AQA Education

A company limited by guarantee

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Registered company number 3644723

Registered charity number 1073334

www.aqa.org.uk

INTRODUCTION

AQA Education (AQA) is a company limited by guarantee; it does not have share capital and is a registered charity. The directors, who are AQA trustees and constitute the members of the Charity, present the Directors’ and Trustees’ Report which includes the Strategic Report and the audited Consolidated Financial Statements for the year ended 31 March 2020.

STRUCTURE

AQA’s directors are members of the AQA Board of Trustees and during the reporting year and up to the date of this report were:

Trustee vacancies are advertised when there is a particular skills gap and when the term of office comes to an end within the overall membership of the Board of Trustees. Education sector representation is crucial to maintaining the integrity of the Board of Trustees and ensuring that the business focus is balanced with its charitable aims. AQA liaises with national education bodies actively and consistently to ensure the skills and interests of the applicants dovetail with the particular requirements for an effective Board of Trustees.

A number of the trustees also served on governance and advisory committees and as chairs of the following committees during the reporting year.

Governance committees

Committee Chairs Group	Mr J van Wijngaarden
Finance Committee	Mr N Kiyani
Audit, Risk and Compliance Committee	Mr M Turner
Irregularities and Appeals Committee	Mr M Bramwell
Awarding Standards Committee	Mr J van Wijngaarden
Nominations Committee	Mr J van Wijngaarden
Remuneration Committee	Ms P Hird

Advisory committees

Curriculum and Assessment Quality Committee	Mrs S Moore
Research Committee	Professor J Baird (non-trustee)
Student Advisory Group	Ms E Kitcatt

AQA provides new trustees with an induction session to inform them about the organisation and explain their duties as charity trustees. Each year, a training workshop is arranged to update trustees on new and emerging issues and provide a forum for discussions.

All trustees are required to complete a Register of Interests and to declare any potential conflict of interest annually and declare conflicts of interest at the start of each governance meeting. This also applies to governance and advisory committee members who are not trustees.

AQA's Articles of Association provide for a range of governance and advisory committees as well as its Board of Trustees. All the committees, except the Research Committee, are chaired by trustees and, with the exception of the Committee Chairs Group, Awarding Standards Committee, Nominations Committee and Remuneration Committee include both trustees and independent members within their membership. This provides a breadth of experience in teaching and assessment, as well as commercial, operational and other professional and technical skills.

Governance committees

- **Committee Chairs Group**: meets as required and acts on behalf of the Board of Trustees as a clearing house for time-critical decisions. It is also a preliminary review group for strategic analysis and a special study group as required. This committee reports to the Board of Trustees on such activities.

- **Finance Committee**: meets four times a year and is responsible for reporting to the Board of Trustees on all matters relating to AQA's financial strategy, financial management and investment management.

- **Audit, Risk and Compliance Committee**: meets at least four times a year and reports to the Board of Trustees on the integrity and regulatory compliance of AQA's annual financial statements; the independence and performance of the external and internal auditors; and the functioning of AQA's internal controls, risk management and regulatory compliance controls. The Committee has oversight and challenge with regard to AQA's compliance activity, including review of the annual compliance review plan, receipt of reports, and activity relating to the annual Statement of Compliance process.

- **Irregularities and Appeals Committee:** meets at least twice a year and updates the Board of Trustees on all matters relating to exam irregularities and appeals. It decides on appropriate action in all serious alleged cases of teacher and student malpractice relating to AQA's exams, and oversees and contributes to the operation of AQA's appeals procedures.

Governance committees (continued)

- **Awarding Standards Committee:** meets only if required, prior to publishing results for each exam series, for rapid consideration of the issues involved when there is a serious standards-related matter arising. This committee reports to the Board of Trustees on such activity.

- **Nominations Committee:** meets at least once a year and makes recommendations to the Board of Trustees on the appointment and continuation in office of trustees, ensuring that appropriate procedures are in place for their selection, training and evaluation. It also makes recommendations on Independent Members of the Governance Sub Committees.

- **Remuneration Committee:** meets at least once a year and acts on behalf of the Board of Trustees regarding appropriate remuneration and terms of service for the chief executive officer, other members of the Executive Team and trustees when required. This committee reports to the Board of Trustees on such activities.

Advisory committees

- **Curriculum and Assessment Quality Committee:** meets three times a year and advises the Executive Team on all educational matters relating to the curriculum and monitors performance against agreed quality assurance measures.

- **Research Committee**: meets three times a year and advises the Executive Team on all matters relating to research and technical aspects of assessment so as to ensure that AQA maintains its leading place nationally in assessment research.

- **Student Advisory Group:** meets three times a year and is comprised of students who have recently taken or are studying for AQA qualifications. The Group provide a student perspective on the exam process and experience to give a unique insight into AQA's impact on students.

The Board of Trustees is, for company law purposes, also the Board of Directors, and has ultimate responsibility for the Charity's activities. It exercises its powers through the chief executive officer (CEO) who is also a trustee.

AQA's day-to-day business is carried out by the CEO, Mr Colin Hughes*, and a team of senior executives who make up the Executive Team:

- Mark Bedlow (Operations, appointed June 2019),
- Lisa Pearl (People),
- Alex Scharaschkin (Research and Regulation),
- David Shaw (Chief Information Officer),
- Nick Stevens (Finance and Corporate Services),
- Roddy Gillespie (Qualifications and Markets, appointed May 2019),
- Michael Turner (Corporate Affairs).

*On 9 September 2019, Professor Toby Salt stepped down as CEO and Mr Mark Bedlow took up the role on an interim basis. On 1 September 2020, Mr Mark Bedlow stepped down as interim CEO and Mr Colin Hughes took up the role.

Group structure

AQA is an education charity and a leading provider of qualifications and support services for teachers and students. It also provides services through two wholly-owned subsidiary companies: Doublestruck Limited (Doublestruck) and DRS Data Services Limited (DRS), which along with AQA make up the Group and are detailed below.

- Doublestruck Limited is a company incorporated in England and Wales and limited by shares (company number: 02373295) and is wholly-owned by AQA. It operates as a provider of online databases of past paper questions for primary and secondary schools to support high quality, focused teaching and assessment for all ages.

- DRS Data Services Limited (company number: 005568337) is a company incorporated in England and Wales and limited by shares and wholly-owned by AQA. It operates as a data capture bureau offering printing and scanning services, and provides the online marking platform used by examiners and markers.

The financial statements of these subsidiaries are consolidated into this set of financial statements.

Commercial partnership

In May 2015, AQA formed a joint venture company with Oxford University Press, Oxford International AQA Examinations Limited. The company offers a new suite of international GCSE, AS and A-level qualifications to schools outside the UK that teach a British curriculum. The qualifications are designed and delivered by AQA and externally validated to ensure they are comparable to UK qualifications.

PAY POLICY FOR SENIOR STAFF

The Board of Trustees and the Executive Team comprise the key management of AQA in charge of directing, controlling, running and operating the organisation. Details of trustees' expenses, related party transactions and remuneration paid to the Chair of the Board of Trustees are disclosed in Note 10 to the financial statements.

We have a Remuneration Committee, established as a governance committee of the Board of Trustees to advise the latter on the appropriate remuneration and terms of service for the CEO and the Executive Team, and trustees when required. Specifically, the Committee determines annually what increase, if any, should be applied to the CEO's remuneration and agrees the Executive Team's remuneration, based on specific data provided to them.

The CEO is currently remunerated for his services in his role as CEO, and it is confirmed that no additional remuneration is payable or has been paid as a result of his appointment as a trustee.

In March 2020 we published our gender pay report which shows that our median pay gap in 2019 remained steady at 8.4%, which is unchanged from 2018. We are in a better position than many organisations with the national median gender pay gap in 2018 being 17.9%. There was also a reduction in our mean pay gap from 11.8% in 2018 to 9.9% in 2019. Our report continues to show that there are more males than females in the upper pay quartile, which is due to more males being in our most senior roles.

To help reduce this gap we are very keen to encourage women across the business to grow and develop and we have a plan in place that looks at a variety of actions and initiatives to make this happen. This includes reviewing talent and succession, promoting our empowering women programmes and updating a range of policies.

This work aims to help AQA create a working environment where women and men have equal opportunities to progress. By creating a culture that encourages inclusion and removes barriers, we can grow our talent and create a diverse workforce so AQA truly is a great place to work. Further details on this and how we are supporting diversity can be found in the Governance section on page 21.

We are also making changes to our family friendly and flexible working procedures to ensure career progression at AQA is compatible with family life for all employees.

PUBLIC BENEFIT

The Board of Trustees has due regard of the Charities Act 2011 and the Charity Commission guidance on public benefit, in particular the requirement that public benefit can no longer be presumed but must be demonstrated. We are confident in our role as a charity delivering services to the public and meeting the Charity Commission's public benefit requirements now and into the future, with specific attention to ensuring that our services benefit society through advancing education and promoting learning. Further details are provided in the Strategic Report.

We have complied with the duty in section 4 of the Charities Act 2011 to have due regard to public benefit guidance published by the Charity Commission.

Ensuring AQA's work delivers its aims

Informed by the advice contained in the Charity Commission's general guidance on public benefit, we keep our educational aims, objectives and activities under continuous review, consider our achievements and the outcomes of our work and evaluate the successes and benefits. In addition, we consider how future activities will contribute to the agreed aims and objectives and help to equip learners with the knowledge and skills they require for the future.

Despite Coronavirus having a significant impact on AQA and its stakeholders we have continued to deliver against our aims and objectives. The major impact of the pandemic will be seen in the following financial year.

STRATEGIC REPORT
OBJECTIVES, ACHIEVEMENTS AND PERFORMANCE

Delivering against our purpose

AQA is an independent education charity and the UK's largest provider of academic and vocational qualifications for schools and colleges.

Our purpose as an organisation is to advance education by enabling students and teachers to realise their potential. Any income we make through providing qualifications is invested back into education.

This means we are mindful of the impact that studying for examinations and assessment has on the classroom and the need for our qualifications to support good teaching and learning that helps students progress to the next stage in their lives. Our purpose and our values guide our decision-making, for example:

- We provide a broad range of A-level, AS-level and GCSE courses and offer qualifications in a number of low-entry subjects which we think are educationally and socially valuable.
- Our qualifications are designed to enable students no matter their background, ability or impairment, to demonstrate what they can do.
- Our vocational and work-based qualifications promote lifelong learning and individual attainment and widen participation in education.
- We provide, through the joint venture with Oxford University Press, a range of international GCSE, AS and A-levels to improve education internationally through excellence in teaching, learning and assessment. These qualifications are modelled on our reformed GCSE and A-level qualifications, but are specifically designed for students living outside of the UK who may not have English as a first language. This allows them to succeed fairly on the basis of their subject knowledge.
- We offer a range of flexible training programmes and resources to support teachers, from helping them better understand our specifications to developing their teaching skills.
- As well as students and teachers, we are focused on developing our people providing opportunities for them to build their skills and to progress.

OBJECTIVES, ACHIEVEMENTS AND PERFORMANCE

Delivering against our purpose (continued)

In addition to our core examination activities, we also pursue opportunities to support more teachers and young people to benefit the overall education system and as part of delivering on our public benefit.

Investing in students

- AQA Unlocking Potential is a life-changing mentoring programme for young people aged 14 to 19, run in partnership with the Dame Kelly Holmes Trust. This intensive mentoring programme aims to help students develop skills and increase their confidence, motivation and self-belief, and to achieve their full potential. The participants are nominated by teachers or youth workers who think that they would benefit from an inspirational helping hand as they have either faced challenging personal circumstances or have low self-esteem.

  The programme is supported by AQA volunteers and the Dame Kelly Holmes Trust's team of inspirational mentors, which includes Olympic, Commonwealth and World Champion athletes who followed through on their goals, overcame adversity and had the will to succeed in both sport and life.

  The participants work in one-to-one and group sessions over eight months to plan and deliver a social action project which benefits their local community. This year, 80 students took part, bringing the total number of students supported since it started in 2011 to 505.

Investing in teachers

- As part of our commitment to improving social mobility through education, we set up a project to sponsor a group of teachers from areas with low student attainment, to attend residential leadership courses with the Prince's Teaching Institute (PTI). The PTI aims to enhance the impact of teachers within the classroom through professional development, which broadens and deepens the subject knowledge, and in turn inspires young people whatever their ability. We share the PTI's belief that passionate, motivated teachers are key to making education excellent. The second cohort of eight teachers attended in July 2019, and four teachers in January 2020.

Investing in research and sharing our assessment expertise

- We fund cutting-edge research through AQA Research. This research benefits teachers and students as it has improved the way we design assessments, including the new qualifications developed in response to government policy changes. By collaborating with other academics and institutions we can both add to and draw upon wider knowledge in the sector: for example, we are currently sponsoring a Research Fellow at the Oxford University Centre for Educational Assessment, and we are working on joint projects with the University of Surrey and the University of East Anglia.

  We share our expertise and research evidence so that it raises the bar in assessment practice around the world and helps policymakers understand the likely implications and impact of their decisions. It is available to anyone through a searchable online library that covers a wide range of assessment and education topics. We also contribute to peer-reviewed journals and present papers at and participate in national and international education conferences.

  We see it as part of our role to help all our stakeholders, including teachers, students, parents, school governors and the general public understand assessment. We have developed engaging content, including podcasts and animations, which explain the nuts and bolts of assessment from how we design a qualification to how we award grades, as well as providing content to help explain changes to qualifications. All our content is available through our website and we promote it through a range of channels including social media.

OBJECTIVES, ACHIEVEMENTS AND PERFORMANCE

Delivering against our purpose (continued)

Investing in our communities and our people

- We also believe that to deliver on our charitable purpose, we need to invest in our communities and our people. During the year we supported a number of charitable activities chosen by employees. This support includes allowing colleagues up to 5 days' time off to carry out charitable activities, including school governor duties, under our policy granting special leave for public duties. During the Coronavirus crisis, this has been increased by an additional 5 days to allow employees to volunteer as part of the NHS volunteering scheme. We also have a match-funding policy to support charitable activities; this means we make charitable donations equal to or up to an amount raised by AQA employees participating in pre-authorised fundraising activity.

Delivering against our objectives

Our existing strategy takes us through to 2020. The objectives we set and what we did to achieve them are shown below.

1) Delivering quality products with reliable, valid and accurate outcomes

In 2013 the Government announced a number of changes to increase the rigour of AS, A-level and GCSE qualifications and the focus on assessment by exam. The main changes were:

- Assessment at the end of the course, covering the content from the full two years for GCSE and A-levels.
- Coursework is only used when it is the only valid way to assess essential elements of the subject.
- AS qualifications are stand-alone and designed to be co-teachable with the A-level.
- A new 9 to1 grading system for GCSEs, with 9 being the highest.

We've now successfully awarded 120 of our 125 reformed qualifications. 2019 was the third year that we've awarded new GCSEs, with 15 new qualifications graded from 9 to 1, rather than A* to G. We also awarded 19 of our other new qualifications for the first time. The final five reformed qualifications were planned to be taken and awarded for the first time in Summer 2020. However, because of the pandemic, these qualifications were awarded grades through the centre assessed process like all others. These new qualifications include a range of subjects that need to be cross-subsidised, such as community languages not offered by other awarding bodies: A-level Bengali, A-level Biblical Hebrew, A-level Modern Hebrew, A-level Panjabi and A-level Polish.

