# AQA Education

**A company limited by guarantee**

## ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

**Registered company number 3644723**

**Registered charity number 1073334**

**www.aqa.org.uk**

# AQA Education
# Directors' and Trustees' Report including Strategic Report

## 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 2022.

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.

## STRUCTURE

AQA's directors during the reporting year and up to the date of this report were:

Mr M Bramwell (term concluded 1 August 2021)
Mr J Dahl
Dr A Hadawi (appointed 1 July 2021)
Ms P Hird (Vice Chair) (term concluded 31 March 2022)
Mr C Hughes
Ms E Kitcatt
Mr N Kiyani
Professor J Knowles (appointed 21 April 2022)
Ms L Martini (appointed 1 July 2021)
Ms A Modan
Mrs S Moore
Mr M Nicholson
Ms D O'Donoghue (appointed 1 July 2021)
Professor M Rand-Weaver (term concluded 31 March 2022)
Ms J Smith (term concluded 1 August 2021)
Ms I Sutcliffe
Mr M Turner
Mr J van Wijngaarden (Chair)

Trustee vacancies are advertised when there is a particular skills gap and when a term of office comes to an end within the overall membership of the Board of Trustees. New appointments are formally approved by the Board of Trustees. Membership must naturally represent and be able to advise on the education sector, as well as the running of AQA and meeting its charitable objectives.

A number of the trustees also served as Chairs of governance and advisory committees during the reporting year, as follows:

**Governance committees**

| | |
|---|---|
| Committee Chairs Group | Mr J van Wijngaarden |
| Finance Committee | Mr N Kiyani |
| Audit, Risk and Compliance Committee | Mr M Turner |
| 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 |
| Irregularities and Appeals Committee | Mr M Bramwell / Dame Joan McVittie (non-trustee) |
| Higher Education Advisory Group | Mr M Nicholson |

All trustees are required to complete a Register of Interests declaration and to declare any potential conflict of interest annually and declare conflicts of interest at the start of each 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 and Irregularities and Appeals 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**

Due to the impact of the Coronavirus pandemic in 2021/2022, many governance meetings scheduled in the reporting period took place online.

- **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 at least 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 five 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 of, and the role to challenge, the effectiveness of 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.

- **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 similar recommendations on the succession of independent members of the governance 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.

**Advisory committees (continued)**

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

- **Irregularities and Appeals Committee:** meets at least twice a year and updates the Executive Team and 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.

- **Higher Education Advisory Group:** meets three times a year and advises the Executive Team on matters relating to all shared aspects of the educational and practical work that AQA and Higher Education Institutions do to recognise student achievement and support progression.

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

- Mark Bedlow (Chief Operating Officer)
- Tracey Newman (Customer and Sales)
- Isabelle Perrett (People)
- Alex Scharaschkin (Research and Regulation)
- Shabnam Shahani (Strategy and Business Development)
- David Shaw (Business Solutions)
- Nick Stevens (Finance and Corporate Services)
- Michael Turner (Corporate Affairs and Marketing)

**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 three wholly-owned subsidiary companies: Doublestruck Limited (Doublestruck), AQA Milton Keynes Limited (AQA MK) and AlphaPlus Consultancy Ltd (AlphaPlus), which along with AQA make up the Group and are detailed below.

- Doublestruck Limited (company number: 02373295) is a company incorporated in England and Wales and limited by shares 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.

- AQA Milton Keynes Limited (company number: 05568337), formerly DRS Data Services Limited, 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 scanning services, and provides the online marking platform used by examiners and markers.

- AlphaPlus Consultancy Ltd (company number: 04801609) is a company incorporated in England and Wales and limited by shares and wholly-owned by AQA. It was acquired on 24 January 2022. It operates as an education service business that provides advisory, development and digital solutions for standards, assessment and certification.

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

**Commercial partnership**

In May 2015, AQA formed a 50/50 joint venture company with Oxford University Press, Oxford International AQA Examinations Limited. The company offers a 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. The equity method of accounting is used as the accounting treatment for the joint venture (Note 3).

## EMPLOYMENT PRACTICES AND PAY

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, this 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.

