

Consolidated Income and Expenditure Account for the year ended 31 July 2008

	<i>Note</i>	<i>Year ended July 2008 £m</i>	<i>10 months ended July 2007 £m</i>
Income			
Examination fees		203.0	173.0
Other educational and assessment services		13.2	11.8
Endowment and investment income	2	5.2	3.5
Total income		221.4	188.3
Expenditure			
Staff costs	3	54.4	43.6
Other operating expenses	4	124.3	109.4
Depreciation	4	5.8	4.4
Transfer to University	21	12.4	9.3
Total expenditure		196.9	166.7
Surplus after depreciation of tangible fixed assets		24.5	21.6
Surplus on disposal of assets		–	2.8
Surplus for the year after depreciation of tangible fixed assets and disposal of assets	5	24.5	24.4
Transfer from accumulated income within specific endowments	13	4.6	5.3
Surplus for the year retained within general reserves		29.1	29.7

All income and expenditure relates to continuing activities.

Statement of total recognized gains and losses for the year ended 31 July 2008

		<i>Year ended July 2008 £m</i>	<i>10 months ended July 2007 £m</i>
Surplus for the year		24.5	24.4
(Decrease)/increase in market value of investment assets		(10.2)	4.7
Actuarial gain/(loss) on defined benefit pension scheme	16	(0.6)	0.5
Total recognized gains and losses for the year		13.7	29.6

		<i>Year ended July 2008 £m</i>	<i>10 months ended July 2007 £m</i>
Reconciliation			
Opening reserves and endowments		176.8	147.2
Total recognized gains and losses for the year		13.7	29.6
Closing reserves and endowments		190.5	176.8

Statement of historical cost surpluses and deficits for the year ended 31 July 2008

		<i>Year ended July 2008 £m</i>	<i>10 months ended July 2007 £m</i>
Surplus for the year		24.5	24.4
Realization of investment revaluation gains of previous year		–	–
Historical cost surplus for the year		24.5	24.4

Balance sheet as at 31 July 2008

	Note	Group		Cambridge Assessment	
		July 2008 £m	July 2007 £m	July 2008 £m	July 2007 £m
Fixed assets					
Tangible fixed assets	6	65.4	61.2	56.7	53.2
Investments	7	78.5	69.7	91.2	82.1
		143.9	130.9	147.9	135.3
Endowment assets	8	7.6	12.3	7.6	12.3
Current assets					
Debtors	9	48.5	43.7	38.6	34.9
Short term deposits		51.3	45.5	2.7	9.1
Cash at bank and in hand		1.2	3.5	0.6	2.7
		101.0	92.7	41.9	46.7
Creditors: amounts falling due within one year	10	(60.3)	(57.1)	(48.4)	(41.0)
Net current assets/(liabilities)		40.7	35.6	(6.5)	5.7
Total assets less current liabilities		192.2	178.8	149.0	153.3
Creditors: amounts falling due after one year	11	–	–	(10.6)	(10.6)
Provisions for liabilities and charges	12	(1.7)	(0.6)	(1.6)	(0.6)
Net assets excluding pension scheme liability		190.5	178.2	136.8	142.1
Pension asset/(liability)	16	–	(1.4)	–	–
Total net assets		190.5	176.8	136.8	142.1
Specific endowments	13	7.6	12.3	7.6	12.3
Reserves					
Revaluation reserve	14	15.2	23.8	14.9	23.2
Investment property revaluation reserve	14	0.3	0.9	0.3	0.9
General reserve	14	167.4	141.2	114.0	105.7
Total reserves excluding pension reserve		182.9	165.9	129.2	129.8
Pension reserve	14	–	(1.4)	–	–
Total reserves including pension reserve		182.9	164.5	129.2	129.8
		190.5	176.8	136.8	142.1

The financial statements on pages 45 to 59 were approved by the Syndics on 20 November 2008 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 2008

		<i>Year ended July 2008</i>		<i>10 months ended July 2007</i>	
	<i>Note</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Net cash inflow from operating activities	15a		21.1		35.0
Returns on investments and servicing of finance					
Investment income		3.8		1.2	
Interest received		2.9		0.6	
			6.7		1.8
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(11.0)		(10.3)	
Payments to acquire investments		(18.0)		(6.0)	
Receipts from sale of tangible fixed assets		1.1		6.0	
			(27.9)		(10.3)
Cash (outflow)/inflow before use of liquid resources			(0.1)		26.5
Management of liquid resources					
Net movement on money market deposits	15c		(2.2)		(24.2)
(Decrease)/increase in cash in the year	15b		(2.3)		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. 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.