Now that qualification reform is nearly complete, we shall continue to focus on improving quality. We want to make sure our qualifications remain engaging for teachers and students, ensure a fair and accurate assessment of what young people can do, and enable progression.

Part of our work on quality has been a significant investment in a new digital content authoring solution, which will be used to create high quality, accessible, exam papers. This has also supported the regulatory and compliance work we've been doing to further strengthen the confidentiality of assessment materials.

While our UK qualifications are taught in 39 countries around the world, we have developed a range of qualifications that is specifically designed to meet the needs of the international market for our joint venture with Oxford University Press, Oxford International AQA Examinations Limited. These new international GCSEs, AS and A-levels are now available to students in 15 countries across the Middle East and Asia. The shared aim of the joint venture is to improve education internationally through excellence in teaching, learning and assessment.

The Office of Qualifications and Examinations Regulation (Ofqual) is the regulator of qualifications, exams and assessments in England. It ensures that we exercise our responsibilities appropriately against the General Conditions of Recognition (GCoR) and each year we submit our annual declaration of compliance. We have annual regulatory assurance plans to monitor and maintain our compliance.

Through continuous improvements in our quality and customer standards, we will maintain AQA's reputation on regulatory issues relating to the development, delivery and marking of examinations.

OBJECTIVES, ACHIEVEMENTS AND PERFORMANCE

Delivering against our objectives (continued)

We are also regulated by Qualifications Wales and Council for the Curriculum, Examinations and Assessment (CCEA) for delivery of examinations in Wales and Northern Ireland respectively.

2) Being trusted and reliable in assessment design and delivery

We provide tools and resources for teachers using our products. We work collaboratively with teachers to ensure these are designed around their teaching needs.

This wide range of tools and resources for teachers includes the following:

- Prepare to Teach: we offer free events covering teaching new qualifications and publish the training materials on our website to share them more widely.
- Continuing Professional Development (CPD): we offer a wide portfolio of qualifications-related training to support teachers to deliver our courses and assessments.
- Formative Assessment: through Doublestruck, we provide searchable databases of past papers for use in primary and secondary assessment and progress testing.
- Resources: we produce high quality teaching and learning resources to support teachers across the primary and secondary curriculum.

3) Providing timely, valued insight and evidence that informs policy

Our assessment expertise provides the foundation for everything we do at AQA, and ensures that we are able to continuously improve the quality and reliability of our assessments for the benefit to students and teachers. We share our research with other assessment experts and policymakers to ensure that they have a sound evidence base for considering what would be in the best interests of students. We also publish and present papers and participate in national and international education conferences.

4) Ensuring sound financial management and a robust asset base

We aim to achieve this by accurately recording and monitoring income and expenditure and planning how we will meet new challenges. We continue to focus on the way we work which ensures we are efficient and therefore achieve good value for money. We continue to work hard to manage our operational costs as being careful with our money means we can help more students go further. As a result of this we are able to subsidise some of our lower volume qualifications. We aim to maintain resources at a level that ensures we are able to meet our financial commitments and obligations as they fall due, fund unexpected expenditure, invest in capital projects, and safeguard the future of the Charity.

Details of our financial activities and performance are detailed in the financial review below.

5) Delivering demonstrably secure, reliable, agile and cost-effective systems

During the reporting year, we continued our work to update our core operational systems, which will improve our resilience to accommodate both significant increases in entries and resist the growing cyber threat. The final elements of our major new platform development, have been deferred from Summer to Autumn 2020 in order to enable the diversion of key resources to meet new systems requirements arising from Coronavirus. Its subsequent implementation is being planned in light of the unfolding position as we emerge from the disruption.

As part of our strategy to move to 100% e-marking and bring all our e-marking within the AQA family, our new marking system was used successfully for the first time in Summer 2019. This will be rolled out with additional functionality in Autumn 2020, on track for our final phase of roll-out in Summer 2021.

This year we've successfully launched our new digital content authoring solution, which will be used to create high quality, right first time, assessment materials. We've also implemented the first phase of a programme to improve our HR and finance systems, which is scheduled to be completed in 2022.

OBJECTIVES, ACHIEVEMENTS AND PERFORMANCE (continued)

We continue to review and evolve our response to the ever-changing cyber security threat.

6) Ensuring we have great people achieving their potential

During the year we continued to work on our great place to work strategy by embedding our core values and behaviours. We want to ensure we have a culture that enables everyone, and the organisation, to succeed. As part of this we've focused on supporting our leaders to have quality conversations with colleagues and to create the right conditions for people to thrive at work. This has helped colleagues to be clear on individual goals and how they contribute to the overall success of AQA.

We've also introduced a new learning management system for employees and associates that encourages agile online learning, and individual growth and development.

The wellbeing of our people is critical to our success so we've also been building on our wellbeing initiatives and have continued to invest in training a network of mental health first aiders.

We continued offering a range of development opportunities for colleagues. The 14 colleagues who were put forward for an apprenticeship qualification in the last financial period continued with their training. We are now engaging with all business areas to talk about apprenticeship opportunities. We expect to start another cohort in spring 2020 for 2020/2021 intake.

We're committed to building a diverse and inclusive culture to make sure AQA is a great place to work. We're continuing our work on initiatives to positively influence this and colleagues on our Empowering Women programme took the gender pay report as an opportunity to open up a dialogue on the reasons behind our pay gap and what we can do differently.

Employees are engaged with to inform the strategy and contribute to how AQA as a charity operates. Corporate information is shared via the intranet, in-house newsletters, and departmental events and meetings. Events to update colleagues on the strategy and business performance are held annually, with biannual supporting events.

Future strategy

We are in the process of refreshing our future strategy. In the meantime, we will continue to focus on three strategic priorities over the next two years. These are:

- to deliver our current major **technology** programmes, including Nexus,(our bespoke exams processing system), which will provide us with the platforms needed to succeed now and in the future.
- to improve **quality** in all our process and **ensure regulatory compliance** in all that we do.
- to embed our **people plan** so we support our employees and enable them to realise their potential.

PLANS FOR FUTURE PERIODS

With over a century of qualifications expertise, we will continue to promote education for the public benefit and support teachers to bring out the best in every student.

Our plans for 2020 have been significantly affected by the Coronavirus pandemic. In March 2020, the Government announced the cancellation of all GCSE, AS and A-level exams during Summer 2020. Ofqual determined a new approach to awarding qualifications during this unprecedented period. The principle underpinning the approach was that students should not be penalised by the cancellation of exams, and should be awarded a qualification to reflect their progress and ability, which is at the heart of our organisational purpose.

The impact of Coronavirus is not yet fully known and there continues to be a level of uncertainty. As we don't know how the coronavirus and government policy will change over the coming months, we've developed some key assumptions. We're assuming that some level of restrictions will continue for the rest of the year and that any relaxation of existing restrictions will be gradual and subject to reversal.

As part of our business continuity, we're planning our AQA exit strategy from lockdown and have a team working on this. They are focussing on five workstreams: people, facilities and health and safety, technology, delivery and communications.

We'll continue to work closely with Ofqual on existing and new government policy and regulatory requirements and understand the impact on the range of products and services we provide.

We will also continue supporting and developing our international joint venture with Oxford University Press, Oxford International AQA Examinations Limited.

We have committed to another year of sponsoring teachers through the PTI and we will continue funding the Unlocking Potential programme until at least 2020/21.

SECTION 172(1) REPORTING

Section 172 of the Companies Act 2006 requires a director of a charity to act in the way they consider, in good faith, would be most likely to promote the success of the charity. In doing this, section 172 requires a director to think ahead to the likely consequences of any decision in the long term including:

- The interests of the charity's employees.
- The need to foster the charity's business relationships with suppliers, customers and associates.
- The impact of the charity's operations on the community and the environment.
- The desirability of the company maintaining a reputation for high standards of business conduct.
- The need to act fairly.

The directors give careful consideration to the factors set out above. The stakeholders we consider here are the people who work with us, help us deliver our key service, and regulate us. The Board of Trustees recognises that building strong relationships with our stakeholders will help us to deliver our strategy in line with our long-term values.

Stakeholder engagement

The Board of Trustees is committed to effective engagement with all of its stakeholders. For the majority of instances they delegate this responsibility to the CEO and the Executive Team as part of the Charity's day-to-day business. Depending on the nature of the issue in question, the relevance of each stakeholder group may differ and, as such, as part of its engagement with stakeholders the Executive Team seeks to understand the priorities of each group.

Section 172(1) reporting (continued)

The Board of Trustees receives updates from the Executive Team on issues concerning customers, associates, students, suppliers, employees, Ofqual, Government and the wider community. Some of the ways in which the Executive Team has engaged with stakeholders over the year are shown below.

Customers
Customers (schools and colleges) are at the heart of everything that AQA does. This year we've maintained high customer satisfaction scores by listening to our customers' feedback. We've also been working to better understand our customers' journeys with us which has informed our customer initiatives to help us improve all areas of our organisation, from our products, processes, to our website and other communications. We also have a customer steering group to ensure continued focus on improving customer experience at all touch points. We also develop and deliver targeted customer propositions and campaigns, based on detailed research into our customer needs and clear insights, driving changes in customer behaviour, brand perception and purchasing decisions.

Associates
Our associates are academics, teachers, lecturers and subject matter experts and are incredibly important to us. Despite the change in the Summer series, they remain a key resource in helping us write and deliver our exams. Our annual associate survey provides us with an understanding of how associates feel about working with us, gives us an indication about their future intention of working with us, and helps us to identify priority areas for improvement. This is supported by the associate experience group which is a forum consisting of managers of associate facing teams. The group aims to recognise and validate the output of the associate survey, and work to resolve key outputs and commit to deliver on improving our associate experience. They also produce a monthly newsletter in collaboration with a small group of associates and is distributed to our associate community.

To continually improve our relationships with our associates by influencing and aligning associate activity across AQA and ensuring they feel valued and engaged, we continued to run our internal Associate Steering Group. Our associate action group is a two way forum consisting of AQA senior managers and associate members, to listen to the voice of associates and engage our associate community with AQA plans and initiatives.

Students
Although students are not technically our customers as they're not the ones buying our qualifications, they are the end-users of our products, and with this comes a duty of care for them. They've also become a growing AQA Community, particularly through social media channels, which has highlighted a gap in how we engage with them. To fill that gap, we've created a student engagement strategy.

The two main aims of the strategy are to: make sure we do our best to respond proactively and reactively to reduce unhelpful stress and anxiety where possible; and to protect the reputation of exams when students comment publicly on social media. It sits alongside the social media strategy, and it complements AQA's aims of acting in the best interests of students and helping teachers support their students.

We've worked with colleagues from across the business to create the strategy. We also worked closely with students - we held two focus groups to better understand what we can do to support them and how they want to interact with us.

As discussed on page 22 we introduced the Student Advisory Group during the year, which, by informing the Trustee Board, builds the perspectives of students into the governance of the charity.

Suppliers
The Executive Team recognises the key role suppliers play in ensuring AQA delivers a reliable service. Suppliers also help AQA to continually improve the products and services we offer. We've met and worked with key suppliers throughout the year. This gives us an opportunity to share our plans, gives suppliers an opportunity to share ideas for improvement, and also enables us both to hear directly from each other to discuss current challenges and to nurture our ongoing relationship. Our aim is to ensure that our relationships are mutually beneficial. The goodwill this generates helps to ensure that AQA receives priority treatment, be it service, quality, innovation or other commercial benefit.

Section 172(1) reporting (continued)

To ensure continued performance, we review supplier performance against KPIs and agree on priorities and action to be taken when performance falls below expectations. We have obligations to fulfil and we encourage feedback from our key suppliers by both formal and informal channels. The average time we take to pay an invoice is 6 days with 89% of invoices being paid within 30 days.

Employees
The Executive Team engage with employees in a variety of ways. These include a monthly newsletter and updates on the intranet. During the year colleagues were asked to share their thoughts on what it's like to work for AQA via a colleague engagement survey. We also introduced our interactive update meeting, Connect 2020, which reflected on some of the key issues arising from the recent employee survey and allowed employees to question the leadership team.

Joint Council for Qualifications (JCQ)
JCQ is the membership organisation for AQA and other large UK qualification providers. It is funded by its members and acts in support of their interests. It enables its members to reach a common position on national issues and speak to its stakeholders with a collective voice. We regularly engage through a formal committee structure and through various working groups.

Ofqual
AQA recognises the importance of open and continuous dialogue with regulators. Members of the Research and Regulation team proactively and regularly meet with Ofqual, which regulates qualifications. We also engage regularly with regulators through Continuous Assessment and Proactive Engagement meetings.

Government
As an education charity, AQA works with a range of government and other stakeholders to inform both their work and the development of wider education policy. We regularly organise roundtables, seminars and provide briefings to support stakeholder understanding of qualifications, the components of high-quality assessment, as well as to share insights from AQA's research and analysis teams.

Wider community
As a registered charity, AQA is committed to managing the wider social impact of its operations. Details of our Modern Slavery Statement and Standards and Policies are included on our website www.aqa.org.uk. We take our environmental responsibilities very seriously. Further details on this are contained on page 16.

Decision making
AQA recognises the importance of engaging with stakeholders to help inform strategy and Board of Trustees decision making. Relevant stakeholder interests, including those of employees, suppliers, customers and others are taken into account when it makes decisions.

AQA defines principal decisions as those that are material or of strategic importance to AQA, and also those that are significant to any of its key stakeholders groups. In making its decisions, the Board of Trustees considers the outcomes of relevant stakeholder engagement as well as the need to maintain a reputation for high standards of business conduct, and to consider the long term consequences of its decisions. The following provide examples of how stakeholder interests were considered in a principal decision made by the Board of Trustees.

Coronavirus
In March 2020, the Board of Trustees discussed its response to the Coronavirus pandemic.

There were two key areas of discussion, the impact on delivery of the Summer series and on organisational aspects, in particular AQA employees. They focussed on the effect on end to end business processes, and identifying potential points of weakness and what contingencies could be implemented. The Board of Trustees also recognised that regulations for Summer 2020 were likely to change, reflecting the different approach to awarding qualifications. To fulfil our requirements, we need to design and build new IT systems and processes which were also discussed. The Board of Trustees also took into account the readiness of suppliers, the views of customers and wider stakeholders and how to mitigate the wider risk to the Charity.

Section 172(1) reporting (continued)

Avanade Managed Service
In July 2019, the Board of Trustees approved the signing of the Managed Service contract with Avanade in relation to the Nexus system, which is our bespoke exams processing system.

In reaching its decision, the interests of AQA employees were a key focus for the Board of Trustees, particularly the continued deployment of the IT staff, which added to the stability and continuity of service. It also took into account the requirements of the customer to ensure the platform provided a secure, stable and reliable platform on which they could be confident would meet their needs.

RM Education
In November 2019, the Portfolio Board approved the decision not to re-sign the contract with a key supplier who supplies online marking services. The Board of Trustees took account of a number of stakeholder factors in reaching the decision, including the impact on associates and their ability to mark exam scripts in an efficient and timely manner; and the importance of AQA's reputation with its customers and regulators if supply issues should arise with the remaining key supplier. The Board of Trustees also took account of the cost saving of using one key supplier balanced against the reliance on that one supplier and considered it was in the best interest of the Charity not to renew the contract.