### Gender pay gap

In November 2021 we published our gender pay report, which shows that our median pay gap in 2021 has increased to 16.3% from 12.6%. Our mean gender pay gap has increased to 9.8% from 9.5% in 2020.

Since the data was prepared, we have seen a significant improvement in the representation of women across the organisation, but importantly at the more senior levels of the organisation, up to and including the Executive Team.

We are committed to addressing these gaps and positive steps are being taken to reduce our gender pay gap over time. This year we have updated our family friendly policies, published new guidance on women's health and the menopause, and introduced hybrid working, all helping to contribute to a more supportive and inclusive environment for all our colleagues. Increased focus has been given to our internal employee support networks to ensure we consult with them on changes to policy and practice, and to ensure traditionally under-represented voices are heard. Our Empowering Women network is nurturing its third cohort, the largest group of women so far. We have introduced a new Early Careers programme that will focus on attracting less-well-represented groups to help build a more diverse, inclusive and skilled workforce at AQA.

### Ethnicity pay gap

For the second time, in 21-22, we produced our ethnicity pay gap report, and for the first time we published this internally. We are pleased that disclosure rates have improved this year from within our internal employee base, with more than 97% of staff now providing their data in Workday on this point. While there is some improvement in our performance, the gap is still significant and presents a call to action around recruitment, development, and mobilisation of talented people from ethnic minorities. Our approach to pay means that there is parity between any two individuals working at the same pay-scale with the same length of service, but it is clear from our analysis that there is a lack of representation at our most senior levels, except at Board level where recent appointments have led to a 25% BAME representation.

Efforts this year have included strengthening the membership of, and the resources given to the support networks including the People of Colour employee network, simplifying our approach to recruitment advertising including making out job titles easier to understand and more transferrable to the open job market, and sharing information and celebrating key dates and festivals in the non-Christian calendars. In September 2021, we received the results of the external audit commissioned with the EW Group, and this gave us some additional insight and direction around developing inclusive approaches to attract and develop talent from ethnic minority background.

### Improving diversity through recruitment

We have introduced an Early Careers programme, opening up opportunities to join AQA through new apprenticeship and graduate schemes: the first intake joined in January 2022.

We are improving our recruitment processes generally across all roles and levels, using voluntary disclosure data provided on application.

**EMPLOYMENT PRACTICES AND PAY (continued)**

We are also promoting and encouraging diversity across our advisory groups and our Board of Trustees, to ensure that we have the necessary skills and diversity of thinking.

**Culture**

In early 2022 we launched our refreshed AQA values, as part of our strategic aim to build a forward- and outward-looking culture.

Customers front and centre - Our customers are teachers: we want them always to choose us. Whatever our role, we all go the extra mile to meet their needs.

Step up - We think for ourselves. We use sound judgement and hold ourselves to account. We listen to understand, and speak our mind with courtesy and care.

Shape tomorrow - We look up, out and ahead. We use our independent voice to influence. We question what we do and take considered risks to improve and innovate.

Work and learn together - We build supportive, diverse teams. We enjoy working and learning together. We delight in our shared purpose, and celebrate success.

Results matter - We decide and deliver at pace. We make courageous decisions about what we will and won't do. We know when to aim for perfection, and when good is good enough.

**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, increasing social mobility 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.

## STRATEGIC REPORT
## OBJECTIVES, ACHIEVEMENTS AND PERFORMANCE

**Delivering against our purpose**

AQA is an independent education charity and the UK's largest provider of academic 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 exams 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 of their lives. Our purpose and our values guide our decision-making, for example:

- We provide a broad range of GCSE, AS, and A-level 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 what their background, ability or impairment, to demonstrate what they can do.
- Our 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 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.

In 2021 we faced many challenges delivering against our purpose in the face of the pandemic. We adapted to a new landscape, provided schools and colleges with additional support and guidance, and delivered the results that students needed to progress to the next stage of their lives.

As well as our core assessment activities, we also explore opportunities to support more teachers and young people to benefit the overall education system. These activities also help us to deliver on our public benefit.

