

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2009

Corporate Governance and Internal Control Statement

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

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

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

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

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

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

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

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

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

Responsibilities of the Syndics for the preparation of the Financial Statements for the year ended 31 July 2009

The Syndics are responsible for preparing the Annual Report and the financial statements for each financial year in accordance with Statute 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

The Syndics certify that:

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

Independent Auditors' Report to the Syndics of the University of Cambridge Local Examinations Syndicate

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

Respective responsibilities of the Syndics and auditors

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

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

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

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

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

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

Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinion

In our opinion:

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

PricewaterhouseCoopers LLP

Chartered Accountants

Cambridge

26 November 2009

Consolidated Income and Expenditure Account for the year ended 31 July 2009

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

All income and expenditure relates to continuing activities.

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

Statement of total recognized gains and losses for the year ended 31 July 2009

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

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

Statement of historical cost surpluses and deficits for the year ended 31 July 2009

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

Balance sheet as at 31 July 2009

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

The financial statements on pages 61 to 78 were approved by the Syndics on 26 November 2009 and were signed on their behalf by:

Professor A. J. BADGER
Chairman of the Local Examinations Syndicate

Dr K. PRETTY
Member of the Local Examinations Syndicate

Consolidated Cashflow Statement for the year ended 31 July 2009

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

1. ACCOUNTING POLICIES

Basis of accounting

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

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

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

Basis of consolidation

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

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

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

Restatement of prior year amounts

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

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

Recognition of income and deferral of incoming resources

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

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

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

Pension schemes

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

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

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

Research and Development

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

Fixed assets and depreciation

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

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

Freehold land is not depreciated.

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

Leases

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

Investments

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

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

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

Unrealized gains and losses on investments are taken through the Statement of Total Recognized Gains and Losses to the revaluation reserve or the investment property revaluation reserve. Realized gains and losses are recognized in the Income and Expenditure Account.

Endowments

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

Short term deposits

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

Foreign currencies

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

Taxation

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

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

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

Recognition of liabilities

Provisions are recognized under FRS 12 and are not discounted.

2. INCOME BY GEOGRAPHICAL SEGMENTS

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

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

3. ENDOWMENT AND INVESTMENT INCOME

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

4. STAFF COSTS

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

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

Staff costs for the above persons comprise:

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

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

Staff costs charged to the Income and Expenditure Account

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

Staff emoluments over £70,000

(excluding employer's pension contributions)

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

5. OTHER OPERATING EXPENSES

	<i>2009</i>	<i>Restated 2008</i>
	<i>Group £m</i>	<i>Group £m</i>
Examination services	108.9	100.0
Administration and central services	16.9	13.9
Premises	7.7	7.0
	<hr/>	<hr/>
	133.5	120.9
	<hr/>	<hr/>
	<i>2009</i>	<i>2008</i>
	<i>Group</i>	<i>Group</i>
	<i>£m</i>	<i>£m</i>
Other operating expenses include:		
Auditors' remuneration – audit of annual report and subsidiary undertakings	0.1	0.1
Internal audit fee	0.1	0.1
Operating leases – land and buildings	0.6	0.8
– plant, machinery, & equipment	0.6	0.6
Foreign exchange (gains)/losses	(0.5)	0.1
	<hr/>	<hr/>

6. SURPLUS ON CONTINUING OPERATIONS FOR THE YEAR

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

7. TANGIBLE FIXED ASSETS**GROUP**

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

CAMBRIDGE ASSESSMENT

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

8. INVESTMENTS

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

Investments at market value comprise Cambridge University Endowment Fund units. The market value at 31 July 2009 is based on the valuation as at that date provided by the Finance Division of the University of Cambridge. The investments are managed by the University of Cambridge through external investment managers. The historic cost of these investments at 31 July 2009 amounted to: Group £86.8m (2008: £61.6m); Cambridge Assessment £44.8m (2008: £59.6m).

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

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

Subsidiary undertakings:

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

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

Joint ventures:

IELTS Inc	US	Member	33%	Examination services	6
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Note

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

9. ENDOWMENT ASSETS

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

10. DEBTORS

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

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<i>Group</i>		<i>Cambridge Assessment</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Bank overdraft	–	–	–	6.3
Trade creditors	6.2	4.6	3.8	2.9
Amounts due to Group undertakings	–	–	–	–
Other taxes and social security	5.8	5.4	1.9	1.7
Other creditors	0.6	0.8	0.4	0.4
Accruals and deferred income (see below)	56.7	49.5	37.6	37.1
	69.3	60.3	43.7	48.4
Deferred income is analysed as:				
At 1 August 2008	22.6	18.5	18.7	15.6
Deferred in current year	23.9	22.0	19.5	18.7
Released from previous year	(20.8)	(17.9)	(18.1)	(15.6)
At 31 July 2009	25.7	22.6	20.1	18.7

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

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

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

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

13. PROVISIONS FOR LIABILITIES AND CHARGES**GROUP**

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

CAMBRIDGE ASSESSMENT

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

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

14. RESTRICTED EXPENDABLE ENDOWMENTS**GROUP and CAMBRIDGE ASSESSMENT**

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

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

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

15. RESEVRES**GROUP**

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

CAMBRIDGE ASSESSMENT

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

16. NOTES TO CONSOLIDATED CASHFLOW STATEMENT**(a) Reconciliation of operating surplus to net cash inflow from operating activities**

	<i>2009</i>	<i>2008</i>
	<i>£m</i>	<i>£m</i>
Surplus on continuing operations before tax	39.7	36.9
Endowment and investment income	(4.4)	(5.2)
Depreciation of tangible fixed assets	7.9	5.8
Adjustment for revaluation	1.9	–
Movements in provisions	–	(0.2)
Increase in creditors	7.7	2.4
(Increase) in debtors	(5.3)	(7.3)
Pension costs (FRS 17)	–	(2.0)
Net cash inflow from operating activities	47.5	30.4

(b) Reconciliation of net cash flow to movement in net funds

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

(c) Analysis of change in net funds

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

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

17. PENSION COSTS

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

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

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

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

The results of the July 2009 actuarial valuation of the CPS scheme are not yet available. Full details of the CPS scheme can be obtained from the University of Cambridge (see note 23).

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

RSAEB pension scheme

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

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

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

The major assumptions used by the actuary were:

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

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

Life expectancy in years, assuming retirement at 65:

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

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

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

Analysis of amounts recognized in the balance sheet

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

Analysis of amounts recognized in the Income and Expenditure account

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

Amounts recognized in the statement of total recognized gains and losses

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

Analysis of change in the defined benefit obligation

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

Analysis of change in the fair value of scheme assets

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

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

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

	<i>Assets at 31 July 2009</i>	<i>Assets at 31 July 2008</i>
Equities	50%	37%
Bonds	48%	37%
Other	2%	26%

Amounts for the current and previous four periods:

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

Total Group pension cost for the year

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

18. OPERATING LEASES

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

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

19. FORWARD CURRENCY CONTRACTS

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

20. CAPITAL COMMITMENTS

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

21. CONTINGENT LIABILITIES

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

22. RELATED PARTY TRANSACTIONS

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

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

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

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

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

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

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

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

23. ULTIMATE PARENT UNDERTAKING

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