Pension Scheme Triennial Valuation
The Board of Trustees reviewed the Charity's contributions to the closed AQA defined benefit pension scheme as a result of the outcome of the Triennial valuation. In reaching the decision the Board of Trustees balanced a number of factors, including the investment risks that are inherent in maintaining the defined benefit scheme, the obligation to ensure that the scheme remains well funded for previous and current employees, and the alternative uses of those funds. The Board of Trustees reached the decision that it was in the Charity's best interests to agree the revised funding.

FINANCIAL REVIEW

AQA was in a strong and stable financial position coming into this unprecedented period of economic turmoil. We have a long term financial strategy that is about building our reserves. We have achieved a small cash surplus every year for the last three years thanks to good market performance and good financial management.

These financial statements cover the year to 31 March 2020. The key highlights from the year are as follows;

- Our income has grown by 2.0%. Our income from educational services of £183,887,000 *(2019: £180,295,000)* was earned through AQA and Doublestruck Limited. Our income from DRS Data Services Limited is shown as Digital Services. We earned £4,905,000 *(2019: £5,812,000)* in digital services during the year from third party sources.

- AQA's income was primarily earned during the Summer exam series in 2019. There were two factors affecting the level of income. Firstly, there was a further reduction in the overall market for AS-level qualifications as a result of the Government reform. The overall number of student entries for AS-level qualifications reduced by a further 52.5% compared to the prior year. This was offset by a small growth in our market share in GCSEs. Following a strong performance of our English and Sciences GCSEs in the prior year we have continued to see a positive customer reaction to our new GCSEs. In Summer 2019, our GCSE market share across England, Wales and Northern Ireland was 56.5% which is an increase of 0.1% on the prior year. At A-level, our market share was 42.3% which is a decrease of 1.2% on the prior year. At AS-level, our market share was 26.6% which is a decrease of 4.7% on the prior year.

- Our net income before investment gains and losses was £20,249,000 *(2019: £24,696,000)*. This represents an operating margin of 11%, and enables us to continue to invest in our products and services. We have continued to reduce our support costs after making a number of significant changes during the prior year. As mentioned in our objectives, we have maintained focus on the way we work which ensures we are efficient and therefore achieve good value for money.

FINANCIAL REVIEW (continued)

- Our long term investments showed a strong performance for the first nine months of the year but in line with the rest of the world, we saw a significant decline over the final three months of the year. The results for the year show an overall net loss on investments of £3,323,000 *(2019: gain £155,000)*. We have seen a marked increase since the year end and they are now back at the level they were at during December 2019.

- AQA continues to participate in two defined benefit pension schemes, the AQA Pension Scheme and the Greater Manchester Pension Fund ("GMPF"). AQA also has some unfunded pension obligations, which are obligations that are outside of the pension scheme. The net balance sheet asset at 31 March 2020 for the aggregation of the schemes is detailed as follows:

	31 March 2020 £000	31 March 2019 £000
Fair value of scheme assets	266,693	270,431
Present value of defined benefit obligation	(247,195)	(260,341)
Net pension asset	19,498	10,090

The net pension asset is made up as follows:

	31 March 2020 £000	31 March 2019 £000
GMPF pension liability	(17,069)	(19,060)
Unfunded pension liability	(3,598)	(3,856)
AQA Pension Scheme asset	40,165	33,006
Net pension asset	19,498	10,090

- After taking all of these into account, AQA's Charity Funds increased by £24,660,000 *(2019: £37,996,000)* to £119,869,000 *(2019: £95,209,000)*.

- The Group has healthy liquidity with £29,809,000 *(2019: £14,152,000)* in cash fund investments and £82,543,000 *(2019: £84,063,000)* in cash at bank and in hand. When placing cash, our first priority is security, followed by liquidity and finally the investment return. This high level of short term cash and investments was received from schools and colleges as payment for the summer 2020 exam series. Due to the change in structure of the series, £42,100,000 of this will be refunded to schools.

- Overall, the Group has performed well. The increase in our income and continued focus on how we work, along with the actuarial gain on the defined benefit pension scheme has resulted in a healthy surplus for the year. The surplus for the year has been invested in the development of our IT systems which will enable us to work more efficiently and ensure we have robust delivery for the long term. The investment is reflected in the increase in intangible fixed assets.

- Further details of the expected impact on our future finances are contained in the going concern section on page 20.

FUNDRAISING

Given the nature of the Charity, no external fundraising is performed, and no use of professional fundraisers or commercial participators is made. As such, the requirements of the Charities Act 2011 in relation to statements on fundraising are not deemed to be applicable. The expenditure heading "Expenditure on raising funds" in the Consolidated Statement of Financial Activities relates solely to investment management costs.

ENVIRONMENTAL POLICY

The Companies Act 2006 requires large charities to include new Greenhouse Gas (GHG) emissions and energy consumption disclosures in their directors' report. Charities within the scope of these new rules that consume more than 40,000kWh of energy annually must:

- Disclose the annual quantity of emissions in tonnes of carbon dioxide equivalents, for which it is responsible together with the annual quantity of energy consumed in kWh.
- Describe the calculation methods used in determining the amounts of emissions and energy consumption disclosed and provide narrative disclosure on any energy efficiency improvement measures undertaken in the year.
- Present at least one ratio that expresses the Charity's annual emissions in relation to a quantifiable factor associated with the Charity's activities.

We take our environmental responsibilities very seriously. We recognise our part to play in contributing to the resolution of global and local environmental issues by reducing our impact on the environment and by taking a leading role in promoting environmental best practice. During the year, we continued to initiate improvements and to promote our environmental message throughout the organisation. Achievements in the past 12 months are:

- Reducing overall waste production and impacts on the environment by 12.5%. This includes a 51% reduction of waste to land fill.
- Achieving a 97.63% waste recycling and recovery rate on all waste streams.
- Reducing taxi travel emissions by 13%.
- Reducing energy consumption in our buildings by 7.65% through our continued installation programme of LED low energy lighting and automated lighting controls.
- Reducing the use of paper cups by selling discounted reusable cups (rCups) and introducing a cup recycling scheme for those that are used which diverted just over 12,000 paper cups from landfill.

Further improvements are underway which will include:

- Testing alternatives to plastics on some of our processes for example using starched based packaging when we deliver exam packs.
- Completion on the installation of solar photovoltaic systems at our offices in Guildford and Manchester, with a combined estimated generation of 192,310kWh per annum saving around 100 tonnes carbon dioxide equivalent (CO_2e).
- Review of business travel requirements and investments to enable more agile working following the Coronavirus pandemic.
- Replacement of our Building Management System (BMS) at Manchester enabling better control of heating and cooling plant.

The annual quantity of emissions in tonnes of carbon dioxide for the group for the year was 1,759.16, which is a reduction of 125.11 from the prior year. This equates to 9.57 tonnes per £m sales revenue, which is an 8% reduction compared to the prior year. The emissions in 2018/19 were 1,884.27 tonnes CO_2e which equates to 10.45 tonnes per £m sales.

The total group energy consumption for the year was:

- Electricity - 3,631,345.47kWh

- Gas - 982,235.94kWh

Our overall emissions reduction target is to reduce our greenhouse gas emissions by 40% between 2018-2019 to 2025-2026.

ENVIRONMENTAL POLICY (continued)

The methodologies used to collect and assess emissions data varied throughout the inventory. The primary methodology used was multiplying GHG activity data by appropriate GHG emission factors. All methodologies used were selected based on their ability to provide accurate and consistent results. The use of activity data and emission factors was feasible due to the availability of both accurate activity data for the majority of sources and standard emission factors from Department for Environment (DEFRA) and the Greenhouse Gas Protocol Initiative (where DEFRA factors are not supplied).

RISK MANAGEMENT

Risk management processes operate in all departments. Operational risks are regularly reviewed by department managers, and strategic risks by our Executive Team and Audit, Risk and Compliance Committee. Our Audit, Risk and Compliance Committee also reviews the effectiveness of our risk management and provides regular reports to the Board of Trustees.

On an annual basis the Risk Management Framework and Risk Appetite for AQA are reviewed and challenged by the Executive Team and the Audit, Risk and Compliance Committee before approval by the Board of Trustees. Management risk appetite is reviewed by the Executive Team and reported to the Audit, Risk and Compliance Committee throughout the year. Our risk appetite is generally low, reflecting the nature of what we are delivering for students, and the highly regulated environment in which exam boards operate.

Our independent internal auditors carry out independent audits of our risk management activity as part of our agreed internal audit plan. There is a transparent process for escalating risks through the governance structure. Employee training is provided to individuals and to groups as needed to promote the effectiveness of our risk management framework. Additionally a senior employee, with responsibility for risk process, works with AQA managers to support risk management across the organisation. In the last year, our internal auditors have carried out work across the business areas within AQA and have completed 20 reports.

The Audit, Risk and Compliance Committee, comprising five members (currently two trustees and three independent members), reviews our internal controls and procedures (financial and non-financial) and considers the results of our risk reviews. It also approves the Regulatory Compliance team's annual plan for review activity, receives and challenges reports on compliance, and oversees the process for producing the annual Statement of Compliance to the independent exam regulators. The Committee reports directly to the Board of Trustees.

The following are a summary of the main risks facing AQA which are represented in our strategic risk register and are kept under review as part of the established process of risk management. The Coronavirus pandemic clearly affects all the strategic risks we manage, and is directly influencing new controls and contingencies we have put in place in 2020.

- **Operational delivery**: the security of exams and successfully delivering timely and accurate results to students are essential to supporting our overall purpose and to our ongoing success. We have rigorous processes and contingency plans in place and strive continually to improve our processes and performance in the light of experience.

- **Strategic change**: we must ensure that we are able to adapt and remain fit for purpose as an essential provider of qualifications and related educational services. In this context, we have robust planning and change management structures in place with oversight of the key investment programmes from the Audit, Risk and Compliance Committee.

RISK MANAGEMENT (continued)

- **Divergence or sudden change in government policy:** responsibility for education is devolved to the separate parliaments and assemblies of the UK, so education policy and regulation are subject to different decision-making processes in each of the UK’s nations. This can lead to divergent policies within the UK, which in turn affect exam boards, often at short notice. The pace of reform of education policy can lead to qualifications being changed or brought to an end before they have recovered their development costs. We continue to engage with the separate parliaments and assemblies of the UK, and the official opposition, about the effective working of the exams market, directly and through the Joint Council for Qualifications, which represents the main exam boards.

- **Robust IT systems:** We’re investing in a multi-year programme to ensure our technology capability is supported by a strong, modern, cloud-based platform. Our programme is progressing well and it will further improve our resilience to accommodate both significant increases in volumes and resist the growing cyber threat.

  As well as ensuring our systems are robust and efficient, this will enable us to continuously improve our processes, respond to customer needs and provide a platform on which we can build the next generation of technology-enabled assessments.

FINANCIAL RISK MANAGEMENT

Financial risks are identified by the Executive Team and all managers as part of the annual business planning process and are monitored on a regular basis. Financial performance is reported to the Finance Committee for further scrutiny as delegated by the Board of Trustees. Key areas of risk that impact the Group’s operations include managing working capital and long-term funding required to support its investment plans and pension commitments and liabilities.

The Group’s risk and financial management framework has the primary aim of protecting it from events that hinder achieving performance objectives and protects against reputational impact and regulatory scrutiny and potential fines. The objectives are to ensure sufficient working capital exists and risk is managed at a business unit level.

Exposure to price, credit, liquidity and cash flow risk
Business price risk is the risk of exam entries falling due to a change in pricing. In normal circumstances, the risk is considered to be low based on our customer base. As well as the business price risk, price risk also arises on financial instruments because of changes in listed investment prices. Listed investments with a fair value of £35,418,000 are exposed to price risk but this exposure is within the Group's risk appetite.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Group policies are aimed at minimising such losses and that credit terms are only granted to customers who demonstrate an appropriate payment history and satisfy creditworthiness procedures. Details of the Group's debtors are shown in note 16 to the financial statements.

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group mitigates liquidity risk by managing cash generated by its operations, applying cash collection targets throughout the Group.

Cash flow risk is the risk of exposure to variability in cash flows that is attributable to a particular risk with a recognised asset or liability. The Group mitigates this risk by preparing and monitoring cash flow forecasts monthly to ensure that funds are available to meet our liabilities as they fall due.

SIGNIFICANT EVENTS

We continued developing operational systems software which has resulted in an intangible asset of £36,773,000 being recognised on the balance sheet. The final elements of major new platform development have been deferred from Summer to Autumn 2020 in order to enable the diversion of key resources to meet new systems requirements arising from Coronavirus. Its subsequent implementation is being planned in light of the unfolding position as we emerge from the disruption.

During the year Ofqual's Enforcement Committee fined us for two issues:

- not doing enough in the past to make sure that all our reviews of marking were carried out by a fresh pair of eyes.
- the mark scheme for one question on an A-level French paper in Summer 2018, that was too prescriptive.

We were fined £350,000 for the review of marking issue and £50,000 for the A-level French issue. We revised our in-house question paper drafting guidelines and put measures in place to make sure reviews are carried out independently which have been successful in subsequent series.

As mentioned in Plans for Future Periods on page 11, the Coronavirus pandemic has had a significant impact on the AQA Group. The cancellation of the Summer 2020 exam series, which was announced in March 2020, caused a substantial change in how we award grades to students and meant we had to design, develop and deliver a new approach to awarding qualifications. We collaborated with our colleagues at DRS to build a new data collection portal for centres to enter their estimated grades in just six weeks. We have supported schools and colleges with producing Centre Assessed Grades (CAG) and the rank order of students within each grade and provided guidance on how to avoid unconscious bias when doing this.

As with previous exam series, the centre assessed grades (CAGs) were standardised to ensure they were as fair as possible. All exam boards followed Ofqual’s standardisation process. This used a range of data sources such as past results for each school or college, prior attainment information for this year’s students and national outcomes for each subject in prior years. However, Ofqual later announced that if the CAG was higher than the calculated grade then the student will be awarded the higher of the two. This was a late change to the awarding of qualifications but despite this we still managed to deliver the updated information to schools and colleges in line with Government requirements and timetables.

For those students who wish to improve their grades or who were unable to obtain a calculated grade there will be a one-off full exam series in Autumn 2020. The series will offer a full suite of exams with the same number and format of exams as a normal Summer series. Given the change to allow the student to accept the higher of the calculated grade and the CAG, it is expected that take up for the series will be low.

To support teaching and learning whilst schools were closed we offered some of our online teacher support material free of charge through our Exampro and Teachit online learning platforms, and will be running a series of free events to support teachers in the 2020/21 academic year.

We will continue to assist teachers and students as they prepare to return to school. We have introduced a support programme to help build core skills, identify gaps in learning and re-engage students when they return to the classroom. After a consultation period, Ofqual has provided proposed changes to the exam series in Summer 2021. We are currently reviewing these changes to identify how they will impact the delivery of the series.

Our operations have continued throughout the pandemic with almost all staff working from home, which was a major change for most and involved a significant input from our IT team to be able to do that in a short space of time. Throughout this, the wellbeing of our staff has been a key priority and we have provided guidance and introduced several initiatives to support them through this period. This includes advice around creating an appropriate workspace, and promoting mental health awareness as well as providing access to a mindfulness app. We believe maintaining communication with our staff played an important part in their wellbeing which we did by sending out weekly emails from the Executive Team.

