assets and disposal of assets and tax	6	<u>52.7</u>	<u>61.7</u>
Minority interest in results of subsidiary undertakings	7	(0.2)	-
Surplus after minority interest		<u>52.5</u>	<u>61.7</u>
Transfer from accumulated income within specific endowments	15	-	-
Surplus for the year retained within general reserves	16	<u>52.5</u>	<u>61.7</u>

All income and expenditure relates to continuing activities.

CAMBRIDGE ASSESSMENT**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 JULY 2013**

	Note	2013 £m	2012 £m
Surplus for the year		52.5	61.7
Increase in market value of investment assets	9,10	25.8	0.3
Total recognised gains for the year		<u>78.3</u>	<u>62.0</u>

		2013 £m	2012 £m
Reconciliation			
Opening reserves and endowments		294.0	264.9
Total recognised gains for the year		78.3	62.0
Transfer to the University		(15.9)	(32.9)
Closing reserves and endowments		<u>356.4</u>	<u>294.0</u>

STATEMENT OF HISTORICAL COST SURPLUSES AND DEFICITS FOR THE YEAR ENDED 31 JULY 2013

		2013 £m	2012 £m
Surplus for the year		52.5	61.7
Realisation of investment revaluation gains of previous years		-	2.5
Historical cost surplus for the year		<u>52.5</u>	<u>64.2</u>

CAMBRIDGE ASSESSMENT

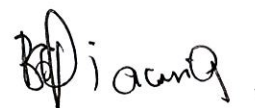
BALANCE SHEETS AS AT 31 JULY 2013

	Note	Group		Cambridge Assessment	
		2013 £m	2012 £m	2013 £m	2012 £m
Fixed assets					
Intangible assets	7	1.5	-	-	-
Tangible assets	8	99.5	92.7	92.5	84.8
Investments	9	182.3	152.3	78.3	61.6
		<u>283.3</u>	<u>245.0</u>	<u>170.8</u>	<u>146.4</u>
Endowment assets	10	4.9	4.4	4.9	4.4
Current assets					
Property held for sale		-	0.6	-	-
Debtors	11	71.3	74.8	90.2	60.4
Short term deposits		99.3	67.5	52.7	41.0
Cash at bank and in hand		8.2	15.4	4.9	13.2
		<u>178.8</u>	<u>158.3</u>	<u>147.8</u>	<u>114.6</u>
Creditors: amounts falling due within one year	12	(110.1)	(113.4)	(65.5)	(57.8)
Net current assets		<u>68.7</u>	<u>44.9</u>	<u>82.3</u>	<u>56.8</u>
Total assets less current liabilities		<u>356.9</u>	<u>294.3</u>	<u>258.0</u>	<u>207.6</u>
Creditors:					
amounts falling due after more than one year	13	-	-	(0.1)	(0.1)
Provisions for liabilities and charges	14	(0.3)	(0.3)	(0.3)	(0.3)
Total net assets		<u>356.6</u>	<u>294.0</u>	<u>257.6</u>	<u>207.2</u>
Restricted expendable endowments	15	4.9	4.4	4.9	4.4
Reserves					
General reserve	16	310.5	273.7	236.3	196.4
Revaluation reserve	16	41.0	15.7	16.4	6.2
Investment property revaluation reserve	16	-	0.2	-	0.2
		<u>351.5</u>	<u>289.6</u>	<u>252.7</u>	<u>202.8</u>
Reserves and endowments		<u>356.4</u>	<u>294.0</u>	<u>257.6</u>	<u>207.2</u>
Minority interest in subsidiary undertakings	7	0.2	-	-	-
Total		<u>356.6</u>	<u>294.0</u>	<u>257.6</u>	<u>207.2</u>

The financial statements on pages 6 to 24 were approved by the Syndics on 14 November 2013 and were signed on their behalf by:



Professor John Rallison
Chairman of the Local
Examinations Syndicate



Mr Bruce Picking
Member of the Local
Examinations Syndicate

CAMBRIDGE ASSESSMENT

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 JULY 2013

	Note	2013		2012	
		£m	£m	£m	£m
Net cash inflow from operating activities	17a		61.8		64.3
Returns on investments and servicing of finance					
Investment income		6.7		6.5	
Interest received		<u>0.2</u>		<u>0.2</u>	
			6.9		6.7
Taxation			(0.1)		(0.2)
Capital expenditure and financial investment					
Payments to acquire tangible assets		(17.7)		(18.0)	
Payments to acquire investments		(6.0)		-	
Repayment of loan		<u>-</u>		<u>0.1</u>	
			(23.7)		(17.9)
Acquisitions and disposals					
Purchase of subsidiary undertaking		<u>(1.5)</u>		<u>-</u>	
			(1.5)		-
Transfer to University			(19.4)		(13.5)
Cash inflow before use of liquid resources			<u>24.0</u>		<u>39.4</u>
Management of liquid resources					
Proceeds of disposal of property held for sale			0.6		-
Net movement on short term deposits	17c		(31.8)		(27.2)
(Decrease)/increase in cash in the year	17b		<u><u>(7.2)</u></u>		<u><u>12.2</u></u>

1. ACCOUNTING POLICIES

Basis of accounting

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

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

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

After reviewing the 2013/14 budget and longer term plans, the Syndics are satisfied that, at the time of approving the financial statements, it is appropriate to adopt the going concern basis in preparing the financial statements of both the Group and Cambridge Assessment.

Principles of consolidation

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

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

The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group transactions, including sales, surpluses, receivables and payables, have been eliminated on consolidation. All subsidiaries use uniform accounting policies.

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

Deferral of income and expenditure

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

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

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

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

Pension schemes

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

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

1. ACCOUNTING POLICIES (continued)

Research and Development

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

Tangible assets

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

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

Freehold land and assets under construction are not depreciated.

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

Intangible assets

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

Leases

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

Investments

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

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

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

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

**CAMBRIDGE ASSESSMENT
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2013**

1. ACCOUNTING POLICIES (continued)

Short term deposits

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

Foreign currencies

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

Taxation

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

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

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

Recognition of liabilities

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

2. INCOME BY GEOGRAPHICAL SEGMENTS

	2013 Group £m	2012 Group £m
Examination fees and other educational and assessment services:		
United Kingdom	153.3	158.4
European Union	35.6	32.4
Rest of the world	128.8	110.9
	<u>317.7</u>	<u>301.7</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

	2013 Group £m	2012 Group £m
Income from specific endowment asset investments	0.2	0.2
Other investment income	6.5	6.4
Other interest receivable	0.2	0.2
	<u>6.9</u>	<u>6.8</u>

**CAMBRIDGE ASSESSMENT
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2013**

4. STAFF COSTS

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

	Group		Cambridge Assessment	
	2013 No.	2012 No.	2013 No.	2012 No.
Examination services	1,362	1,357	746	742
Administration and central services	521	484	521	484
Premises	93	95	93	95
	<u>1,976</u>	<u>1,936</u>	<u>1,360</u>	<u>1,321</u>

Staff costs for the above persons comprise:

	Group		Cambridge Assessment	
	2013 £m	2012 £m	2013 £m	2012 £m
Salaries and wages	63.4	59.0	44.5	42.4
Social security costs	5.8	5.0	4.0	3.6
Other pension costs (see note 18)	17.6	17.4	12.5	11.4
	<u>86.8</u>	<u>81.4</u>	<u>61.0</u>	<u>57.4</u>

Of the above costs £1.3m (2012: £1.8m) was capitalised as internally developed software.

Staff costs charged to the income and expenditure account

	Group		Cambridge Assessment	
	2013 £m	2012 £m	2013 £m	2012 £m
Examinations services	58.8	55.7	33.0	31.7
Administration and central services	23.8	21.4	23.8	21.4
Premises	2.9	2.5	2.9	2.5
	<u>85.5</u>	<u>79.6</u>	<u>59.7</u>	<u>55.6</u>

Remuneration of higher paid staff

Remuneration for this purpose excludes employer's pension contributions except to the extent that these result from the sacrifice of an element of pay.