Recognition of income and deferral of incoming resources

Income 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.

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.

Fixed assets and depreciation

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

Freehold buildings	2%–5% per annum on a straight line basis;
Leasehold buildings	over the term of the lease.
Plant and equipment, furniture and fittings, and computer software	15%–25% per annum on a straight line basis.
Freehold land is not amortized.	

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 (Amalgamated 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.

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

Short term deposits

Short term deposits consist of deposits with banks; these deposits have an insignificant risk of changes in value.

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 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.

Recognition of liabilities

Provisions are recognized under FRS 12 and are not discounted.

Research and development expenditure

Expenditure on research and development is written off in the year in which it is incurred.

2. ENDOWMENT AND INVESTMENT INCOME

	<i>Year ended</i> <i>July 2008</i>	<i>10 months ended</i> <i>July 2007</i>
	<i>Group</i>	<i>Group</i>
	<i>£m</i>	<i>£m</i>
Income from specific endowment asset investments	0.5	0.6
Other investment income	2.8	1.6
Other interest receivable	1.9	1.3
	<hr/>	<hr/>
	5.2	3.5
	<hr/>	<hr/>

3. STAFF COSTS

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

	<i>Year ended</i> <i>July 2008</i>	<i>10 months ended</i> <i>July 2007</i>
	<i>Group</i>	<i>Group</i>
	<i>No.</i>	<i>No.</i>
Examination services	1,253	1,207
Administration and central services	372	425
Premises	91	103
	<hr/>	<hr/>
	1,716	1,735
	<hr/>	<hr/>

Staff costs for the above persons comprise:

	<i>Year ended</i> <i>July 2008</i>	<i>10 months ended</i> <i>July 2007</i>
	<i>Group</i>	<i>Group</i>
	<i>£m</i>	<i>£m</i>
Salaries and wages	46.2	36.7
Social security costs	3.7	3.0
Other pension costs (note 16)	6.2	5.0
	<hr/>	<hr/>
	56.1	44.7
	<hr/>	<hr/>

Of the above costs £1.7m (2007: £1.1m) was capitalized as internally developed software.

Staff costs charged to the Income and Expenditure Account

	<i>Year ended July 2008 Group £m</i>	<i>10 months ended July 2007 Group £m</i>
Examination services	39.6	30.1
Administration and central services	12.8	11.7
Premises	2.0	1.8
	<u>54.4</u>	<u>43.6</u>

Staff emoluments over £70,000

	<i>Year ended July 2008 Group No. staff</i>	<i>10 months ended July 2007 Group No. staff</i>
£70,001 – £80,000	8	3
£80,001 – £90,000	4	6
£90,001 – £100,000	5	1
£100,001 – £110,000	3	2
£110,001 – £120,000	1	1
£120,001 – £130,000	1	–
£130,001 – £140,000	2	–
£150,001 – £160,000	1	–
£200,001 – £210,000	–	1
£270,001 – £280,000	1	–

4. OTHER OPERATING EXPENSES

	<i>Year ended July 2008 Group £m</i>	<i>10 months ended July 2007 Group £m</i>
Examination services	103.4	91.3
Administration and central services	13.9	12.4
Premises	7.0	5.7
	<u>124.3</u>	<u>109.4</u>

	<i>Year ended July 2008 Group £m</i>	<i>10 months ended July 2007 Group £m</i>
Other operating expenses include:		
Auditors' remuneration – audit of these financial statements	0.1	0.1
Internal audit fee	0.1	–
Depreciation	5.8	4.4
Operating leases – land and buildings	0.8	1.1
– plant, machinery, and equipment	0.6	0.5
Foreign exchange losses	0.1	0.1