Where colleagues have not been able to do their jobs from home, or have really struggled with home working, we’ve supported them in returning safely to the office.

RESERVES POLICY

The target level of reserves enables us to improve our primary purpose of advancing education for the benefit of the public by investing in strategic areas, including developing and launching revised or new qualifications, and enhancing systems that improve the way exams are delivered. These significant developments require us to incur expenditure over a period of years in advance of any revenue such developments will generate, and we must therefore hold enough reserves to cover major qualifications investment.

At the end of the year AQA had total reserves of £119,869,000. They are held for a variety of purposes, to ensure that the Charity can operate as a going concern in the future and also fulfil its legal obligations. The funds are summarised below:

Pension charged account fund (£500,000) – the fund is a designated fund which has been created to help fund a buy-out of the pension scheme with an insurance company at some time in the future.

Fixed asset funds (£59,241,000) – these represent the tangible and intangible assets of the Charity, without which we could not operate.

Capital commitments (£2,826,000) – these represent our commitments to complete our planned capital programmes

The remainder of our funds are our general funds:

Free reserves (£41,176,000) - these are sums that are freely available for general use. We hold reserves in order to fund future enhancements to our operations and qualifications, and to provide a contingency for unexpected costs or loss of income. These will mainly be used to deliver the 2020 Summer exam series.

Pension asset (£19,498,000) – this represents the pension asset that is managed separately to our free reserves. We exclude the Section 28 of FRS 102 pension scheme surplus from the target level of reserves as we believe that we can meet contributions from projected future income without significantly impacting on planned levels of charitable activity.

GOING CONCERN

The Coronavirus pandemic has caused a significant change to the activities of the Group after the end of the financial year. The cancellation of examinations in Summer 2020 and the introduction of a new system for awarding grades has caused a shift in our focus.

As an education charity we're here to help students progress to the next stage of their life and we'd never want to gain financially from the extraordinary circumstances of 2020. As the Summer's grading arrangements, set out by Ofqual, will lead to a saving for us we're passing this back to centres. Since the end of the financial year we've credited schools £42,100,000, which also includes refunding any late fees. This amounts to 26% of the Summer 2020 entry fees schools and colleges paid for.

There has also been a wider impact of the pandemic on AQA, with a reduction in non-exam income and some additional costs. We have carried out a detailed reforecast for 2020/21, and have been able to mitigate some of this impact, however we are now forecasting a small net cash deficit rather than a small cash surplus.

Our long term investments took a significant hit and fell from £40,200,000 at 31 December 2019 to £35,000,000 at 31 March 2020 but these have since recovered to £40,060,000 at the end of August.

We have considered the longer term impact of the pandemic on the Summer 2021 series by reviewing a number of worst case scenarios. We have also performed reverse stress testing on our 2021/22 financial forecast.

The outcome of this work is that we are still in a position to take a long term view of our finances and operations. We are fortunate that the financial impact on us is not as great as many other organisations. We therefore have no plans to embark on a major cost reduction exercise or to reduce our headcount as a result of the Coronavirus pandemic.

GOING CONCERN (continued)

As mentioned in the financial review we have healthy financial reserves and are strong enough to operate with a deficit this year. We do not need to undertake any steps to counteract this. However, we will take some proportionate and responsible steps to control costs. We will not be halting important plans, but reviewing discretionary activity, considering the priority and timing of recruitment, and continuing to ensure that we secure good value in our expenditure.

The Board of Trustees has reviewed the financial position, taking into account the level of reserves and cash, and the system of financial control and risk management. Accordingly, they have a reasonable expectation that the Charity and the Group have adequate resources to continue in operational existence for the foreseeable future. As a consequence, these financial statements are prepared on the going concern basis.

INVESTMENT POWERS AND POLICY

AQA’s investments are predominately held in UK and overseas equities, bonds and multi asset funds. The Investment Policy was reviewed during the year and is reviewed at least on a triennial basis.

We seek to adopt a well-diversified investment approach that balances potential return with appropriate risk. At the same time the Trustees are aware that some level of volatility is inevitable with a good investment strategy and endeavour to spread the risk across different asset classes. The assets of the Charity are to be invested with a mandate to achieve a return of 3.0% per annum above CPI. AQA’s Investment Advisor is Cazenove Capital Management.

The Trustees encourage their Investment Advisor to exercise, where feasible, the voting rights attached to the Charity's investments.

The Investment Advisor has regard to each investee company's approach to corporate governance and ethical and environmental issues when assessing the long-term financial merits of investing in each company's shares and encourages companies to adhere to the UK Corporate Governance Code. The Trustees believe that this approach to socially responsible investment is in the best financial interests of the Charity and does not place additional constraints on the Investment Advisor’s freedom to choose investments. Some of the investments are held in pooled funds, some of which are index tracking funds and not actively managed and therefore the Investment Advisors have little scope to influence the investment direction of such funds. The Finance Committee may occasionally advise the Investment Advisor of entities or industries which they consider are not aligned with the objects of the Charity and therefore do not consider appropriate to invest in.

CHARITABLE ASSETS

The Trustees are of the opinion that the Charity’s assets are available and adequate to fulfil its obligations.

GOVERNANCE

Good governance is fundamental to our success as a charity. With this in place it will help us to achieve our objectives and enable our people to use their skills to their best effect. It also helps to ensure we’re compliant with relevant legislation. Having good governance better allows us to review any risks we’re facing and support a positive culture.

GOVERNANCE (continued)

The Charity Code of Governance – what it means to us
AQA takes its governance responsibilities seriously and, as a large charity, aims to have a governance framework that is fit for purpose, compliant and efficient. In 2017, the Charity Code of Governance (the code) was launched, with a recommendation that charities review their level of application and explain any aspects of the Code they are not applying. In our review we carried out a detailed examination of each element of the Code:

- Organisational purpose
- Leadership
- Integrity
- Decision making, risk and control
- Board effectiveness
- Diversity
- Openness and accountability

In this section you can find out how we are applying the Charity Code of Governance across our work.

Organisational purpose
AQA's organisational purpose is our public benefit which is to advance education by enabling students and teachers to realise their potential.

Everyone has the potential to achieve, so we make sure that our qualifications give all students, no matter their background, ability or impairment, the opportunity to show what they can do and progress to the next stage of their lives.

We have over a century of assessment expertise dating back to 1903, when our predecessor boards were founded by five leading universities. These public exam boards came into existence to provide an opportunity for young people from a range of backgrounds to access education. This commitment to social mobility remains at the heart of AQA's charitable purpose, which is to advance education by enabling teachers and students to realise their potential. We're committed to continually improving the content and quality of our qualifications, to make sure they continue to be trusted by all that rely on them.

We provide high quality assessments that are accessible, fair, reliable, and support students in their educational journey. Students come first in everything we do, and we know that they have unique and valuable insights, as well as recent, first-hand experience of exams - and we want to listen. In October 2019, we created an exciting new opportunity for 15 students to help shape the future of exams through our Student Advisory Group.

The aim of the group is to give our Board of Trustees a student perspective on key topics to help inform important decisions, such as the use of technology in assessment, and the design of question papers. This group will help us shape the ways we listen to the school and college student community, and in return the students will gain valuable experience and develop skills that will help them in their future careers.

Leadership
AQA is governed by the Board of Trustees which, along with the AQA CEO, is largely a body of volunteers with distinguished careers in education and a wide variety of other fields. Our trustees are aware of their legal responsibilities and take great care in their decision making and ensuring the organisation is operating to a high standard.

The Executive Team is made up of eight individuals and led by the chief executive. They are AQA's senior managers and responsible for the day to day leadership and running of AQA and the execution of the strategy and policies.

Our trustees help plan our strategy and engage with this robustly. We hold a trustee strategy session annually, and have regular updates on this work throughout the year.

Our Board of Trustees and Executive Team have been instrumental in developing and demonstrating the AQA values and behaviours to enable the organisation to bring out the best of ourselves and to achieve our potential.

GOVERNANCE (continued)

Integrity

Maintaining our integrity is critical to how AQA operates; it’s about doing what is right, and being open and honest. We aim to uphold our values, behaviours, standards and agreed policies wherever ethical, practical and possible. Our Board of Trustees scrutinise our decision making to ensure we meet the standards we set ourselves, as well as those set by regulators such as the Charity Commission and Ofqual.

We ensure that we report any issues or problems in a timely and transparent fashion as required (whether to Ofqual or the Charity Commission) and work hard to put things right for our stakeholders.

AQA operates a conflict of interest policy for all employees, trustees and independent members, subcontractors and all third parties acting on our behalf. Conflicts of interest are collated annually and new declarations of conflict of interest are made and recorded at the start of every formal meeting. Guidance is provided to trustees on the declaration of such interests. There were no reportable Conflicts of Interests for 2019/20.

We have a Modern Slavery Statement which is available on our website, and we are committed to making ethical choices in our supply chain. We conduct full due diligence checks when onboarding new suppliers and this also covers our financial investments. Key strategic and critical suppliers are monitored on a continuous basis for commercial, financial and supply chain risk, including compliance with legal, regulatory and policy requirements such as Modern Slavery Act 2015.

Decision making, risk and control

AQA strives to make quality decisions that are evidence based and informed by risk. Effective risk management is key to successfully delivering our strategy and developing AQA for a sustainable future. We have an organisation-wide risk management approach which identifies our key strategic and operational risks and ensures they are effectively managed through clear accountability and escalation when needed.

Board effectiveness

Our Board of Trustees meets four times a year, which continued remotely throughout the pandemic. We also hold an additional meeting for strategy work taking place in December. Each meeting has a full agenda, including standing items on exam series updates, strategy progression, and major programmes updates. The CEO is a member of the Board of Trustees. Other Executive Team members may be invited to attend and present at the meetings but do not have a vote in any decisions.

The Nominations Committee has responsibility for reviewing prospective trustees and committee members and submits recommendations for appointment to the Board of Trustees. This year, a recruitment drive for new trustees was held and five new trustees (excluding the CEO) were appointed. We also appointed two new independent members; one to the Audit, Risk and Compliance Committee, and one to the Finance Committee.

On appointment, new trustees have an induction programme and reference pack to familiarise themselves with the work of AQA and the requirements of their role as a trustee. Inductions for trustees and committee members cover their core responsibilities, plus a tailored section personalised to meet the individuals need. Going forward, a new and refreshed Trustee and Committee member training and development programme is being implemented alongside the introduction of AQA’s new LearningSpace portal. This will allow for more agile and effective training.

The Board of Trustees and each governance/advisory Committee have a Terms of Reference governing document that is regularly reviewed. These Terms of Reference clearly lay out the Board / Committees’ responsibilities and where there are clear delegated responsibilities to act on behalf of the Board of Trustees.

The delegated authorities are discharged through the Committees of the Board of Trustees or through the Chief Executive. The Chief Executive is responsible to the Board of Trustees for the day to day running of AQA and the execution of the overall strategy and policies decided by the Board of Trustees. A full list of governance and advisory committees can be found on page 3.

We keep records of Trustee and Committee members’ tenures and terms served so we can ensure succession planning and knowledge transfer. We complete a skills audit annually of all trustees so we can ensure we have the right blend of knowledge and experience to address challenges looking forward.

GOVERNANCE (continued)

An annual Board of Trustees evaluation takes place and the outputs of this are analysed closely. Following this, the Chair of the Board conducts one-to-one meetings with each trustee to address any comments or development needs identified. These can then be addressed through the trustee training programme. The annual review is scheduled for the end of each year.

Diversity
We are continuing to enact our commitment to strengthen the diversity and inclusivity of our organisation and Board of Trustees. We recognise that this helps ensure that our strategic thinking has rigour, borne out of challenge and divergence of thought.

Work is underway on a number of initiatives as part of our strategy to continue to make AQA a great place to work. We take our talent agenda seriously, so we are looking at creative ways to attract a more diverse workforce and build a culture that encourages inclusion and removes barriers to growing our talent. We have had successful launches of staff networks to embrace the diversity of our organisation:

- LGBTQ+ network: the network has expanded significantly since its launch in 2017 and has a presence in every AQA office. They contributed to reviews of several HR policies, and ensured AQA had a presence in the Manchester Pride event in August 2019 which was a first for us as an organisation. They also organised several awareness events around National Coming Out Day, National Transgender Day, and LGBT History Month.
- People of Colour network: the network was started in 2018 and aims to speak about issues that relate to people of colour within AQA and raise awareness of the challenges and opportunities that people of colour may face. They have organised social events for members and also run events in conjunction with other networks, such as a film screening with the LGBTQ+ network.

- Empowering Women network: the network was initially set up in 2016 as a targeted Women in Leadership programme. In 2018, it was recognised that all women in the organisation regardless of seniority could benefit from the support, enablement and empowerment the network provides; the network was renamed and relaunched throughout the organisation. The network seeks to create momentum within AQA to educate and challenge inequality, and embed a mind-set of diversity and inclusion. Several networking sessions and events have been held through the year, including a day of activities and panels for International Women's Day in March.

Wellbeing and good mental health have been a strong focus for the organisation. Many members of staff have completed the Mental Health First Aid training course which aims to have mental health support on site at all times. AQA also engage with the 'This is Me' national campaign during Mental Health Awareness week, where colleagues with mental health experiences share their journeys with the aim of ending the stigma of mental health in the workplace. The organisation uses many strategies to promote better wellbeing across the spectrums of mental, physical, social and environmental matters. Each office has at least one Wellbeing Warrior and events are frequently organised, including an annual Well Fayre for all employees to enjoy.

Openness and accountability
AQA strives to be open in its charitable work and is accountable for its actions. Each year we share our work and the progress we have made in the Annual Report.

We recognise the value and importance of having engaged employees. We know high levels of engagement influence the performance of our teams to, create a greater level of effort, and develop a greater connection with the organisation. We measure our employees' levels of engagement through a confidential survey which takes place annually.

Staff engagement sessions are held throughout the year to provide an opportunity for colleagues to hear updates from the Executive Team on how strategic programmes are progressing. The Executive Team also hosted 'Coffee and Catch up' sessions, which are informal gatherings for staff to meet the Executive Team, including the CEO, face-to-face and have discussions. These happen at different AQA locations on a rota basis with each Executive Team member doing at least one session per year.

GOVERNANCE (continued)

We also encourage openness with all our staff, and AQA associates and examiners, through our 'Speak Out' process. This is designed to encourage people to raise an issue (anonymously if desired) where something doesn't 'feel right'. We have 'Speak Out' representatives that can be approached directly, a webpage for submitting anonymous comments, and a designated email mailbox. This scheme is operated alongside a formal Whistleblowing process which has a full policy available.

Corporately, AQA engages fully with our regulators to report incidents when they occur, and to update the regulators on the progress of putting these right. We have a dedicated Incident Management process to examine any incidents that occur in day-to-day business, with decision making functions sitting independently to operational areas. All colleagues involved work together to ensure that our focus remains on our stakeholders and getting the best results for them.

AQA has a designated Safeguarding Officer who sits within our Exams Integrity Team and holds responsibility for all safeguarding activity across the organisation. This includes providing safeguarding training to associates and examiners who may undertake visits to schools, training on dealing with safeguarding issues presented in scripts, and being responsible for the organisation's safeguarding policy and procedures.