	Group		Cambridge Assessment	
	2013 No. staff	2012 No. staff	2013 No. staff	2012 No. staff
£70,001 - £80,000	29	12	25	10
£80,001 - £90,000	11	12	10	10
£90,001 - £100,000	8	5	4	4
£100,001 - £110,000	3	3	3	3
£110,001 - £120,000	2	1	2	1
£120,001 - £130,000	1	4	1	3
£130,001 - £140,000	2	1	2	-
£140,001 - £150,000	3	-	2	-
£150,001 - £160,000	-	2	-	2
£160,001 - £170,000	1	1	1	1
£170,001 - £180,000	1	-	1	-
£180,001 - £190,000	-	1	-	-
£190,001 - £200,000	1	1	-	1
£200,001 - £210,000	1	-	1	-
£330,001 - £340,000	-	1	-	1
£350,001 - £360,000	1	-	1	-

**CAMBRIDGE ASSESSMENT
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2013**

5. OTHER OPERATING EXPENSES

	2013 Group £m	2012 Group £m
Examination services	131.6	118.7
Administration and central services	32.5	26.9
Premises	8.5	8.7
	<u>172.6</u>	<u>154.3</u>

	2013 Group £m	2012 Group £m
Other operating expenses include:		
Operating leases - land & buildings	0.9	0.9
- plant, machinery & equipment	0.3	0.3
Foreign exchange losses	0.5	-
During the year the Group (including its overseas subsidiaries) obtained the following services from the company's auditor and its associates:		
- Fees payable to company's auditor and its associates for the audit of parent company and consolidated financial statements	0.1	0.1
- Fees payable to the company's auditors and its associates for other services; the audit of company's subsidiaries	0.2	0.1
Internal audit fee	<u>0.1</u>	<u>0.1</u>

6. SURPLUS ON CONTINUING OPERATIONS FOR THE YEAR

	2013 £m	2012 £m
Cambridge Assessment's surplus for the year	51.6	46.6
Surplus retained in subsidiary undertakings	0.9	15.1
	<u>52.5</u>	<u>61.7</u>

7. INTANGIBLE ASSETS

Group	Goodwill £m
Cost and net book value:	
At 1 August 2012	-
Additions	1.5
At 31 July 2013	<u>1.5</u>

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

The total consideration paid by the Group was £1.5m (AUS\$ 2.2m) and the transaction gave rise to goodwill of £1.5m. This purchase has been accounted for as an acquisition, fully consolidating the subsidiary with a minority interest of 30%. No fair value adjustment was required and amortisation of goodwill will commence at the start of the next financial year.

From the date of acquisition to 31 July 2013, the acquisition contributed £1.8m to revenue, and generated a profit of £0.6m. The acquisition did not make a material contribution to the Group's post-acquisition net operating cash flows or capital expenditure. Minority interest, representing the remaining 30% shareholding held by one external party, of £0.2m is shown after the surplus for the year.

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

CAMBRIDGE ASSESSMENT
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2013

8. TANGIBLE ASSETS

GROUP

	Land & buildings			Plant and equipment, furniture and fittings, computer software £m	Assets under construction £m	Total £m
	Freehold £m	Long term leasehold £m	Short term leasehold £m			
COST						
At 1 August 2012	77.9	9.3	1.4	50.7	9.7	149.0
Additions	1.3	-	-	10.3	7.5	19.1
Transfers within tangible assets	1.3	-	-	8.0	(9.3)	-
Disposals	-	-	-	(3.5)	-	(3.5)
Transfer from investment properties (see note 9)	1.4	-	-	-	-	1.4
At 31 July 2013	<u>81.9</u>	<u>9.3</u>	<u>1.4</u>	<u>65.5</u>	<u>7.9</u>	<u>166.0</u>
ACCUMULATED DEPRECIATION						
At 1 August 2012	15.9	2.7	0.4	37.3	-	56.3
Disposals	-	-	-	(3.0)	-	(3.0)
Charge for the year	2.4	0.1	0.2	10.5	-	13.2
At 31 July 2013	<u>18.3</u>	<u>2.8</u>	<u>0.6</u>	<u>44.8</u>	<u>-</u>	<u>66.5</u>
NET BOOK VALUE						
At 31 July 2013	<u>63.6</u>	<u>6.5</u>	<u>0.8</u>	<u>20.7</u>	<u>7.9</u>	<u>99.5</u>
At 31 July 2012	<u>62.0</u>	<u>6.6</u>	<u>1.0</u>	<u>13.4</u>	<u>9.7</u>	<u>92.7</u>