5. SURPLUS ON CONTINUING OPERATIONS FOR THE YEAR

	<i>Year ended July 2008 £m</i>	<i>10 months ended July 2007 £m</i>
Cambridge Assessment's surplus for the year	3.7	5.2
Group level adjustments re: defined benefit schemes	2.0	0.2
Surplus retained in subsidiary undertakings	18.8	19.0
	<u>24.5</u>	<u>24.4</u>

**6. 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>			
COST	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
At 1 August 2007	56.2	8.3	0.5	29.9	–	94.9
Additions	3.0	–	–	4.9	2.1	10.0
Disposals	–	–	–	(6.4)	–	(6.4)
At 31 July 2008	59.2	8.3	0.5	28.4	2.1	98.5
DEPRECIATION						
At 1 August 2007	9.3	1.8	0.2	22.4	–	33.7
Disposals	–	–	–	(6.4)	–	(6.4)
Charge for the period	1.6	0.1	0.1	4.0	–	5.8
At 31 July 2008	10.9	1.9	0.3	20.0	–	33.1
NET BOOK VALUE						
At 31 July 2008	48.3	6.4	0.2	8.4	2.1	65.4
At 31 July 2007	46.9	6.5	0.3	7.5	–	61.2

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>			
COST	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
At 1 August 2007	52.6	–	0.1	26.4	–	79.1
Additions	3.0	–	–	4.6	1.3	8.9
Disposals	–	–	–	(3.8)	–	(3.8)
At 31 July 2008	55.6	–	0.1	27.2	1.3	84.2
DEPRECIATION						
At 1 August 2007	6.6	–	–	19.3	–	25.9
Disposals	–	–	–	(3.8)	–	(3.8)
Charge for the period	1.6	–	–	3.8	–	5.4
At 31 July 2008	8.2	–	–	19.3	–	27.5
NET BOOK VALUE						
At 31 July 2008	47.4	–	0.1	7.9	1.3	56.7
At 31 July 2007	46.0	–	0.1	7.1	–	53.2

7. INVESTMENTS

	<i>Group</i>		<i>Cambridge Assessment</i>	
	<i>10 months ended July 2008</i>	<i>Year ended July 2007</i>	<i>Year ended July 2008</i>	<i>10 months ended July 2007</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
At 1 August 2007	69.7	54.5	82.1	67.0
Additions	18.0	11.4	18.0	11.4
(Decrease)/increase in market value of investments	(9.2)	3.8	(8.9)	3.7
At 31 July 2008	78.5	69.7	91.2	82.1
Represented by:				
University Endowment Fund units	77.0	67.6	74.6	65.0
Investment properties	1.4	2.0	1.4	2.0
Investment in subsidiary undertakings	–	–	0.1	0.1
Loan to OCR	–	–	15.0	15.0
Loan to Joint Venture	0.1	0.1	0.1	–
	78.5	69.7	91.2	82.1

Investments at market value comprise Cambridge University Endowment Fund (Amalgamated Fund) units. The market value at 31 July 2008 is based on the valuation as at that date provided by the Finance Division of the University of Cambridge.

Investment properties are stated at fair value. The valuation at 31 July 2008 was carried out by an independent chartered surveyor based on market values. For 2007 the valuation was provided by the Group Finance Director, based on local property indices and comparative data.

The loan to OCR is unsecured and has no fixed repayment date. No interest has been charged in the year ended 31 July 2008 and the future interest rate has yet to be determined.