POLICY FOR EQUALITY AND PEOPLE WITH DISABILITIES

We have an Equal Opportunities Policy in place and welcome applications for employment from appropriately qualified individuals regardless of race, gender, religion/belief, sexual orientation or disability. Where existing employees become disabled, our policy is to provide continued employment, training and occupational assistance where needed.

EVENTS AFTER THE REPORTING DATE

Coronavirus has had a significant impact on the Summer 2020 exam series. Details of the impact can be found on pages 11 and 19 and details of our Going Concern assessment can be found on page 20.

ADDITIONAL INFORMATION

The AQA website contains up-to-date information on examination specifications, examination timetables, events, teacher support, examiner recruitment, publications and other areas of the organisation's activities. The website address is www.aqa.org.uk.

STATEMENT OF TRUSTEES’ RESPONSIBILITIES

The trustees, who are also directors of AQA Education (“Charitable Company”) for the purposes of company law, are responsible for preparing the Directors’ and Trustees’ Report (including the Strategic Report) and the financial statements in accordance with applicable law and regulation.

Company law requires the trustees to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the trustees 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 Charity and of the incoming resources and application of resources, including the income and expenditure, of the group and charity for that period.

In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently.
- make judgments 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 Charitable Company will continue in business.

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the Charitable Company’s transactions and disclose with reasonable accuracy at any time the financial position of the Charitable Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Charitable Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial statements are published on the Charity’s website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Charity’s website is the responsibility of the trustees. The trustees’ responsibility also extends to the ongoing integrity of the financial statements contained therein.

Statement of disclosure of information to auditors

In so far as the trustees are aware:

- there is no relevant audit information of which the Charitable Company’s auditors are unaware; and
- the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Charitable Company’s auditors are aware of that information.

APPOINTMENT OF AUDITORS

A resolution for the appointment of BDO LLP will be proposed at the Annual General Meeting for the ensuing year.

This report was approved by the Board of Trustees on 24 September 2020 and signed on its behalf by

Mr J van Wijngaarden **Director and Chair of the Board of Trustees**

Mr N Kiyani **Director and Trustee**

Mr C Hughes **Director and Trustee**

Independent auditors' report to the members of AQA Education

Opinion

We have audited the financial statements of AQA Education ("the Parent Charitable Company") and its subsidiaries ("the Group") for the year ended 31 March 2020 which comprise the consolidated statement of financial activities, the consolidated statement of financial position, the Parent Charitable Company statement of financial position, the consolidated statement of cash flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Charitable Company's affairs as at 31 March 2020 and of the Group's incoming resources and application of resources;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Charitable Company in accordance with the ethical requirements relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions related to going concern

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

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group or the Parent Charitable Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditors' report thereon. The other information comprises: the Directors' and Trustees' Report including the Strategic Report. The trustees are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Other information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' and Trustees' Report which includes the Strategic report prepared for the purposes of Company Law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the Directors' and Trustees' Report which includes the Strategic Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Charitable Company and its environment obtained in the course of the audit, we have not identified material misstatement in the Directors' and Trustees' Report which includes the Strategic Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

- adequate accounting records have not been kept by the Parent Charitable Company, or returns adequate for our audit have not been received from branches not visited by us; or

- the Parent Charitable Company financial statements are not in agreement with the accounting records and returns; or

- certain disclosures of directors' remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit.

Responsibilities of Trustees

As explained more fully in the Statement of Trustees' Responsibilities, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the Group's and the Parent Charitable Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the Group or the Parent Charitable Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

We have been appointed as auditor under the Companies Act 2006 and report in accordance with the Act and relevant regulations made or having effect thereunder.

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

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

Use of our report

This report is made solely to the Charitable Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Charitable Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Charitable Company and the Charitable Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

Hamid Ghafoor (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
Manchester

5 October 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

AQA Education
Consolidated Statement of Financial Activities
year ended 31 March 2020

	Note	*Unrestricted funds* 2020 £000	2019 £000
Income:			
Income from charitable activities:			
Educational services	4	183,887	180,295
Income from other trading activities:			
Digital services	4	4,905	5,812
Investment income	5	2,169	923
Total income		190,961	187,030
Expenditure:			
Expenditure on charitable activities:			
Educational services	6	149,498	144,945
Expenditure on other trading activities:			
Digital services	6	19,865	16,067
Expenditure on raising funds:			
Investment management costs	5	98	66
Share of loss in joint venture	13	1,251	1,256
Total expenditure		170,712	162,334
Net income before investment (losses) / gains		20,249	24,696
(Losses) / gains on investment assets			
Net realised (losses) / gains on investments	14	(70)	8,013
Net movement on unrealised (losses) reserve	14	(3,253)	(7,858)
Net income before other recognised gains		16,926	24,851
Other recognised gains			
Actuarial gains on defined benefit pension schemes	26	7,734	13,145
Net income and net movement in funds for the year		24,660	37,996
Reconciliation of funds			
Total Funds brought forward		95,209	57,213
Total Funds carried forward	21	119,869	95,209

The Consolidated Statement of Financial Activities incorporates the Summary Income and Expenditure Account. All income is derived from continuing operations. Net income and net movement in funds represents the surplus for the year for Companies Act 2006 purposes and includes a loss of £690,000 relating to subsidiary undertakings (*2019: profit £2,753,000).*

The notes on pages 34 to 71 form part of these financial statements.

AQA Education
Statement of Financial Position
as at 31 March 2020

Consolidated and charitable parent statement of financial position

	Note	Group 2020 £000	Charity 2020 £000	Group 2019 £000	Charity 2019 £000
Fixed Assets					
Intangible assets	11	46,280	36,773	34,044	21,756
Tangible assets	12	12,962	8,518	13,528	8,651
Investment in subsidiary undertakings	13	-	13,134	-	13,134
Other fixed asset investments	14	35,418	35,418	37,880	37,880
Total Fixed Assets		94,660	93,843	85,452	81,421
Current Assets					
Stocks and work in progress	15	1,710	667	1,390	570
Debtors	16	72,684	81,273	76,170	83,872
Investments	17	29,809	29,809	14,152	14,152
Cash at bank and in hand		82,543	79,971	84,063	80,267
Total Current Assets		186,746	191,720	175,775	178,861
Liabilities					
Creditors: Amounts falling due within one year	18	(178,398)	(175,086)	(172,748)	(168,284)
Net Current Assets		8,348	16,634	3,027	10,577
Total Assets less Current Liabilities		103,008	110,477	88,479	91,998
Provisions for Liabilities and Charges	20	(2,637)	(2,238)	(3,360)	(2,856)
Net Assets Excluding Pension Asset and Liability		100,371	108,239	85,119	89,142
Defined benefit pension scheme asset	26	40,165	40,165	33,006	33,006
Defined benefit pension scheme liability	26	(20,667)	(20,667)	(22,916)	(22,916)
Total Net Assets		119,869	127,737	95,209	99,232
The Funds for the Charity:					
Unrestricted Funds					
Designated funds		500	500	-	-
General funds		119,369	127,237	95,209	99,232
Total Charity Funds	21	119,869	127,737	95,209	99,232

AQA Education
Statement of Financial Position
as at 31 March 2020

The notes on pages 34 to 71 form part of these financial statements. The company registration number is 3644723. The financial statements on pages 30 to 71 were approved and authorised for issue by the Board of Trustees on 24 September 2020 and signed on its behalf by:

Mr J van Wijngaarden **Director and Chair of the Board of Trustees**

Mr N Kiyani **Director and Trustee**

Mr C Hughes **Director and Trustee**

AQA Education
Consolidated Statement of Cash Flows
for the year ended 31 March 2020

	Note	Group 2020 £000	Group 2019 £000
Cash flows from operating activities:			
Net cash generated from operating activities	22	36,043	25,747
Taxation received		376	179
Net cash generated from operating activities		36,419	25,924
Cash flows from investing activities:			
Investment income		1,524	923
Purchase of tangible fixed assets		(890)	(3,441)
Proceeds from sale of tangible fixed assets		-	22
Purchase of intangible fixed assets		(20,745)	(18,479)
Purchase of fixed assets investments		(12,890)	(33,685)
(Purchase) / sale of current investments		(15,657)	901
Proceeds from sale of long term investments		12,549	35,374
Investment in joint venture		(1,310)	(1,230)
(Increase) in cash held with fund managers		(520)	(2,220)
Redundancy payments already provided		-	(94)
Net cash (used in) from investing activities		(37,939)	(21,929)
(Decrease) / increase in cash and cash equivalents in the year		(1,520)	3,995
Cash and cash equivalents at the beginning of the year		84,063	80,066
Cash and cash equivalents at the end of the year		82,543	84,063

The notes on pages 34 to 71 form part of these financial statements.

1 General information

AQA Education (AQA) is a company limited by guarantee (registered company number 3644723) and a registered charity (registered charity number 1073334). It is incorporated under the Memorandum and Articles of Association and is incorporated and domiciled in England. The address of its registered office is Devas Street, Manchester, M15 6EX.

In the event of the company being wound up, every trustee undertakes to contribute to the assets of the company in the event of the company being wound up while such a person is a trustee, or within one year afterwards, for payment of debts and liabilities of the company contracted before that trustee ceases to be a trustee, and the costs, charges and expenses of winding up, and for the adjustment of the rights of the contributories among themselves, such amount as may be required, not exceeding one pound.

2 Statement of compliance

These financial statements have been prepared in accordance with the Statement of Recommended Practice "Accounting and Reporting by Charities" (Charities SORP (FRS 102)) applicable to charities preparing their financial statements in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective October 2019), Companies Act 2006 and the Charities Act 2011.

AQA meets the definition of a public benefit entity under FRS 102.

3 Summary of significant accounting policies

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

(a) Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value.

The Charity has adapted the Companies Act 2006 formats to reflect the Charities SORP (FRS 102) and the special nature of the Charity's activities.

The Charity has taken advantage of the exemption in section 408 of the Companies Act 2006 from presenting its individual Statement of Financial Activities. They have also taken advantage of the exemption in paragraph 1.12b of FRS 102 from preparing an individual Statement of Cash Flows, on the basis that it is a qualifying entity and the Consolidated Statement of Cash Flows, included in these financial statements, includes the Charity's cash flows.

(b) Going concern

The Charity's business activities, its current financial position and factors likely to affect its future development are set out in the Strategic Report. The Charity has in place healthy liquidity which provides adequate resources to finance committed reinvestment and educational programmes, along with the Charity's day to day operations. The Charity also has a long-term business plan which shows that it is able to service any of its debt facilities.

The Board of Trustees have assessed the future funding requirements of the Group and the Charity and compared it to the level of cash resources. The assessment included a review of the financial forecasts and the preparation of sensitivity analysis on the key factors which could affect future cash flow.

Having undertaken the review, the Board of Trustees have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in the financial statements.

3 Summary of significant accounting policies (continued)

(b) Going concern (continued)

The trustees consider that there are no material uncertainties about the Group's ability to continue as a going concern.

(c) Basis of consolidation

The Group consolidated financial statements include the financial statements of AQA and its subsidiary undertakings: DRS Data Services Limited and Doublestruck Limited.

(i) Subsidiaries

A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Investments in subsidiary undertakings are stated at cost, including those costs associated with the acquisitions, less provision for any impairment in value. Where events or changes in circumstances indicate that the carrying amount of an investment may not be recoverable, an impairment review is performed. An impairment write down is recognised to the extent that the carrying amount of the asset exceeds the higher of the fair value less costs to sell and value in use.

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

Any subsidiary undertakings sold or acquired during the year are included up to, or from, the dates of change of control. Where control of a subsidiary is lost, the gain or loss is recognised in the consolidated statement of financial activities.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation. All of the subsidiaries have a year end of 31 March.

(ii) Joint ventures

Investments in joint arrangements can take the form of jointly controlled operations, jointly controlled assets, or jointly controlled entities. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. AQA has a joint venture classified as a jointly controlled entity.

AQA has invested in a jointly controlled entity (Oxford International AQA Examinations Limited). AQA owns 50% of the issued share capital. A joint venture agreement has been signed by both parties.

Interests in jointly controlled entities are accounted for using the equity method (mentioned below) after initially being recognised at cost in the consolidated statement of financial position.

Under the equity method of accounting, the investments are initially recognised at cost (including transaction costs) and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in the statement of financial activities. Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

3 Summary of significant accounting policies (continued)

(c) Basis of consolidation (continued)

(ii) Joint ventures (continued)

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy "Impairment of non-financial assets" mentioned later in this note.

AQA's share of the loss of the joint venture is recognised in the consolidated statement of financial activities.

The Group and the Charity have taken advantage of the transition exemption under paragraph 35.10(f) FRS 102 in respect of measurement of investments in subsidiaries and the joint venture on the date of transition to FRS 102 (1 October 2014) and continues to measure investment at their cost.

The net income and net movement in funds for the year for the Charity were £28,506,000 *(2019: £38,565,000)* and total funds at the year-end were £127,737,000 *(2019: £99,232,000).*

(d) Income recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amount for goods supplied or services rendered, net of value added tax.

The Charity recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the Charity retains no continuing involvement or control over the goods or services; c) the amount of revenue can be measured reliably; d) it is probable that future economic benefits will flow to the entity and; e) when the specific criteria relating to each of the sales channels have been met, as described below.

Subscription income is received in advance of the period to which it relates and is deferred on a straight line basis over the subscription period.

(i) Provision of examination services

Income for the provision of examination services is recognised when all services associated with the qualification are substantially completed. Income received in advance of the examination series is deferred and recognised when the examination series takes place.

For post results services income is recognised when the amount of the revenue and the stage of completion can be measured reliably.

(ii) Events

Income for the provision of events is recognised when the event takes place.

(iii) Centre inspection services

Income is recognised for centre inspection services on a straight line basis over the period of the contract. Invoices are raised quarterly in arrears.

3 Summary of significant accounting policies (continued)

(iv) Provision of teacher support materials

Revenue from the sale of digital courseware products is recognised on straight line basis over the period of the subscription. For individual sales, the revenue is recognised when control is passed to the customer when the digital product is made available.

(e) Fund accounting

Unrestricted funds are available to spend on activities that further any of the purposes of Charity. Designated funds are unrestricted funds of the Charity which the trustees have decided at their discretion to set aside to use for a specific purpose.

Within the total unrestricted reserves the trustees have designated a number of funds which are a sub-set of the unrestricted funds set up at the trustees' discretion.

(f) Expenditure recognition and irrecoverable value added tax

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably. Expenditure is classified under the following activity headings:

(i) Charitable activities

These costs relate to services provided centrally and identified as wholly or mainly in support of direct charitable expenditure, together with an appropriate proportion of management and office overheads undertaken to further the purposes of the Charity and their associated support costs.

(ii) Governance and support costs

These costs relate to the corporate management of the organisation itself. They include expenses of trustees' meetings, audit fees, office relocation costs and other corporate management costs.

Allocation of support and governance costs

Support costs have been allocated between governance costs and other support costs. Support costs are those functions that assist the work of the Charity but do not directly undertake charitable activities. Support costs include back office costs, finance, IT, personnel and payroll. Governance costs comprise all costs involving the public accountability of the Charity and its compliance with regulation and good practice. These costs include costs related to statutory audit and legal fees together with an apportionment of overhead and support costs. These costs all relate to expenditure on charitable activities. The bases on which support costs have been allocated are set out in note 9.