***Investing in students***

- AQA Unlocking Potential is a life-changing mentoring programme for young people aged 11 to 19, funded by AQA and 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. Despite the challenges of the pandemic, we continued to deliver the programme. In December 2021 we launched our 2021/22 cohort of AQA Unlocking Potential for another 80 students. It is also the 10th anniversary of the programme and, for the first time since the start of the pandemic, we were able to hold the events in person. The programme has now engaged over 582 students since it began in 2011.

**OBJECTIVES, ACHIEVEMENTS AND PERFORMANCE (continued)**

**Delivering against our purpose (continued)**

***Investing in students (continued)***

- Our Student Advisory Group (SAG) gives young people who are still in school or college, a voice in the exam system. The group, made up of 15 selected students, normally meets three to four times a year, and provides us with students' insights and perspectives on key areas of assessment, such as the use of technology and the design of question papers - helping us to make important decisions about the future of exams, and advises the Executive Team and our Board of Trustees. They have – once again – been an invaluable source of wisdom and insight, with members serving as a focus group both internally, such as for our Research Team, and externally, for example for the National Education Union-sponsored New ERA (Equitable Reliable Assessment) Commission.

***Investing in teachers***

- As part of our commitment to improving social mobility through education, in 2018 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 their 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. In 2021/2022 a cohort of 12 teachers (plus another two who could not take part in 2020/2021 because of the pandemic) took part. We have committed to another year of funding, so we hope another 12 teachers will take part in 2022/2023.

***Investing in research and sharing our assessment expertise***

- We fund cutting-edge research through AQA Research. By collaborating with other academics and institutions we can increase our impact. For example, our researchers are collaborating with academics at Durham University and the University of Liverpool to explore A-level students' experiences of practical science at home and school during the Coronavirus pandemic. The outcomes will enable higher education institutions to design measures to ensure a smooth transition for incoming students and will support teachers to rebuild students' confidence. The findings will be published in a co-produced journal article.

- Our researchers are contributing expertise to on-screen assessment developments. During the Coronavirus pandemic school closures of January–March 2021 they partnered with Doublestruck colleagues to evaluate student and teacher experiences of taking an on-screen GCSE English assessment pilot. Our researchers will be running focus groups in schools as part of AQA's summer 2022 GCSE digital assessment pilots. These are part of a multi-year programme with substantial investment that will allow AQA to offer a range of digital products for both high and lower-stake assessment.

- Research is also providing valuable evidence around equality, diversity and inclusion in our qualifications, by exploring student and teacher perspectives on diversity and inclusion in History. These findings will help us improve our qualifications now and in the future. The research has been shared with associates and chief examiners and via conferences and blogs. The team is also represented on the JCQ Bias and Discrimination Working Group and is in discussion with the Royal Historical Society and the Historical Association around next steps.

- Research evidence underpinned our submission to a 2021 consultation on reforming modern language GCSEs. This influencing activity had backing from teachers, the Association of School and College Leaders (ASCL) and the National Association of Head Teachers (NAHT).

- We see it as part of our role to help all our stakeholders, including teachers, students, parents, school governors and the general public to understand assessment. We have developed engaging content, including podcasts, videos 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 (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 community activities chosen by employees. This support includes allowing colleagues up to five days' time off to carry out charitable activities, including school governor duties.

- We 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. In December 2021, as we were unable to provide our usual Christmas lunch for colleagues, we donated the money we would have spent on this to foodbanks local to the AQA Group offices.

**Delivering against our strategic objectives**

We started working to our new strategy in 2021. The objectives we set and what we did to achieve them are shown below.

**1. To be AQA in all we do**

*A distinct and compelling brand that those inside and outside the organisation can recognise as reflecting accurately who we are and aspire to be, what we do, and how and why we do it.*

As part of our move to create a more future focused and agile culture that supports AQA's future journey to become the UK's pre-eminent educational assessment organisation, we developed and launched our new values. These values underpin all that we do and support our vision by shaping our culture, and reflecting our identify.