CAMBRIDGE ASSESSMENT

	Land & buildings			Plant and equipment, furniture and fittings, computer software £m	Assets under construction £m	Total £m
	Freehold £m	Short term leasehold £m				
COST						
At 1 August 2012	77.9	1.4		44.3	9.7	133.3
Additions	1.3	-		10.3	7.5	19.1
Transfers within tangible assets	1.3	-		8.0	(9.3)	-
Transfer from investment properties (see note 9)	1.4	-		-	-	1.4
Disposals	-	-		(3.5)	-	(3.5)
At 31 July 2013	<u>81.9</u>	<u>1.4</u>		<u>59.1</u>	<u>7.9</u>	<u>150.3</u>
ACCUMULATED DEPRECIATION						
At 1 August 2012	15.9	0.4		32.2	-	48.5
Disposals	-	-		(3.0)	-	(3.0)
Charge for the year	2.4	0.2		9.7	-	12.3
At 31 July 2013	<u>18.3</u>	<u>0.6</u>		<u>38.9</u>	<u>-</u>	<u>57.8</u>
NET BOOK VALUE						
At 31 July 2013	<u>63.6</u>	<u>0.8</u>		<u>20.2</u>	<u>7.9</u>	<u>92.5</u>
At 31 July 2012	<u>62.0</u>	<u>1.0</u>		<u>12.1</u>	<u>9.7</u>	<u>84.8</u>

CAMBRIDGE ASSESSMENT
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2013

9. INVESTMENTS

	Group		Cambridge Assessment	
	2013 £m	2012 £m	2013 £m	2012 £m
At 1 August 2012	152.3	166.3	61.6	72.2
Additions	6.1	0.5	7.9	-
Disposals	-	(14.8)	-	(10.7)
Transfer to tangible assets (see note 8)	(1.4)	-	(1.4)	-
Increase in market value of investments	25.3	0.3	10.2	0.1
At 31 July 2013	<u>182.3</u>	<u>152.3</u>	<u>78.3</u>	<u>61.6</u>
Represented by:				
University Endowment Fund units	181.5	150.3	76.3	60.0
Investment properties	-	1.4	-	1.4
Investment in subsidiary undertakings	-	-	1.5	0.1
Loans to subsidiary undertakings	-	-	0.4	-
Share of joint ventures	0.7	0.5	-	-
Loan to joint venture	0.1	0.1	0.1	0.1
	<u>182.3</u>	<u>152.3</u>	<u>78.3</u>	<u>61.6</u>

Investments at market value comprise Cambridge University Endowment Fund units. The market value at 31 July 2013 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 2013 amounted to: Group £144.7m (2012: £138.7m); Cambridge Assessment £64.0m (2012: £58.0m).

The investment property was taken into use for the purposes of Group activities on 31 July 2013 and the fair value of the property at that date has been transferred to tangible assets accordingly. The valuation at 31 July 2013 was provided by the Group Finance Director, based on local property indices and comparative data.