The majority of AQA's supplies are exempt for value added tax purposes. As a result, AQA is only able to recover a small percentage of its input tax. The amount not recoverable is charged in the consolidated statement of financial activities under the appropriate cost category or added to the cost of fixed assets.

(iii) Other trading activities

These costs relate to services provided by the subsidiary undertaking, DRS Data Services Limited. It includes direct costs as well as overhead costs.

3 Summary of significant accounting policies (continued)

(g) Deferred income and expenditure

Examination fees and training course fees received in advance are deferred and recognised in the year the examinations and meetings take place. All deferred income is fully recognised in the following year. Expenditure on question papers and on fees and expenses of examiners relating to examinations after the year end are carried forward as payments in advance to be charged against the year in which the examinations take place.

(h) Employee benefits

The Group provides a range of benefits to employees, including holiday pay, defined benefit and defined contribution pension plans.

(i) Short-term benefits

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

(ii) Defined contribution pension plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the statement of financial position. The assets of the plan are held separately from the Group in independently administered funds.

(iii) Defined benefit pension plans

The Charity operates defined benefit plans for employees. The two principal defined benefit schemes for AQA's staff are the AQA Pension Scheme and the Greater Manchester Pension Fund (GMPF). AQA also has unfunded pension liabilities which represent augmented pensions for members of staff who are no longer employees of AQA. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The defined benefit section of the AQA Pension Scheme, GMPF and the unfunded augmented pension liabilities are accounted for as defined benefit schemes under section 28 of FRS 102. The defined benefit section of the AQA Pension Scheme was closed to new entrants from July 2006 and to future accruals from January 2011. AQA participates in the Greater Manchester Pension Fund (GMPF), which is an externally funded defined benefit pension scheme, where AQA's share of the total scheme's underlying assets and liabilities can be separately identified. Unfunded pension liabilities represent the liability of unfunded pensions for former employees of AQA. AQA has also contributed to two further defined benefit schemes, namely the Teachers' Pension Scheme and the University Superannuation Scheme. These are multi-employer defined benefit schemes where it is not possible to separately identify the assets and liabilities for each participating employer. Accordingly, contributions are treated as defined contribution schemes for accounting purposes.

The liability recognised in the statement of financial position in respect of the defined benefit plan is the present value of the defined benefit obligation at the reporting date less the fair value of the plan assets at the reporting date. A defined benefit asset is recognised where there is a plan surplus which can be recovered in future through a refund to AQA.

3 Summary of significant accounting policies (continued)

(iii) Defined benefit pension plans (continued)

The defined benefit obligation is calculated using the projected unit credit method. Annually the Group engages independent actuaries to calculate the obligation. The present value is determined by applying an appropriate discount rate to the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments.

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Group’s policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the consolidated statement of financial activities. Actuarial valuations of pensions are performed every three years.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in ‘Net investment income’.

(i) Business combination and goodwill

Business combinations are accounted for by applying the purchase method

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

Contingent consideration is recognised where the consideration is probable and can be measured reliably. Where (i) the contingent consideration is not considered probable or cannot be reliably measured but subsequently becomes probable and measureable or (ii) contingent consideration previously measured is adjusted, the amounts are recognised as an adjustment to the cost of the business combination.

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

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

Goodwill is amortised over its expected useful life which is estimated as 8 years. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the consolidated statement of financial activities.

In accordance with Section 35.10(a) of FRS 102, Section 19 of FRS 102 has not been applied in these financial statements in respect of business combinations affected prior to the date of transition.

3 Summary of significant accounting policies (continued)

(j) Intangible assets

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

Software – 3 years
Research and development costs – up to 5 years

For Nexus, our bespoke exams processing system, amortisation is charged over the length of the project.

Amortisation is charged to expenditure on charitable activities in the consolidated statement of financial activities.

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

Intangible assets acquired as part of a business combination are measured at fair value at the acquisition date.

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

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

(i) Specification development

Expenditure on the development of specifications and related teacher support materials is charged to the consolidated statement of financial activities in the year in which the expenditure is incurred.

(ii) Systems development

The costs of developing new systems and related computer software are charged to the consolidated statement of financial activities in the year in which the expenditure is incurred.

(iii) Research expenditure

Research expenditure is charged to the consolidated statement of financial activities in the year in which the expenditure is incurred.

Costs incurred on development projects are recognised as intangible assets when it is probable that the project will be a success, considering its commercial and technological feasibility, costs can be measured reliably and resources are available to complete the project. Other development expenditure that does not meet these criteria is recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent year.

3 Summary of significant accounting policies (continued)

(k) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

The useful economic lives and residual value of fixed assets have been reviewed at the end of the accounting year. The effect of any change is accounted for prospectively.

The trustees have not deemed it practical given the cost involved to quantify the difference between the carrying value and market value of interests in land and buildings. The charge for depreciation is calculated so as to write off the cost, less estimated realisable value, of each asset on a straight line basis over its expected useful life, as follows:

Freehold land and buildings	25 - 40 years
Leasehold land and buildings	Term of the lease
Furniture, equipment and vehicles:	
Office fixtures & fittings and equipment	3 - 10 years
Motor vehicles	4 years
IT equipment	3 years

For the purposes of the Charities SORP (FRS102), all tangible fixed assets are considered to be functional assets of the Charity. Tangible assets costing more than £10,000 per individual item or group of related items are capitalised in the year of acquisition. Items costing less than £10,000 are charged to the profit and loss when incurred.

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the consolidated statement of financial activities and included in ‘Expenditure on charitable activities’.

(l) Leased assets

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

(i) Operating lease

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

3 Summary of significant accounting policies (continued)

(ii) Lease incentive

Incentives received to enter into an operating lease are credited to the consolidated statement of financial activities, to reduce the lease expense, on a straight-line basis over the period of the lease.

The Group and Charity has taken advantage of the exemption in respect of lease incentives on leases in existence on the date of transition to FRS 102 (1 October 2014) and continue to credit such lease incentives to the consolidated statement of financial activities over the period to the first review date on which the rent is adjusted to market rates.

(m) Impairment of non-financial assets

At each reporting date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax, obtainable as a result of the asset's continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount and an impairment loss is recognised in the consolidated statement of financial activities.

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the consolidated statement of financial activities.

(n) Stocks

The purchase of materials, goods and examination materials are written off in the year of examination. Printing stocks and consumables are valued at the lower of cost and estimated selling price less cost to complete and sell.

Cost is determined on the first-in, first-out (FIFO) method. Cost includes the purchase price, including taxes and duties and transport and handling directly attributable to bringing the stock to its present location and condition.

At the end of each reporting year stocks are assessed for impairment. If an item of stock is impaired, the identified stock is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the consolidated statement of financial activities. Where a reversal of the impairment is required the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the consolidated statement of financial activities.

(o) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts.

There is no debt and therefore a net debt note has not been produced.

3 Summary of significant accounting policies (continued)

(p) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

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

The Group and Charity has taken advantage of the transition exemption under paragraph 35.10(l) of FRS 102 to remeasure dismantling obligations using information available at the transition date (1 October 2014) rather than the date that obligation arose.

(q) Financial instruments

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

(i) Financial assets

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

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

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

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

3 Summary of significant accounting policies (continued)

(q) Financial instruments (continued)

(i) Financial assets (continued)

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value as at the statement of financial position date using the closing quoted market price. The statement of financial activities includes the changes in fair value, except that investments in equity instruments that are not publically traded and whose fair values cannot be measured reliably are measured at cost less impairment.

All gains and losses are taken to the consolidated statement of financial activities as they arise. Realised gains and losses on investments are calculated as the difference between sales proceeds and their opening carrying value or their purchase value if acquired subsequent to the first day of the financial year. Unrealised gains and losses are calculated as the difference between the fair value at the year end and their carrying value. Realised and unrealised investment gains and losses are combined in the consolidated statement of financial activities.

The main form of financial risk faced by the Charity is that of volatility in equity markets and investment markets due to wider economic conditions, the attitude of investors to investment risk, and changes in sentiment concerning equities and within particular sectors or sub sectors.

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

(ii) Financial liabilities

Basic financial liabilities, including trade and other creditors and amounts owed to fellow Group companies that are classified as debt, are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

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

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

The Group does not currently use derivatives to manage its financial risks.

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

3 Summary of significant accounting policies (continued)

(r) Critical accounting judgements and key source of estimation uncertainty

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Critical judgements in applying the entity's accounting policies

(i) Share of loss in joint venture

The Charity has invested in a jointly controlled entity (Oxford International AQA Examinations Limited) in which it owns 50% of the issued share capital. The Charity's share of losses is in excess of its interest in the entity which management have elected to recognise within provisions for liabilities and charges as they consider they have a continuing commitment to those students studying for their exams if the jointly controlled entity was to cease to trade.

(ii) Intangible assets - software

The capitalisation of software development costs on the balance sheet depends on the assessment of future economic benefit arising from future use and is accordingly a matter of judgement.

(s) Key accounting estimates and assumptions

(i) Carrying value of goodwill

The Group reviews the indicators of impairment annually to identify whether goodwill has suffered any impairment, in accordance with the accounting policy stated. The recoverable amounts of cash generating units have been determined based on value-in-use calculations.

(ii) Retirement benefit obligations

The Group has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depends on a number of factors, including: life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends.

Note 26 details the actuarial assumptions used in determining the carrying amount at 31 March 2020.

(iii) Provisions

Provision is made for reorganisation costs and dilapidations. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows and the discount rates used to establish net present value of the obligations require management's judgement.

(t) Future amendments to FRS 102

There are no amendments to FRS 102 or Financial Reporting Council abstracts that have a significant effect on the current year, prior year or future periods.

4 Income from charitable and other trading activities

	Unrestricted funds 2020 £000	2019 £000
Educational Services - United Kingdom fee income	183,018	179,266
Educational Services – Overseas fee income	869	1,029
Total income from charitable activities	183,887	180,295
Digital Services – United Kingdom income	3,374	3,170
Digital Services – Overseas income	1,531	2,642
Total income from other trading activities	4,905	5,812

5 Investment income and management costs

	Unrestricted funds 2020 £000	2019 £000
Interest – UK deposits	378	337
Dividends	1,146	586
	1,524	923
Net credit to other finance income on defined pension scheme assets and liabilities (note 26)	645	-
Total investment income	2,169	923
Brokers' fees	98	66
Total investment management costs	98	66
Net investment income	2,071	857

6 Total of expenditure

	Educational services	Digital services	2020 Total	2019 Total
	£000	£000	£000	£000
Operational costs:				
Examiner costs	62,220	-	62,220	64,503
Printing postage and other examination costs	6,574	-	6,574	5,733
Premises costs	2,735	1,753	4,488	4,078
Direct staff costs	37,100	7,537	44,637	43,917
Finance charge – operating lease rentals	1,365	735	2,100	1,884
Non capital IT costs	8,131	475	8,606	6,904
Depreciation	828	628	1,456	1,831
Amortisation of intangibles	4,885	3,613	8,498	5,851
Loss on disposal of tangible fixed assets	-	11	11	71
Overheads	2,704	3,311	6,015	2,080
Research and development costs	-	1	1	1,871
Restructuring costs	394	-	394	-
Net finance cost relating to defined benefit pension scheme	1,206	-	1,206	1,564
Governance costs (see note 9)	461	15	476	358
Support costs (see note 9)	20,895	1,786	22,681	20,368
Total expenditure	149,498	19,865	169,363	162,334

7 Summary analysis of expenditure and related income for charitable activities

	2020 Total	2019 Total
	£000	£000
Income from charitable activities:		
Fees and charges	183,887	180,295
Total income	183,887	180,295
Expenditure on charitable activities:		
Staff costs	57,985	53,241
Operational costs	103,040	91,704
Total expenditure	161,025	144,945
Total surplus from charitable activities	22,862	35,350

8 Taxation

AQA is a charity and therefore claims exemption from corporation tax. The subsidiary undertakings are non-charitable companies incorporated in England and Wales and are subject to corporation tax. Subsidiary trading companies pay any taxable profits to the Charity each year as Gift Aid and thus do not incur corporation tax.

9 Analysis of governance and support costs

The Group initially identifies the costs of its support functions. It then identifies those costs which relate to the governance function. Having identified its governance costs, the remaining support costs together with the governance costs are apportioned between the charitable activities undertaken (see note 6) in the year. Refer to the table below for the basis for apportionment and the analysis of support and governance costs.

	Support costs	Governance function	2020 Total	**Basis of allocation**
	£000	£000	£000	
Employment costs	22,681	15	22,696	Staff time
Trustee expenses	-	18	18	Invoiced events
Internal audit services	-	320	320	Governance
External auditor – audit services:				
Audit of consolidated and charity financial statements	-	98	98	Governance
Audit of the subsidiary financial statements	-	24	24	Governance
Total	22,681	475	23,156	

	Support costs	Governance function	2019 Total	**Basis of allocation**
	£000	£000	£000	
Employment costs	20,367	15	20,382	Staff time
Trustee expenses	-	17	17	Invoiced events
Internal audit services	-	227	227	Governance
External auditor – audit services:				
Audit of consolidated and charity financial statements	-	91	91	Governance
Audit of the subsidiary financial statements	-	25	25	Governance
Advisory	-	-	-	Governance
Total	20,367	375	20,742	

10 Analysis of staff costs, trustee remuneration and expenses, and the cost of key management personnel

	2020	2019
	£000	£000
Wages and salaries	50,860	47,898
Social Security costs	4,844	4,302
Pension costs		
- Defined benefit pension costs	3,514	5,317
- Defined contribution pension costs	4,406	3,379
	63,624	60,896
Other staff related costs	3,683	3,066
	67,307	63,962

Termination payments of £737,000 (*2019: £123,000*) were made in the year, due to a change in the staffing structure.

	2020	2019
	Number	Number
Average monthly number of employees and temporary staff (all of whom are directly or indirectly employed in the administration of examinations).		
By activity:		
Educational services	804	776
Support and administration	451	388
Digital services	214	240
	1,469	1,404

Having received Charity Commission permission, £15,000 *(2019: £15,000)* was paid to Mr van Wijngaarden in his role as Chair of the Board of Trustees. In addition £nil *(2019: £180)* was paid to Mr Trkulja for marking of examination papers. The trustees have been reimbursed for all expenses incurred by them in connection with their attendance at meetings of the Board of Trustees, other committees or general meeting of the Charity or otherwise in connection with their discharge of their duties as trustees. Travelling and subsistence expenses amounting to £18,000 *(2019: £16,000),* were reimbursed to 14 *(2019: 16)* trustees.

The key management personnel of the parent Charity comprise the executive team alongside the trustees of the Charity. The total remuneration of the key management personnel of the Charity over the full year was £1,191,000 *(2019: £1,195,000)*. The remuneration of the Chief Executive Officer, who is also a trustee, was £132,000 *(2019: £260,000).*

10 Analysis of staff costs, trustee remuneration and expenses, and the cost of key management personnel (continued)

The key management personnel of the Group comprise those of the Charity and the key management personnel of its two wholly owned subsidiaries. The remuneration of the key management personnel of the two subsidiaries totalled £348,000 *(2019: £383,000)*. The employee benefits of key management personnel for the Group were therefore £1,539,000 *(2019: £1,578,000*).