To make sure that customers really understand who we are and what we stand for we have been reviewing our corporate brand with a third-party agency. It will mirror the work done on AQA's values so our people truly understand who we are and what we stand for. In early 2022 we launched a reputation campaign that draws upon the brand work completed to date and aims to reconnect with customers after a turbulent two years without exams.

Part of this work includes our environmental sustainability mission - we are committed to being a socially responsible employer and reducing our carbon footprint. We recognise we have our part to play in tackling global climate change, and we have pledged to reduce our greenhouse gas emissions IMR (intensity measurement ratio - tonnes of $CO_2e$ per £m revenue) by at least 40% by 2025/26. We have already achieved significant reductions, which we have outlined in the Environmental Policy section of this report.

We have also looked at how we can improve our equality, diversity and inclusion both within AQA for recruitment and talent, but also for our qualifications. Over the past year, we have carried out a comprehensive review of equality, diversity and inclusion across all our qualifications to look at how they can best represent the diversity of knowledge and human experience we value – as well as reflecting all the different communities of students we serve. We are continuing to work with stakeholders and have established an equality, diversity and inclusion expert group to consider representation in the curriculum and assessment – and to ensure that decisions are informed by people who represent the full diversity of society.

**2. To shape the future**

*We are at the centre of debate and policy making on matters of assessment and related topics. We must use our knowledge, expertise and research to influence policy direction. By doing this we ensure the best decisions are made in service of students and teachers.*

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 of 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.

**OBJECTIVES, ACHIEVEMENTS AND PERFORMANCE (continued)**

In 2021 we continued to play a big role in the rapidly changing policy environment. We did our best to make sure students and teachers could (even with exams being cancelled) still realise their potential. This was done through agile and fast-paced responses to government proposals and by bringing together senior stakeholders from schools, politics, think tanks, and elsewhere in education.

To help shape the future we have launched AQi: an exciting new online hub for insight, data and new thinking on the future of assessment and qualifications. AQi's mission is to inform, stimulate and provide a neutral platform for debate, bringing together different points of view on policy and practice, through blogs, reports and debates.

The first report to be published on AQi 'What Next for GCSEs?' included the results of a new survey of 1,001 young people in England from a range of backgrounds, who were asked about their experiences of taking GCSEs. The findings of the report warned against any 'radical or disruptive change' to the qualifications that would 'undermine the value and benefits of GCSEs to millions of students.' It concluded that GCSEs fulfil their main purpose of measuring attainment and enabling progress - and there is no compelling argument for radical or disruptive change. However, it also acknowledged that there is evidence that taking GCSEs does not provide the same value to all students – and it is important for policymakers to gain a greater understanding of why.

In March 2022 we published another report 'Evaluating the EBacc' (English Baccalaureate) on AQi where we asked 'Is the EBacc the best stepping stone for progression to post-16 education and future careers?' The report concluded that the EBacc could be reconfigured in various ways to provide a different – potentially improved - stepping stone to post-16 education and training that keeps young people's options open. The full report and findings are published on the AQi website.

**3. To be closer to our customers**

*We work intimately alongside teachers and schools (as well as government and other stakeholders) to ensure we provide what they want and need, today and in the future.*

Our first step in achieving this was to set up 'Customer and Sales', to bring together all customer facing teams into one business area. We appointed the new director and spent time making sure that we have the right structure and right people in place to deliver against this strategic objective.

We have introduced the Customer Steering Group which brings together colleagues from across Customer and Sales, Operations, Product, Marketing, Digital and External Communications to drive customer centricity, deliver the customer strategy and deliver improved customer experience. We have also established the Customer and Sales Performance Delivery Group to make sure we are working effectively together and identify and improve functional performance and the customer experience.

We have three strategic aims that we started work on in the financial year, and began delivering against. These are, *understanding the customer*, who they are and what they need; *interacting with the customer*, so we can focus on their respective interactions with us and how these can be improved; and *supporting the customer*, so we improve our support offer and how we can more effectively package these to better suit customer needs.