**CAMBRIDGE ASSESSMENT
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2013**

9. INVESTMENTS (continued)

Name of subsidiary undertaking	Country of registration & operation	Class of share	Percent held	Nature of business	Note
Oxford Cambridge and RSA Examinations	England	Member	100%	Examinations and assessment services	1
The West Midlands Examinations Board	England	Member	100%	Examination services	2
Sandonian Properties Limited	England	Ordinary	100%	Ceased trading	4
Cambridge Assessment Overseas Limited	England	Ordinary	100%	Overseas office services	4
Oxford and Cambridge International Assessment Services Limited	England	Ordinary	100%	Overseas office services	4
Fundacion UCLES	Spain	Member	100%	Overseas office services	5
Cambridge ESOL (Aus)	Australia	Member	100%	Examination services	7
Cambridge Boxhill Language Pty Limited	Australia	Ordinary	70%	Examination services	8
Cambridge Assessment	England	Member	100%	Dormant	3
Cambridge ESOL Inc	US	Member	100%	Holding entity	6
CUAPTS Limited	Hong Kong	Ordinary	100%	Dormant	4
Mill Wharf Limited	England	Ordinary	100%	Dormant	4
OCR Nationals	England	Member	100%	Dormant	3
Progress House Printers Limited	England	Ordinary	100%	Dormant	4
Quick Placement Tests Limited	England	Ordinary	100%	Dormant	4
RSA Examinations Board	England	Member	100%	Dormant	1
World Class Tests Limited	England	Ordinary	100%	Dormant	4
Cambridge Assessment Singapore	Singapore	Member	100%	Overseas office services	2
Cambridge Avaliacao Representacao e Promocao Ltda	Brazil	Ordinary	100%	Overseas office services	4

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

**CAMBRIDGE ASSESSMENT
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2013**

9. INVESTMENTS (continued)

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

Note

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

10. ENDOWMENT ASSETS

	Group		Cambridge Assessment	
	2013 £m	2012 £m	2013 £m	2012 £m
At 1 August	4.4	4.4	4.4	4.4
Increase in market value of University Endowment Fund units	0.5	-	0.5	-
At 31 July	<u>4.9</u>	<u>4.4</u>	<u>4.9</u>	<u>4.4</u>
Represented by:				
University Endowment Fund units	3.9	3.4	3.9	3.4
Short term deposits	1.0	1.0	1.0	1.0
	<u>4.9</u>	<u>4.4</u>	<u>4.9</u>	<u>4.4</u>

11. DEBTORS

	Group		Cambridge Assessment	
	2013 £m	2012 £m	2013 £m	2012 £m
Trade debtors	58.3	57.0	55.7	46.0
Other debtors	1.1	0.7	1.1	0.7
Owed by Group undertakings	-	-	24.1	-
Prepayments and accrued income	11.9	17.1	9.3	13.7
	<u>71.3</u>	<u>74.8</u>	<u>90.2</u>	<u>60.4</u>

**CAMBRIDGE ASSESSMENT
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2013**

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Cambridge Assessment	
	2013 £m	2012 £m	2013 £m	2012 £m
Trade creditors	14.4	10.1	7.2	7.5
Other taxes and social security	4.7	6.2	2.5	2.6
Other creditors	4.7	3.3	4.4	3.2
Accruals and deferred income (see below)	86.3	93.8	51.4	44.5
	<u>110.1</u>	<u>113.4</u>	<u>65.5</u>	<u>57.8</u>

Deferred income is analysed as:

At 1 August	57.0	57.0	18.8	21.8
Movement in the year	(15.2)	-	1.4	(3.0)
At 31 July	<u>41.8</u>	<u>57.0</u>	<u>20.2</u>	<u>18.8</u>

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

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

	Group		Cambridge Assessment	
	2013 £m	2012 £m	2013 £m	2012 £m
Loan from CUAPTS	<u>-</u>	<u>-</u>	<u>0.1</u>	<u>0.1</u>

The loan from CUAPTS is unsecured and has no fixed repayment date. No interest was charged on the loan in the year to 31 July 2013 (2012: £nil).