99 employees *(2019: 87 employees)* within the Group earned over £60,000 in the year excluding pension contributions within the following bands:

Group

	Year ended 31 March 2020 Number	Year ended 31 March 2019 Number
Higher paid employees fell within the following annual bands:		
£60,001 to £70,000	40	35
£70,001 to £80,000	23	19
£80,001 to £90,000	9	13
£90,001 to £100,000	8	7
£100,001 to £110,000	3	4
£110,001 to £120,000	4	2
£120,001 to £130,000	4	4
£130,001 to £140,000	5	1
£140,001 to £150,000	1	1
£160,001 to £170,000	1	-
£210,001 to £220,000	1	-
£250,001 to £260,000	-	1

Contributions were made to defined benefit pension schemes for 21 (*2019: 12*) higher paid employees. Contributions amounting to £686,000 (*2019: £633,000*) were made to defined contribution schemes for 71 (*2019: 69*) higher paid employees.

11 Intangible assets

Goodwill represents the excess of acquisition costs over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. Goodwill is amortised over eight years on a straight line basis. The amortisation charge in the year of acquisition is apportioned from the date of acquisition.

Group	Goodwill	Software	Development expenditure	Total
	£000	£000	£000	£000
COST				
At 1 April 2019	7,676	28,556	13,825	50,057
Additions	-	19,675	1,070	20,745
Disposals	-	(20)	-	(20)
At 31 March 2020	7,676	48,211	14,895	70,782
ACCUMULATED AMORTISATION				
At 1 April 2019	4,648	6,781	4,584	16,013
Amortisation charge for the year	760	4,134	3,604	8,498
On disposal	-	(9)	-	(9)
At 31 March 2020	5,408	10,906	8,188	24,502
NET BOOK VALUE				
At 31 March 2020	2,268	37,305	6,707	46,280
At 31 March 2019	3,028	21,775	9,241	34,044

Charity	Software	Total
	£000	£000
COST		
At 1 April 2019	27,671	27,671
Additions	19,142	19,142
At 31 March 2020	46,813	46,813
ACCUMULATED AMORTISATION		
At 1 April 2019	5,915	5,915
Amortisation charge for the year	4,125	4,125
At 31 March 2020	10,040	10,040
NET BOOK VALUE		
At 31 March 2020	36,773	36,773
At 31 March 2019	21,756	21,756

The software within AQA was under construction in the year. Amortisation commenced on each tranche of the asset when it was completed.

12 Tangible fixed assets

Group	Freehold Land & Buildings £000	Leasehold Land & Buildings £000	IT Equipment £000	Furniture, Equipment and Vehicles £000	Total £000
COST					
At 1 April 2019	2,084	15,613	2,726	11,092	31,515
Additions	-	610	261	19	890
At 31 March 2020	2,084	16,223	2,987	11,111	32,405
ACCUMULATED DEPRECIATION					
At 1 April 2019	711	7,798	2,371	7,107	17,987
Charge for the year	48	349	449	610	1,456
At 31 March 2020	759	8,147	2,820	7,717	19,443
NET BOOK VALUE					
At 31 March 2020	1,325	8,076	167	3,394	12,962
At 31 March 2019	1,373	7,815	355	3,985	13,528

Charity	Leasehold Land & Buildings £000	IT Equipment £000	Furniture, Equipment and Vehicles £000	Total £000
COST				
At 1 April 2019	15,613	2,279	3,251	21,143
Additions	610	69	-	679
At 31 March 2020	16,223	2,348	3,251	21,822
ACCUMULATED DEPRECIATION				
At 1 April 2019	7,798	1,948	2,747	12,493
Charge for the year	349	249	213	811
At 31 March 2020	8,147	2,197	2,960	13,304
NET BOOK VALUE				
At 31 March 2020	8,076	151	291	8,518
At 31 March 2019	7,816	331	504	8,651

12 Tangible fixed assets (continued)

Analysis of leasehold land and buildings as at 31 March 2020

Group	Freehold Land & Buildings	Leasehold Land & Buildings		Total
		Short	Long	
	£000	£000	£000	£000
Cost	2,084	-	16,223	18,307
Depreciation	(759)	-	(8,147)	(8,906)
Net book value	1,325	-	8,076	9,401

Charity	Leasehold Land & Buildings		Total
	Short	Long	
	£000	£000	£000
Cost	-	16,223	16,223
Depreciation	-	(8,146)	(8,146)
Net book value	-	8,077	8,077

13 Investment in subsidiary undertakings

(a) Investment in subsidiary undertakings

	2020	2019
	£000	£000
At 1 April 2019 and 31 March 2020	13,134	13,134

AQA holds 100% of the share capital of Doublestruck Limited (Doublestruck) and DRS Data Services Limited (DRS). The registered address of Doublestruck (Company number: 02373295) is Devas Street, Manchester, M15 6EX and for DRS (Company number: 05568337) is 1 Danbury Court, Linford Wood, Milton Keynes, Buckinghamshire, MK14 6LR.

13 Investment in subsidiary undertakings (continued)

The summarised financial information of the subsidiary undertakings is provided below:

	Doublestruck Limited		DRS Data Services Limited	
	2020	2019	2020	2019
	£000	£000	£000	£000
Total income	4,575	4,735	17,614	16,852
Total expenditure	(2,593)	(2,984)	(20,248)	(16,009)
Profit/(loss) on ordinary activities before taxation	1,982	1,751	(2,634)	843
Taxation	-	-	(38)	(58)
Retained profit/(loss) for the year	1,982	1,751	(2,672)	785
Assets	3,520	3,584	14,564	18,365
Liabilities	(2,966)	(3,237)	(12,124)	(12,843)
Net assets	554	347	2,440	5,522

(b) Investment in joint venture

	2020	2019
	£000	£000
At 1 April 2019	(510)	(484)
Funding payments	1,310	1,230
Share of loss	(1,251)	(1,256)
At 31 March 2020	(451)	(510)

AQA's share of the accumulated losses of the joint venture which exceeds the amount invested are included within provisions for liabilities and charges on the balance sheet is stated at cost less impairment. During the year, an addition of £1,310,000 was made to the cost of the investment which was then subsequently impaired.

The joint venture listed below has share capital consisting solely of ordinary shares, which is held directly by the Group.

Name of the entity	**Place of business/country of incorporation**	**% of ownership interest**	**Nature of the relationship**	**Measurement method**
Oxford International AQA Examinations Limited	United Kingdom	50	Note 1	Equity

Note 1: Oxford International AQA Examinations Limited. The company offers a new suite of international GCSE, AS and A-level qualifications to schools outside the UK that teach a British curriculum. The qualifications are designed and delivered by AQA and externally validated to ensure they are comparable to UK qualifications.

13 Investment in subsidiary undertakings (continued)

The business made a loss in the year, in line with expectations at this stage of its growth and the AQA trustees remain positive about future trading. Due to the timing of examinations, initial income did not commence until financial year to 31 March 2018. At 31 March 2020, AQA remains committed to funding its share of the jointly controlled entity.

14 Other fixed asset investments

Investments

	Group & Charity 2020 £000	Group & Charity 2019 £000
Market value at 1 April 2019	37,880	37,194
Additions at cost	12,890	33,685
Disposals at market value (i.e. sales proceeds)	(12,549)	(35,374)
Net movements in cash	520	2,220
Net investment (losses)/gains	(3,323)	155
Market value at 31 March 2020	35,418	37,880
Cost at 31 March 2020	38,790	37,999
Balance on net unrealised loss reserve	(3,372)	(119)

Analysis of net investment gains

	Group & Charity 2020 £000	Group & Charity 2019 £000
Movement on unrealised (losses)	(3,253)	(7,858)
Realised (losses)/gains based on historic cost of investments disposed of during the year	(70)	8,013
Net investment (losses) /gains	(3,323)	155

14 Other fixed asset investments (continued)

Analysis of market value of investments held

	Group & Charity 2020 £000	% of total	Group & Charity 2019 £000	% of total
Equities				
United Kingdom	6,832	19.3	9,050	23.9
Overseas	12,172	34.4	10,640	28.0
Bonds				
United Kingdom	3,036	8.6	2,615	6.9
Overseas	1,012	2.8	1,253	3.3
Multi asset funds	4,158	11.7	4,920	13.0
Alternatives				
Hedge funds	-	-	1,503	4.0
Property	3,248	9.2	3,143	8.3
Commodities	1,351	3.8		
Other	2,748	7.8	4,416	11.7
Cash held with fund managers	861	2.4	340	0.9
	35,418	100.0	37,880	100.0

The presentation has been updated from the prior year to better reflect the type of investment held.

All investments are carried at their fair value. Investment in equities and fixed interest units are all traded in quoted public markets, primarily the London Stock Exchange. Holdings in common investment funds, unit trusts and open-ended investment companies are at the bid price. The basis of fair value for quoted investments is equivalent to the market value, using the bid price. Asset sales and purchases are recognised at the date of trade at cost (that is their transaction value).

15 Stocks and work in progress

	Group 2020 £000	Charity 2020 £000	Group 2019 £000	Charity 2019 £000
Raw materials	936	-	596	-
Work in progress	64	-	-	-
Finished goods	710	667	794	570
	1,710	667	1,390	570

The balances above are shown net of a provision amounting to £409,000 (*2019: £556,000*).

16 Debtors

	Group 2020 £000	Charity 2020 £000	Group 2019 £000	Charity 2019 £000
Trade debtors	67,966	67,049	71,278	70,472
Amount recoverable on contracts	114	-	88	-
Amounts owed by Group undertakings	-	10,264	-	9,428
Other debtors	922	611	957	456
Prepayments and accrued income	3,682	3,349	3,847	3,516
	72,684	81,273	76,170	83,872

Prepayments and accrued income includes £219,000 *(2019:£nil)* falling due after more than one year.

Amounts due from Group undertakings are unsecured. Loans are repayable on demand with twelve months' notice and interest is charged at a commercial rate.

17 Current investments

Investments totalling £29,809,000 *(2019: £14,152,000)* shown under current assets for the Group and Charity are represented by shares in the BlackRock Institutional Sterling Liquidity Fund and Goldman Sachs Sterling Liquid Reserves Fund.

18 Creditors: amounts falling due within one year

	Group 2020 £000	Charity 2020 £000	Group 2019 £000	Charity 2019 £000
Trade creditors	6,339	5,970	4,934	3,803
Payments on account	39	-	9	-
Amounts owed to Group undertakings	-	1,114	-	1,402
Taxation and social security costs	1,917	1,384	2,180	1,342
Other creditors	150	59	215	68
Accruals and deferred income	169,953	166,559	165,410	161,669
	178,398	175,086	172,748	168,284

Amounts due to Group undertakings are unsecured. Loans are repayable on demand and interest is payable at a commercial rate.

The movement on deferred income during the year was:

	Group 2020 £000	Charity 2020 £000	Group 2019 £000	Charity 2019 £000
Balance at 1 April 2019	158,783	156,836	152,535	150,259
Amount deferred in the year	164,398	163,931	161,091	161,091
Amount released in the year	(158,735)	(158,635)	(154,843)	(154,514)
Balance at 31 March 2020	164,446	162,132	158,783	156,836

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19 Financial instruments

The Group and Charity have the following financial instruments:

	Note	Group 2020 £000	Charity 2020 £000	Group 2019 £000	Charity 2019 £000
Financial assets measured at fair value through statement of financial activities:					
Investment in securities					
- Equities	14	19,004	19,004	19,690	19,690
- Bonds	14	4,048	4,048	3,868	3,868
- Multi asset funds	14	4,158	4,158	4,920	4,920
- Alternatives		7,347	7,347	9,062	9,062
- Cash held with fund managers	14	861	861	340	340
Short-term deposits	17	29,809	29,809	14,152	14,152
		65,227	65,227	52,032	52,032

	Note	Group 2020 £000	Charity 2020 £000	Group 2019 £000	Charity 2019 £000
Financial liabilities measured at amortised cost:					
Trade creditors	18	6,339	5,970	4,934	3,803
Amounts owed to Group undertakings	18	-	1,114	-	1,402
Other creditors	18	150	59	215	68
Accruals	18	4,814	3,734	6,627	4,833
		11,303	10,877	11,776	10,106

The Group's activities expose it to a variety of financial risks: market risk (including price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Details on the Group's exposure to each type of risk and how it manages those risks are detailed in 'Financial risk management' section of the Strategic Report.

20 Provisions for liabilities and charges

Group	General	Reorganisation	Leasehold dilapidations	Share of loss in joint venture	Total
	£000	£000	£000	£000	£000
Balance at 1 April 2019	390	215	2,245	510	3,360
Provided in the year	-	-	41	-	41
Utilised in the year	(390)	(182)	(133)	(59)	(764)
Balance at 31 March 2020	-	33	2,153	451	2,637

Charity	General	Reorganisation	Leasehold dilapidations	Share of loss in joint venture	Total
	£000	£000	£000	£000	£000
Balance at 1 April 2019	390	215	1,741	510	2,856
Provided in the year	-	-	12	-	13
Utilised in the year	(390)	(182)	-	(59)	(631)
Balance at 31 March 2020	-	33	1,753	451	2,238

20 Provisions for liabilities and charges (continued)

Reorganisation provision

The provision relates to estimated costs of changes to staffing structures. The provision is a non-contingent liability.

Leasehold dilapidations

As part of the property leasing arrangements there is an obligation to repair damages and make good leasehold properties when they are vacated. The provision is expected to be utilised between 2020 and 2108 as the leases terminate.

Share of loss in joint venture

The share of loss in the joint venture relates to AQA's share of the loss in the Oxford International AQA Examinations Limited which is jointly held with Oxford University Press. The provision will be offset against future profits of the joint venture.

21 Total Charity Funds

Analysis of movements in unrestricted funds

Group	1 April 2019	Net (expenditure)/ Income	Investment and actuarial (losses)/ gains	Transfers	31 March 2020
	£000	£000	£000	£000	£000
Designated funds					
Pension charged account fund	-	-	-	500	500
Total designated funds	-	-	-	500	500
Unrestricted funds					
General unrestricted funds	34,329	30,124	-	(23,277)	41,176
Fixed asset fund	47,571	(9,945)	-	21,615	59,241
Capital commitments	3,338	-	-	(512)	2,826
Investment revaluation reserve	(119)	-	(3,253)	-	(3,372)
Total unrestricted funds	85,119	20,179	(3,253)	(2,174)	99,871
Unrestricted funds before pension asset	85,119	20,179	(3,253)	(1,674)	100,371
Net pension asset	10,090	-	7,734	1,674	19,498
Total Charity Funds	95,209	20,179	4,481	-	119,869

21 Total Charity Funds (continued)

Analysis of net assets between funds 2020

Group	Designated fund	Total unrestricted	Pension asset	Total funds
Intangible assets	-	46,280	-	46,280
Tangible assets	-	12,962	-	12,962
Investments	-	35,418	-	35,418
Current assets	500	186,939	-	187,439
Liabilities	-	(179,091)	-	(179,091)
Provisions	-	(2,637)	-	(2,637)
Pension asset	-	-	19,498	19,498
Total net assets	500	99,871	19,498	119,869

Analysis of movements in unrestricted funds

Charity	1 April 2019	Net (expenditure)/ Income	Investment and actuarial (losses)/gains	Transfers	31 March 2020
	£000	£000	£000	£000	£000
Designated funds					
Pension charged account fund	-	-	-	500	500
Total designated funds	-	-	-	500	500
Unrestricted funds					
General unrestricted funds	55,854	28,962	-	(21,821)	62,995
Fixed asset fund	30,407	(4,936)	-	19,821	45,290
Capital commitments	3,000	-	-	(174)	2,826
Investment revaluation reserve	(119)	-	(3,253)		(3,372)
Total unrestricted funds	89,142	24,026	(3,253)	(2,174)	107,739
Unrestricted funds before pension asset	89,142	24,026	(3,253)	(1,674)	108,239
Net pension asset	10,090	-	7,734	1,674	19,498
Total Charity Funds	99,232	24,026	4,481	-	127,737

21 Total Charity Funds (continued)

Analysis of net assets between funds 2020

Charity	Designated fund	Total Unrestricted	Pension asset	Total funds
Intangible assets	-	36,773	-	36,773
Tangible assets	-	8,518	-	8,518
Investment in subsidiary undertakings	-	13,134	-	13,134
Investments	-	35,418	-	35,418
Current assets	500	191,913	-	192,413
Liabilities	-	(175,779)	-	(175,779)
Provisions	-	(2,238)	-	(2,238)
Pension asset	-	-	19,498	19,498
Total net assets	500	107,739	19,498	127,737

In the prior year, the directors designated a number of funds which were a sub-set of the unrestricted funds set up at the directors' discretion. The funds had been designated in line with AQA's strategy and to improve communications on the usage of reserves. The designated funds were:

Fixed assets: This fund was maintained at a sum equal to the net book value of funds invested in fixed assets excluding the managed funds in the long term investments. This fund now equates to the capital commitment required to complete the ongoing IT project.