To support this work, we have also established a Product Board which supports the work that the Product Management team do to ensure the continuing commercial success of our qualifications. This means ensuring the qualifications and supporting services meet customer needs and expectations, deliver the right outcomes for students, are attractive when compared to our main competitors and remain regulatory compliant. The Product Portfolio Strategy sets out our ambitions in terms of defending and growing our market share by ensuring we continuously improve and develop new products and services. The Product Board provides a gates process that ensures we take the right commercial decisions on where to prioritise and invest, when seeking to achieve our overarching ambitions.

**OBJECTIVES, ACHIEVEMENTS AND PERFORMANCE (continued)**

### 4. To diversify close to our core

*We develop a wider range of assessments, and explore alternative markets for our assessment platforms and expertise, while staying close to our core.*

This activity is to make sure we continue to deliver on our charitable purpose as it allows us to serve the full range of students, it also offers additional financial sustainability and additional revenue streams that can be reinvested into charitable activities.

To help deliver against this we appointed an Executive Director for Strategy and Business Development who joined the Executive Team of AQA in February 2021. This new area of the business is responsible for driving AQA's strategy, overseeing implementation and developing new strategic commercial opportunities, which include acquisitions, joint ventures, new markets, technology alliances and leading AQA's response to domestic and international government tenders and bids.

A major step towards this was in January 2022, with the acquisition of AlphaPlus, a trusted and respected team of assessment specialists who will bring a wealth of expertise and experience to AQA. AlphaPlus will greatly extend the range and scale of what AQA can offer, both in the UK and around the world.

While our UK qualifications are taught in 48 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. These new international GCSEs, AS and A-levels are now available to students in more than 15 countries across the Middle East, South East Asia, and East Asia. The shared aim of the joint venture is to improve education internationally through excellence in teaching, learning and assessment.

### 5. To lead digital change

*We use digital tools to achieve higher quality assessment by being more efficient, reliable and deliverable. The shift to a digital future is inevitable, we will work with schools, the regulator and government to ensure the transition positively benefits learners.*

Last year our research team led an initial, small study to evaluate student and teacher experiences of taking an on-screen GCSE English assessment pilot. We delivered this pilot through Doublestruck, an educational technology company that's part of the AQA Group. The findings from this study helped us to launch our larger scale on screen assessment pilot in January 2022.

In the year we were busy with preparation for the pilot, creating the project team, selecting technology partners, and recruiting schools to take part. Up to 2,500 students from 100 schools and colleges will take part in the trials in 2022 including pilots in GCSE English, maths and science. The trial will also include adaptive – or 'smart' – assessments that adjust in difficulty as students progress through the test.

We are also carrying out a full programme of research on our trials to inform the regulator and the wider industry and help make digital assessment a reality.

### 6. To be effective at all times

*Develop and adopt best practices, in quality, people, technology, ways of working, building on enabling actions under previous strategies. This puts the organisation and our people in the best possible position to deliver for our customers.*

Our strategy is founded on our ability to deliver results to students, reliably and consistently, right first time, on time. We have an on-going programme of adopting the best working practices and technology with highly trained people to ensure we have a fully integrated end to end process for the delivery of high stakes summative assessments. Of particular importance is the need to improve the experience AQA provides to its associates who play a critical role at every stage of our assessment delivery process. Our ambition is that AQA is easy to do business with and that having AQA on a CV is widely recognised as a marque of assessment expertise and professionalism.

**OBJECTIVES, ACHIEVEMENTS AND PERFORMANCE (continued)**

A key piece of work to help us deliver against this is the Future Workplace programme, which is to make sure that AQA is a resilient and productive organisation through the implementation of people, space and digital improvements which also promote health, wellbeing and work life balance.

**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.

We will deliver a full summer exam series in 2022, for the first time since 2019 – supporting schools and colleges with the return to exams and the adaptations that have been made to address lost learning due to the Coronavirus pandemic.

We will continue to make progress in all aspects of our strategy, as set out above.

We will 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 Prince's Teaching Institute courses. We have also committed to continue funding the Unlocking Potential programme until at least 2026, and we have increased the number of places on the programme from 80 to 120.

**SECTION 172(1) REPORTING**

Section 172 of the Companies Act 2006 requires a director of a charity company limited by guarantee 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 Charity 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 are our customers, the students we support, the people who work with us, those people and organisations that help us deliver our key service, and our regulators. The Board of Trustees recognises that building strong relationships with our stakeholders will help us to deliver our strategy in line with our purpose and our 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.