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>
OCR	England	Member	100%	Examination and assessment services	1
RSA Examinations Board	England	Member	100%	Not trading	1
The West Midlands Examinations Board	England	Member	100%	Examination services	2
Sandonian Properties Limited	England	Ordinary	100%	Property Holding	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
CUAPTS Limited	Hong Kong	Ordinary	100%	Dormant	4
World Class Tests Limited	England	Ordinary	100%	Dormant	4
OCIAS Limited	England	Ordinary	100%	Overseas office services	4
Quick Placement Tests Limited	England	Ordinary	100%	Dormant	4
Cambridge Assessment	England	Member	100%	Dormant	3
Cambridge Assessment Overseas Limited	England	Ordinary	100%	Overseas office services	4

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

Joint ventures:

IELTS Inc	US	Member	33%	Examination services	5
QualDat	England	Member	33%	General Education	2

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 US Non stock non profit corporation.

8. ENDOWMENT ASSETS

	<i>Group</i>		<i>Cambridge Assessment</i>	
	<i>Year ended July 2008</i>	<i>10 months ended July 2007</i>	<i>Year ended July 2008</i>	<i>10 months ended July 2007</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
At 1 August 2007	12.3	16.7	12.3	16.7
(Decrease)/increase in market value of University Endowment Fund units	(1.0)	0.9	(1.0)	0.9
Disposal of assets to support expenditure (note 13)	(3.7)	(5.3)	(3.7)	(5.3)
At 31 July 2008	<u>7.6</u>	<u>12.3</u>	<u>7.6</u>	<u>12.3</u>
Represented by:				
University Endowment Fund units	8.6	9.6	8.6	9.6
(Bank overdraft)/Short term deposits	(1.0)	2.7	(1.0)	2.7
	<u>7.6</u>	<u>12.3</u>	<u>7.6</u>	<u>12.3</u>

9. DEBTORS

	<i>Group</i>		<i>Cambridge Assessment</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Trade debtors	35.9	30.2	30.0	25.9
Amounts owed by Group undertakings	–	–	0.2	0.1
Other debtors	1.1	2.4	0.3	0.1
Prepayments and accrued income	11.5	11.1	8.1	8.8
	<u>48.5</u>	<u>43.7</u>	<u>38.6</u>	<u>34.9</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<i>Group</i>		<i>Cambridge Assessment</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Bank overdraft	–	–	6.3	–
Trade creditors	4.6	4.3	2.9	2.0
Amounts due to Group undertakings	–	–	–	3.2
Other taxes and social security	5.4	5.0	1.7	1.6
Other creditors	0.8	1.2	0.4	0.5
Accruals and deferred income (see below)	49.5	46.6	37.1	33.7
	<u>60.3</u>	<u>57.1</u>	<u>48.4</u>	<u>41.0</u>
Deferred income is analysed as:				
At 1 August 2007	18.5	26.4	15.6	22.8
Deferred in current period	22.0	17.6	18.7	15.6
Released from previous period	(17.9)	(25.5)	(15.6)	(22.8)
At 31 July 2008	<u>22.6</u>	<u>18.5</u>	<u>18.7</u>	<u>15.6</u>

In accordance with the income recognition policy (see note 1), where the assessment service has not been substantially rendered, revenue from invoicing has not been recognized as income but has been deferred until later years.

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

	<i>Group</i>		<i>Cambridge Assessment</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Loan from RSAEB	–	–	–	10.5
Loan from OCR	–	–	10.5	–
Loan from CUAPTS	–	–	0.1	0.1
	<u>–</u>	<u>–</u>	<u>10.6</u>	<u>10.6</u>

The loans are unsecured and have no fixed repayment date. No interest was charged in the year to 31 July 2008 (2007: nil). During the year the assets of RSAEB were transferred to OCR.

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

	<i>Staffing</i>	<i>Other</i>	<i>Total</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>
At 1 August 2007	0.3	0.3	0.6
Charges in the period	0.2	1.4	1.6
Utilised in the period	(0.1)	(0.1)	(0.2)
Released during the period	(0.1)	(0.2)	(0.3)
	<u>0.3</u>	<u>1.4</u>	<u>1.7</u>

CAMBRIDGE ASSESSMENT

	<i>Staffing</i>	<i>Other</i>	<i>Total</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>
At 1 August 2007	0.3	0.3	0.6
Charges in the period	0.1	1.4	1.5
Utilised in the period	(0.1)	(0.1)	(0.2)
Released during the period	(0.1)	(0.2)	(0.3)
	<u>0.2</u>	<u>1.4</u>	<u>1.6</u>

Provisions were made in respect of payments regarding employment matters and contractual disputes.