Property maintenance and development: This fund was maintained in order to provide for the maintenance and development of the properties for the next year. This has been reduced to reflect the expected costs required to return the leasehold properties to their original condition on exit.

Transformation fund: This fund has been created to ensure we have sufficient funds to manage a significant change in the industry or market that would result in a significant severance impact.

During the year the trustees have reviewed AQA's reserves policy and, as a result, the above funds are no longer deemed necessary.

21 Total Charity Funds (continued)

Analysis of movements in unrestricted funds

Group	1 April 2018	Net Income/ (expenditure)	Investment and actuarial gains/(losses)	Transfers	31 March 2019
	£000	£000	£000	£000	£000
Designated funds					
Fixed assets	9,632	-	-	(9,632)	-
Property maintenance and development	2,204	-	-	(2,204)	-
Transformation fund	9,675	-	-	(9,675)	-
Total designated funds	21,511	-	-	(21,511)	-
Unrestricted funds					
General unrestricted funds	33,453	38,027	-	(37,151)	34,329
Fixed asset fund	-	(7,753)	-	55,324	47,571
Capital commitments	-	-	-	3,338	3,338
Investment revaluation reserve	7,739	-	(7,858)	-	(119)
Total unrestricted funds	41,192	30,274	(7,858)	21,511	85,119
Unrestricted funds before pension liability / (asset)	62,703	30,274	(7,858)	-	85,119
Net pension liability / (asset)	(5,490)	2,435	13,145	-	10,090
Total Charity Funds	57,213	32,709	5,287	-	95,209

Analysis of net assets between funds 2019

Group	Unrestricted (general)	Unrestricted (designated)	Total funds
Intangible assets	34,044	-	34,044
Tangible assets	13,528	-	13,528
Investments	37,880	-	37,880
Current assets	175,775	-	175,775
Liabilities	(172,748)	-	(172,748)
Provisions	(3,360)	-	(3,360)
Pension asset	-	10,090	10,090
Total net assets	85,119	10,090	95,209

21 Total Charity Funds (continued)

Analysis of movements in unrestricted funds

Charity	1 April 2018	Net Income/ (expenditure)	Investment and actuarial gains/(losses)	Transfers	31 March 2019
	£000	£000	£000	£000	£000
Designated funds					
Fixed assets	8,000	-	-	(8,000)	-
Property maintenance and development	1,730	-	-	(1,730)	-
Product development	9,675	-	-	(9,675)	-
Total designated funds	19,405	-	-	(19,405)	-
Unrestricted funds					
General unrestricted funds	39,014	35,914	-	(19,074)	55,854
Fixed asset fund	-	(5,072)	-	35,479	30,407
Capital commitments	-	-	-	3,000	3,000
Investment revaluation reserve	7,739	-	(7,858)	-	(119)
Total unrestricted funds	46,753	30,842	(7,858)	19,405	89,142
Unrestricted funds before pension liability / (asset)	66,158	30,842	(7,858)	-	89,142
Net pension (liability) / asset	(5,490)	2,435	13,145	-	10,090
Total Charity Funds	60,668	33,277	5,287	-	99,232

Analysis of net assets between funds 2019

Charity	Total unrestricted	Pension asset	Total funds
Intangible assets	21,756	-	21,756
Tangible assets	8,651	-	8,651
Investment in subsidiary undertakings	13,134	-	13,134
Investments	37,880	-	37,880
Current assets	178,861	-	178,861
Liabilities	(168,284)	-	(168,284)
Provisions	(2,856)	-	(2,856)
Pension asset	-	10,090	10,090
Total net assets	89,142	10,090	99,232

22 Net cash generated from operating activities

Reconciliation of net income to net cash inflow from operating activities

	Group 2020 £000	Group 2019 £000
Net incoming resources before other recognised gains	20,249	24,696
Net investment income excluding net finance income on defined benefit pension schemes	(1,524)	(923)
Depreciation	1,456	1,834
Loss on disposal of tangible fixed assets	11	71
Amortisation of intangibles	8,498	5,850
(Increase) / decrease in stocks	(320)	905
Decrease / (increase) in debtors	3,110	(11,447)
Increase in creditors	5,650	5,385
Increase in provisions	587	1,811
Post-employment benefits less payments	(1,674)	(2,435)
Net cash generated in operating activities	36,043	25,747

Analysis of changes in net debt

	At 1 April 2019 £000	Cash flows £000	Acquired £000	Non cash changes £000	At 31 March 2020 £000
Cash at bank and in hand	84,063	(1,520)	-	-	82,543
Total cash and cash equivalents	84,063	(1,520)	-	-	82,543

Included in the balance at 31 March 2020 is £500,000 relating to a pension charged account to help fund a buy-out of the pension scheme with an insurance company at some time in the future.

23 Operating lease commitments

At 31 March AQA had the following future minimum lease payables under non-cancellable operating leases, for each of the following years:

	Group 2020 £000	Charity 2020 £000	Group 2019 £000	Charity 2019 £000
Not later than one year	1,870	1,182	1,426	1,088
Later than one year and not later than five years	5,129	3,322	4,483	3,536
Later than five years	17,416	13,968	14,152	14,152
	24,415	18,472	20,061	18,776

24 Capital commitments

There were £2,826,000 capital commitments contracted for at 31 March 2020 but not provided for *(2019: £3,380,000)* in relation to contracts for software systems.

25 Related party transactions

The contribution by the Group to the defined benefit and defined contribution plan is detailed in note 10.

In the year, AQA received £336,000 (*2019: £300,000*) from Doublestruck for royalty fees, and AQA paid £89,000 (*2019: £15,000*) to Doublestruck for loan interest. Doublestruck also paid Gift Aid of £1,987,000 (*2019: £1,674,000*) to AQA during the year. The amount owed by AQA to Doublestruck in respect of a loan and accrued interest was £1,114,000 *(2019: £1,402,000)* at 31 March 2020.

In the year, AQA charged DRS £12,709,000 *(2019: £11,040,000)* for digital services and DRS paid AQA £423,000 *(2019: £190,000)* for loan interest. During the year, DRS paid £409,000 (*2019: £697,394*) to AQA for Gift Aid. The amount owed by DRS to AQA in respect of a loan, accrued interest and amounts to be recharged was £10,185,000 *(2019: £9,427,573)* at 31 March 2020.

The amounts recharged to the joint venture in the year were £1,684,000 (*2019: £903,000*). The amount due to AQA at the year-end was £137,000 (*2019: £115,000*).

There have been no other related party transactions in the reporting year**.**

26 Retirement benefits

The two principal defined benefit pension schemes for AQA's staff are the AQA Pension Scheme and the Greater Manchester Pension Fund (GMPF). In accordance with section 28 of FRS 102, unfunded pension liabilities are included in the defined benefit pension schemes liability.

AQA has opted to aggregate the section 28 of FRS 102 disclosure notes for the AQA Pension Scheme, GMPF and unfunded pension liabilities. The total pension costs for the year are:

	2020	2019
	£000	£000
Total AQA pension costs	3,514	5,317

The defined benefit pension scheme asset is made up as follows:

	2020	2019
	£000	£000
The AQA Pension Scheme	40,165	33,006

The defined benefit pension schemes liability is made up as follows:

	2020	2019
	£000	£000
GMPF	17,069	19,060
Unfunded pension liabilities	3,598	3,856
	20,667	22,916

26 Retirement benefits (continued)

During the year, AQA operated the AQA Pension Scheme which incorporates a defined benefit section providing benefits based on pensionable salary. The assets of the scheme were held separately from those of AQA being invested in trustee administered funds. The defined benefit section of the scheme was closed to new entrants from July 2006 and to future accruals from January 2011.

The plan is administered by independent trustees, who are responsible for ensuring that the plan is sufficiently funded to meet current and future obligations. The last completed full actuarial valuation of the Pension Scheme was at 30 September 2018.

AQA participates in the Greater Manchester Pension Fund (GMPF), which is an externally funded defined benefit pension scheme, where AQA's share of the total scheme's underlying assets and liabilities can be separately identified. Unfunded pension liabilities represent the liability of unfunded pensions for former employees of AQA.

The principal causes of the decrease in the total defined benefit pension scheme liability are an increase in the expected return on assets and a decrease in the assumed life expectancy of scheme members which has been offset partly by a decrease in the discount rate assumption for section 28 of FRS 102 purposes.

Principal actuarial assumptions

The principal actuarial assumptions at the reporting date (expressed as a range where applicable) are:

	2020	2019
	% per annum	% per annum
Price increases	1.85 – 2.60	2.40 – 3.30
Pension increases - in payment	2.20 – 2.60	2.45 – 3.15
Pension increases - deferred	1.85	2.40
Salary increases	2.35	2.90
Discount rate	2.20	2.50

The figures presented in these disclosures are based on the mortality assumptions adopted for the latest funding valuation with additional margins for prudence removed. For the AQA scheme the tables used are 97% of S2PxA (92% S2PxA) tables for males (females); future improvements are in line with the CMI 2019 projections subject to a long term trend rate of 1.5%. For the GMPF liabilities the tables used are Club Vita curves, CMI 2018 with Club VITA adjustments to 2014 subject to a long term trend rate of 1.5% and a smoothing parameter of 7.0 and an initial addition parameter of 0.5% (0.25%). For the unfunded arrangements the same tables as the AQA liabilities are used but these are adjusted to reflect the assumed higher life expectancy of these members, specifically 67% of S2PxA (62% S2PxA) tables for males (females); future improvements are in line with the CMI 2019 projections subject to a long term trend rate of 1.5%. Example life expectancies are 24.9 years (27.5 years) from age 65 for a male (female) currently aged 65 and 26.5 years (29.2 years) from age 65 for a male (female) currently aged 45.

26 Retirement benefits (continued)

Statement of financial position disclosures

The amounts recognised in the statement of financial position are as follows:

	Net Pension Asset		Net Pension Liabilities		Total	
	2020	2019	2020	2019	2020	2019
	£000	£000	£000	£000	£000	£000
Fair value of scheme assets	188,498	183,366	78,195	87,065	266,693	270,431
Present value of liabilities	(148,333)	(150,360)	(98,862)	(109,981)	(247,195)	(260,341)
Net pension asset/(liability)	40,165	33,006	(20,667)	(22,916)	19,498	10,090

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

	2020	2019
	%	%
Equities	40.6	40.0
Property	11.5	13.3
Bonds	32.2	30.3
Hedge Funds	11.1	10.9
Cash and other	4.6	5.5
Total	100.0	100.0

Statement of financial activities disclosures

Amounts recognised in the statement of financial activities before net outgoing resources

	2020	2019
	£000	£000
Current service cost	1,313	1,430
Past service cost	358	600
Scheme administration expenses	814	852
Net interest on asset/(liability)	(645)	24
Total	1,840	2,906
Actual return on scheme assets	7,734	13,145

26 Retirement benefits (continued)

Changes in the present value of the defined benefit obligation

	2020	2019
	£000	£000
Opening defined benefit obligation	260,341	260,515
Current service cost	1,313	1,430
Past service costs	358	600
Interest cost	6,062	6,401
Contributions by members	340	311
Actuarial gains	(13,860)	(792)
Benefits paid	(7,359)	(8,124)
Closing defined benefit obligation	247,195	260,341

Changes in the fair value of the scheme assets

	2020	2019
	£000	£000
Opening fair value of scheme assets	270,431	255,025
Expected return on assets	(6,126)	12,167
Interest income	6,707	6,587
Contributions by members	340	311
Contributions by employer	3,514	5,317
Scheme administration expenses	(814)	(852)
Benefits paid	(7,359)	(8,124)
Closing fair value of scheme assets	266,693	270,431

26 Retirement Benefits (continued)

Amounts for the current and previous four years

	31 March 2020 £000	31 March 2019 £000	31 March 2018 £000	31 March 2017 £000	30 September 2015 £000
Fair value of scheme assets	266,693	270,431	255,025	249,713	193,597
Present value of defined benefit obligation	(247,195)	(260,341)	(260,515)	(261,681)	(208,565)
Net pension asset /(liability)	19,498	10,090	(5,490)	(11,968)	(14,968)
Experience (losses)/gains on assets	-	-	-	-	(2,603)
Experience (losses)/gains on liabilities	-	-	-	-	-

Other defined benefit pension schemes

Multi-employer defined benefit schemes

AQA participated in two *(2019: two)* multi-employer defined benefit schemes where it is not possible to separately identify the assets and liabilities for each participating employer. Accordingly, under section 28 of FRS 102, these schemes are treated as defined contribution schemes for accounting purposes.

Defined contribution schemes

During the year, the total amount charged to the consolidated statement of financial activities in relation to defined contribution schemes (including the defined benefit schemes accounted for as defined contribution schemes under section 28 of FRS 102) amounted to £3,518,000 *(2019: £2,576,000)*. The amount charged includes contributions to the AQA defined contribution scheme. No contributions were payable to the schemes at the year end *(2019: £nil)*.

27 Events after the reporting date

In March 2020, the government announced the cancellation of all GCSE, AS and A-level exams during Summer 2020. AQA worked closely with Ofqual, the Department for Education and other awarding organisations to develop a new approach to awarding qualifications during this unprecedented period. Our key focus during the Summer of 2020 will therefore be the design, development and delivery of this new approach to awarding qualifications.

As the Summer's grading arrangements will lead to a saving for us we're passing this back to centres. Since the end of the financial year we've announced a refund of £42,100,000. Alongside the refund, which amounts to 26% of the entry fees schools and colleges paid for this Summer, we will be removing any late fees.

After the year end we agreed the sales of Teachit, a division of AQA, with the sale being completed on 1 September 2020.

Legal and administrative details

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Registered company number: 3644723
Registered charity number: 1073334

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