14. PROVISIONS FOR LIABILITIES AND CHARGES

GROUP

	Staffing £m	Other £m	Total £m
At 1 August 2012	0.2	0.1	0.3
Charges in the year	-	0.1	0.1
Utilised in the year	-	(0.1)	(0.1)
At 31 July 2013	<u>0.2</u>	<u>0.1</u>	<u>0.3</u>

CAMBRIDGE ASSESSMENT

	Staffing £m	Other £m	Total £m
At 1 August 2012	0.2	0.1	0.3
Charges in the year	-	0.1	0.1
Utilised in the year	-	(0.1)	(0.1)
At 31 July 2013	<u>0.2</u>	<u>0.1</u>	<u>0.3</u>

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

15. RESTRICTED EXPENDABLE ENDOWMENTS

GROUP and CAMBRIDGE ASSESSMENT

	2013 £m	2012 £m
At 1 August	4.4	4.4
Income receivable from endowment asset investments	0.2	0.2
Expenditure	<u>(0.2)</u>	<u>(0.2)</u>
	4.4	4.4
Increase in market value of investments	0.5	-
At 31 July	<u>4.9</u>	<u>4.4</u>
Representing		
WMEB Fund	4.8	4.3
Scholarship funds	<u>0.1</u>	<u>0.1</u>
	<u>4.9</u>	<u>4.4</u>

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

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

16. RESERVES

GROUP

	General reserves £m	Revaluation reserve £m	Investment property revaluation £m	Total £m
At 1 August 2012	273.7	15.7	0.2	289.6
Surplus retained for the year	52.5	-	-	52.5
Increase in market value of investments	-	25.3	-	25.3
Transfer between reserves	0.2	-	(0.2)	-
Transfer to University	<u>(15.9)</u>	<u>-</u>	<u>-</u>	<u>(15.9)</u>
At 31 July 2013	<u>310.5</u>	<u>41.0</u>	<u>-</u>	<u>351.5</u>

CAMBRIDGE ASSESSMENT

	General reserves £m	Revaluation reserve £m	Investment property revaluation £m	Total £m
At 1 August 2012	196.4	6.2	0.2	202.8
Surplus retained for the year	51.6	-	-	51.6
Increase in market value of investments	-	10.2	-	10.2
Transfer between reserves	0.2	-	(0.2)	-
Transfer to University	<u>(11.9)</u>	<u>-</u>	<u>-</u>	<u>(11.9)</u>
At 31 July 2013	<u>236.3</u>	<u>16.4</u>	<u>-</u>	<u>252.7</u>

17. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

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

	2013 £m	2012 £m
Surplus on continuing operations before tax	53.3	63.2
Endowment and investment income	(6.9)	(6.8)
Depreciation of tangible assets	13.2	11.4
Movements in provisions	-	(0.5)
(Decrease)/increase in creditors	(1.3)	7.4
Decrease/(increase) in debtors	3.7	(9.9)
Non-cash items included in the movement of joint ventures	(0.2)	(0.5)
Net cash inflow from operating activities	<u>61.8</u>	<u>64.3</u>

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

	2013 £m	2012 £m
(Decrease)/increase in cash in the year	(7.2)	12.2
Net cash outflow from increase in short term deposits	31.8	27.2
Change in net funds resulting from cash flows	<u>24.6</u>	<u>39.4</u>
Net funds at 1 August	83.9	44.5
Net funds at 31 July	<u>108.5</u>	<u>83.9</u>

c. Analysis of change in net funds

	At 1 August 2012 £m	Cash flows £m	At 31 July 2013 £m
Cash at bank and in hand	15.4	(7.2)	8.2
Short term deposits	68.5	31.8	100.3
Total	<u>83.9</u>	<u>24.6</u>	<u>108.5</u>

The short term deposits above include £1.0m (2012: £1.0m) held as endowment assets.

18. PENSION COSTS

The Group participates in two defined benefit pension schemes, the Universities Superannuation Scheme ("USS") and the Cambridge University Assistants' Contributory Pension Scheme ("CPS"). Previously the Group participated in the RSAEB pension scheme, the buyout of which was completed during the year.

USS and CPS schemes

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

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

18. PENSION COSTS (continued)

USS

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

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

CPS

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

Employer's contribution rate in respect of:

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

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

RSAEB scheme

The RSAEB scheme was a closed scheme which had no active members. The Trustee had agreed with the employers in the scheme to wind up the scheme and a buyout of the scheme liability was arranged with Metlife Assurance Limited. In July 2012 the Group paid an estimated settlement into the scheme of £1.4m. Other contributions paid into the scheme by the Group for the year ended 31 July 2012 amounted to £0.1m. During the current year, the buyout was completed and Metlife assumed responsibility for the scheme liability from June 2013. The Group made final settlement payments into the scheme amounting to £0.2m.