13. SPECIFIC ENDOWMENTS**GROUP and CAMBRIDGE ASSESSMENT**

	<i>Year ended</i>	<i>10 months ended</i>
	<i>July 2008</i>	<i>July 2007</i>
	<i>£m</i>	<i>£m</i>
At 1 August 2007	12.3	16.7
Income receivable from endowment asset investments	0.5	0.6
Expenditure	(5.1)	(5.9)
	<u>(4.6)</u>	<u>(5.3)</u>
Transfer from TWMEB reserves	0.9	–
(Decrease)/increase in market value of investments	(1.0)	0.9
	<u>7.6</u>	<u>12.3</u>
Representing		
WMEB Fund	7.5	12.2
Scholarship Funds	0.1	0.1
	<u>7.6</u>	<u>12.3</u>

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

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

14. RESERVES**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 2007	141.2	23.8	0.9	165.9	(1.4)	164.5
Surplus retained for the year	27.1	–	–	27.1	2.0	29.1
Decrease in market value of investments	–	(8.6)	(0.6)	(9.2)	–	(9.2)
Transfers	(0.9)	–	–	(0.9)	–	(0.9)
Actuarial loss	–	–	–	–	(0.6)	(0.6)
At 31 July 2008	<u>167.4</u>	<u>15.2</u>	<u>0.3</u>	<u>182.9</u>	<u>–</u>	<u>182.9</u>

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 2007	105.7	23.2	0.9	129.8
Surplus retained for the year	8.3	–	–	8.3
Decrease in market value of investments	–	(8.3)	(0.6)	(8.9)
At 31 July 2008	<u>114.0</u>	<u>14.9</u>	<u>0.3</u>	<u>129.2</u>

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

	<i>Year ended July 2008</i>	<i>10 months ended July 2007</i>
	<i>£m</i>	<i>£m</i>
Surplus on continuing operations	24.5	24.4
Endowment and investment income	(5.2)	(3.5)
Depreciation of tangible fixed assets	5.8	4.4
(Surplus) on disposal of tangible fixed assets	–	(2.8)
Movements in provisions	1.1	0.2
Increase in creditors	4.2	10.2
(Increase)/decrease in debtors	(7.3)	1.0
Decrease in stock	–	1.3
Pension costs (FRS17)	(2.0)	(0.2)
Net cash inflow from operating activities	<u>21.1</u>	<u>35.0</u>

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

	<i>Year ended July 2008</i>	<i>10 months ended July 2007</i>
	<i>£m</i>	<i>£m</i>
(Decrease)/ increase in cash in the year	(2.3)	2.3
Net cash inflow from money market deposits	2.2	24.2
Change in net funds resulting from cashflows	<u>(0.1)</u>	<u>26.5</u>
Net funds at 1 August 2007	51.6	25.1
Net funds at 31 July 2008	<u>51.5</u>	<u>51.6</u>

15. NOTES TO CONSOLIDATED CASHFLOW STATEMENT (continued)*(c) Analysis of change in net funds*

	<i>At 1 August 2007</i>	<i>Cash flows</i>	<i>At 31 July 2008</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>
Cash at bank and in hand	3.5	(2.3)	1.2
Money market deposits	48.1	2.2	50.3
	<hr/>	<hr/>	<hr/>
Total	51.6	(0.1)	51.5
	<hr/>	<hr/>	<hr/>

16. 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 profiles of their active membership rising significantly. The RSAEB scheme is a closed scheme which has 11 (2007: 12) 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 2005	Jul 2006
Latest actuarial valuations		
Investment returns per annum	4.5%	6.9%
Salary scale increases per annum	3.9%	4.5%
Pension increases per annum	2.9%	3.0%
Market value of assets at date of last valuation	£21,740m	£276m
Funding level	77%	97%
Employer's contribution rate	14%	19.7%

The results of the March 2008 actuarial valuation of the USS scheme are not yet available.