Total Group pension cost for the year

	2013	2012
	£m	£m
USS	8.6	7.7
CPS	8.8	8.2
RSAEB	0.2	1.5
	<u>17.6</u>	<u>17.4</u>

**CAMBRIDGE ASSESSMENT
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2013**

19. OPERATING LEASES

At 31 July 2013, the Group had annual commitments under non-cancellable operating leases as follows:

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

	Group		Cambridge Assessment	
	2013 £m	2012 £m	2013 £m	2012 £m
Land and buildings commitments expiring:				
Between 2 and 5 years	0.9	0.8	0.7	0.7
After 5 years	-	0.1	-	-
Plant, machinery and equipment commitments expiring:				
In 1 year	0.1	0.1	0.1	0.1
Between 2 and 5 years	0.2	0.2	0.1	0.1
	<u>1.2</u>	<u>1.2</u>	<u>0.9</u>	<u>0.9</u>

20. FORWARD CURRENCY CONTRACTS

As at 31 July 2013, the Group had forward exchange contracts for the sale of €26.0m and \$12.0m (2012: €23.0m and \$6.0m).

21. CAPITAL COMMITMENTS

There were £9.5m capital commitments for Cambridge Assessment and the Group as at 31 July 2013, in respect of construction projects, equipment and computer software (2012: £1.6m in respect of construction projects and computer software).

22. CONTINGENT LIABILITIES

There were no (2012: £nil) contingent liabilities as at 31 July 2013.

23. RELATED PARTY TRANSACTIONS

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

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

The total transfer to the University of Cambridge in respect of 2013 was £15.9m (2012: £32.9m). The balance due at 31 July 2013 was £15.9 m (2012: £19.4m).

The Group paid £2.07m (2012: £1.44m) to the University in respect of rentals and other services. Examination fees and sales of other services amounting to £0.03m (2012: £0.03m) were charged to the University. At 31 July 2013, £0.37m (2012: £0.75m) was due to the University in respect of these transactions.

**CAMBRIDGE ASSESSMENT
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2013**

23. RELATED PARTY TRANSACTIONS (continued)

Transactions with Cambridge University Press ("CUP") and its subsidiaries, another Syndicate of the University of Cambridge were as follows: purchase of services £3.47m (2012: £1.11m), sale of services £2.04m (2012: £0.13m) and receipt of royalties £nil (2012: £1.30m). At 31 July 2013, a balance of £0.29m (2012: £0.43m) was owed by CUP and its subsidiaries.

A total of £1.0m (2012: £0.86m) was payable to Colleges of the University in respect of rent, venue hire and scholarships. Property rental of £0.07m (2012: £0.09m) was receivable from Downing College. There was no sundry income (2012: £60 received from one College). At 31 July 2013, £0.01m was owed by the Colleges (2012: £0.07m owing to the Colleges).

The Group paid £0.08m to JBS Executive Education Ltd, a subsidiary of the University of Cambridge, for training services (2012: £0.01m).

£0.04m (2012: £0.03m) was paid to the Cambridge Commonwealth Trust, a charity linked to the University of Cambridge, and £0.05m (2012: £0.06m) to Cambridge Overseas Trust in respect of scholarships.

The Group received £0.29m (2012: £0.10m) from the Joint Council for Qualifications ("JCQ"), an unincorporated association and registered charity of which OCR is a member, in respect of rent and other services, and paid £0.42m (2012: £0.42m) for subscriptions and services. At 31 July 2013, £0.16m was owed by JCQ (2012: £0.01m owing to JCQ).

During the year total fees of £121 (2012: £39) were paid to one (2012: one) Syndic in respect of examination services. No other remuneration was paid to Syndics or to any connected persons (2012: £nil). Travel expenses of £1,650 (2012: £843) were payable to five (2012: four) Syndics. At 31 July 2013, £nil was owed to Syndics (2012: £nil).

24. ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking is the University of Cambridge.

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