RSAEB Pension Scheme

During the year the results of the latest full actuarial valuation of the scheme as at 31 July 2007 were received. This showed an ongoing deficit of £1.8m and a funding level of 76%. The employers agreed to make a single payment to fund the deficit before 31 July 2008. A new schedule of contributions was agreed under which an employer contribution rate of 31.8% of pensionable pay will apply in future years and, following the July 2008 single payment, no further deficit funding payments will be required.

In addition to the £1.8m deficit funding payment, the employers paid lump sum contributions totalling £0.3m in the period in accordance with the previous schedule of contributions dated July 2005.

The results of the actuarial valuation have been updated to 31 July 2008 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 2008</i>	<i>At 31 July 2007</i>
Discount rate	6.3%	5.7%
Retail price inflation	3.6%	3.2%
Salary increase rate	5.6%	5.2%
Pensions increases (at Limited Price Indexation)	3.8%	3.4%
Deferred pension revaluation	3.6%	3.2%

The mortality assumption for the current year end includes medium cohort mortality improvements. The liabilities for the previous year end had been increased by 5% to allow for improvements in mortality for scheme members.

Life expectancy in years, assuming retirement at 60:		
Male aged 60 now	26.7	25.4
At 60 for male aged 40 now	27.9	27.4
Female aged 60 now	29.7	28.8
At 60 for a female aged 40 now	30.7	30.8

Expected return on assets at beginning of period:	<i>At 1 Aug 2007</i>	<i>At 1 Oct 2006</i>
Equities	8.1%	7.4%
Bonds	5.4%	4.7%
Other	5.8%	4.8%

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>At 31 July 2008</i>	<i>At 31 July 2007</i>
	£m	£m
Fair value of scheme assets	7.5	5.8
Value of funded obligations	(7.5)	(7.2)
	<hr/>	<hr/>
	–	(1.4)

Analysis of amounts recognized in the Income and Expenditure account:

	<i>Year ended July 2008</i>	<i>10 months ended July 2007</i>
	£m	£m
Current service cost	0.2	0.2
Interest on obligation	0.4	0.3
Expected return on assets	(0.4)	(0.3)
	<hr/>	<hr/>
	0.2	0.2
Actual return on assets	(0.2)	0.2

Amounts recognized in the statement of total recognized gains and losses:

	<i>Year ended July 2008</i>	<i>10 months ended July 2007</i>
	£m	£m
Actual return less expected return on pension scheme assets	(0.6)	(0.1)
Experience losses on the liabilities	0.1	–
Change in assumptions	0.2	0.6
Surplus not recoverable	(0.3)	–
	<hr/>	<hr/>
Actuarial (loss)/gain	(0.6)	0.5

Analysis of change in the defined benefit obligation:

	<i>Year ended July 2008</i>	<i>10 months ended July 2007</i>
	£m	£m
Opening defined benefit obligation	7.2	7.6
Current service cost	0.2	0.2
Interest on obligation	0.4	0.3
Actuarial losses/(gains)	–	(0.6)
Benefits paid	(0.3)	(0.3)
	<hr/>	<hr/>
	7.5	7.2

Analysis of change in the fair value of scheme assets:

	<i>Year ended July 2008</i>	<i>10 months ended July 2007</i>
	<i>£m</i>	<i>£m</i>
Opening fair value of scheme assets	5.8	5.5
Expected return on assets	0.4	0.3
Actuarial gains/ (losses)	(0.6)	(0.1)
Contributions	2.2	0.4
Benefits paid	(0.3)	(0.3)
	<u>7.5</u>	<u>5.8</u>

The Group expects to contribute £0.18m to this defined benefit pension scheme in the year to 31 July 2009.

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

	<i>Assets at 31 July 2008</i>	<i>Assets at 31 July 2007</i>
Equities	37%	53%
Bonds	37%	46%
Other	26%	1%

Amounts for the current and previous four periods:

	<i>31 July 2008</i>	<i>31 July 2007</i>	<i>30 Sept 2006</i>	<i>30 Sept 2005</i>	<i>30 Sept 2004</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Defined benefit obligation	(7.5)	(7.2)	(7.6)	(7.4)	(6.4)
Scheme assets	7.5	5.8	5.5	5.5	4.4
Surplus/(deficit)	<u>–</u>	<u>(1.4)</u>	<u>(2.1)</u>	<u>(1.9)</u>	<u>(2.0)</u>
Experience adjustments on scheme liabilities	0.1	–	(0.1)	(0.1)	0.4
Experience adjustments on scheme assets	(0.6)	(0.1)	0.1	0.6	0.1

Total Group pension cost for the year:

	<i>Year ended July 2008</i>	<i>10 months ended July 2007</i>
	<i>£m</i>	<i>£m</i>
USS	3.3	2.6
CPS	2.7	2.2
RSAEB	0.2	0.2
	<u>6.2</u>	<u>5.0</u>

17. OPERATING LEASES

At 31 July 2008 the Group had annual commitments under non-cancellable operating leases as follows:

	<i>Group</i>		<i>Cambridge Assessment</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
Amounts payable under operating leases which fall due in the next financial year:	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Land and buildings, commitments expiring:				
In 1 year	–	0.2	–	0.2
Between 2 and 5 years	0.1	0.1	0.3	0.2
After 5 years	0.4	0.3	0.3	0.3
Plant, machinery, and equipment, commitments expiring:				
In 1 year	0.2	0.1	0.1	0.1
Between 2 and 5 years	0.2	0.4	0.1	0.1
	<u>0.9</u>	<u>1.1</u>	<u>0.8</u>	<u>0.9</u>

18. FORWARD CURRENCY CONTRACTS

As at 31 July 2008 the Group had forward exchange contracts for the sale of €16.8m (2007: €17.5m, US\$6.6m).

19. CAPITAL COMMITMENTS

There were £1.1m (2007: £1m) capital commitments for the Group and £1.1m (2007: £1m) for Cambridge Assessment as at 31 July 2008 in respect of building work, machinery, and equipment and computer software.

20. CONTINGENT LIABILITIES

There were no (2007: £nil) contingent liabilities as at 31 July 2008.

21. RELATED PARTY TRANSACTIONS

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

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 £10.5m (2007: £8.28m), purchase of other services £0.28m (2007: £0.19m), receipt of royalties £0.39m (2007: £0.32m), sale of services £0.26m (2007: £0.22m). At 31 July 2008 a balance of £0.76m (2007: £0.89m) was due to CUP and its subsidiaries.

The total transfer to the University of Cambridge in respect of 2008 was £12.4m. The balance due at 31 July was £11.1m (2007: total £9.33m including £0.07m in respect of 2006).

The group paid £0.44m (2007: £0.21m) to the University in respect of rentals and other services. Examination fees of £0.04m (2007: £0.04m) were charged to the University. At 31 July 2008 £0.06m (2007: £0.05m) was due to the University in respect of these transactions.

A total of £0.95m (2007: £0.48m) was paid to Colleges of the University in respect of venue hire and scholarships. Property rental of £0.06m (2007: £0.06m) was receivable from Downing College and sundry income of £2,402 in total was received from twelve Colleges (2007: £1,740). At 31 July 2008 £0.22m (2007: £0.17m) was owed to Colleges.

£0.07m (2007: £0.08m) was paid to the Cambridge Overseas Trust in respect of scholarships.

£6,000 (2007: £7,250) was paid to one Syndic in respect of consultancy services, £1,379 (2007: £271) to one Syndic in respect of examination services; no other remuneration was paid to Syndics or to any connected persons (2007: £nil). Total travel expenses of £2,253 (2007: £1,740) were reimbursed during the year to 7 (2007: 6) Syndics.

22. 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, and published in the *Cambridge University Reporter*, which may be obtained from the Cambridge University Press Bookshop, 1 Trinity Street, Cambridge, CB2 1SZ.