The Board of Trustees receives updates from the Executive Team on issues concerning staff, customers, associates, students, suppliers, 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 have maintained high customer satisfaction scores by listening to our customers' feedback. We have 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, including our products, our processes, our website and other communications. We also develop and

**SECTION 172(1) REPORTING (continued)**

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.

During the pandemic there was so much uncertainty for our customers, decisions were being made very quickly to adapt to the situation, and our customer support was more important than ever. We kept customers updated at all key milestones, and carefully explained what the decisions would mean for them and their students. Our communications were key in making sure schools and colleges understood exactly what they needed to do, and when to do it, so that students could still receive the qualifications they needed to progress to the next stage of their lives.

As part of this we supported our customers from late summer right through the autumn term and delivered on our responsibility as an education charity to support teachers and learners in realising their potential, by helping students to catch up and to close the inequality gap that had been forming through the pandemic. It was also designed to meet our business objectives of maintaining our market leading position, increasing positive customer sentiment, and supporting retention and future growth activities.

In 2021, we explained again to our customers that we would never want to profit from the challenging circumstances that led to the cancellation of exams, and we returned £48.5m to schools and colleges. This reflected the full net cost savings.

**Associates**
Our associates are academics, teachers, lecturers and subject matter experts and are incredibly important to us. Despite the cancellation of exams and the changes in the awarding of qualifications, they remained a key resource in helping us write and deliver our assessments. 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 representatives from associate facing teams. The group aims to recognise and validate the output of the associate survey, and work to improve our associate experience. They also produce a monthly newsletter in collaboration with a small group of associates, which 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 Associate Action Group. This group is a two way forum consisting of AQA senior managers and associates, to listen to the voice of associates and engage our associate community with AQA plans and initiatives.

**Students**
Students are not technically AQA's customers as they do not purchase our products; however we do recognise that they are the end-users and therefore they have an important interest in the organisation. We have had a successful student engagement strategy in place for several years, which continues to grow and allows AQA to engage with this community.

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 ensure accurate and timely information is available to students on a variety of platforms including 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 set up our Student Advisory Group in 2019 and despite meetings being impacted by the pandemic, this has grown into a successful and important part of our student engagement. The students have worked with and advised AQA and the Board of Trustees on several different projects and provide useful insight into the school experience. Members help trustees and staff understand the realities of the school experience and how the organisation can make meaningful change to products and services.

**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 have 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. Details on our payment practices and performance are found at GOV.UK (www.gov.uk).

**Employees**
The Executive Team engages with colleagues across the whole of AQA and within their own business areas. A variety of channels are used, including the hub intranet, newsletters and emails as well as colleague briefings and Q&A sessions. Monthly briefings feature our strategic objectives and the progress we are making; and regular Staying Connected briefings help colleagues keep up to date with key activity such as delivering our summer exam series. The Executive Team also meets regularly with the senior leadership group to ensure they are up to date and also able to share feedback with the Executive 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. In relation to the summer 2022 series, exam boards worked collaboratively through JCQ to implement a range of measures intended to support centres and learners in line with government policy expectations.

**Regulators**
AQA recognises the importance of open and continuous dialogue with regulators. Our Responsible Officer and members of the Research and Regulation team proactively and regularly meet with Ofqual, Qualifications Wales and CCEA, which regulate qualifications. As a result of the pandemic, in relation to the extraordinary learner and centre support arrangements put in place for summer 2022, our engagement with regulators occurred primarily through a formalised governance framework, established by regulators and the Department for Education.

**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, provide briefings and consultation responses to support stakeholder understanding of qualifications, the components of high-quality assessment, as well as to share insights from AQA's research and analysis. In particular, we have worked extremely closely with officials and ministers at Ofqual and the Department for Education to advise and support the delivery of the summer 2022 series, including the arrangements put in place to mitigate the impacts of the Coronavirus pandemic on learning. We launched AQi this year, an insights platform providing research and thought pieces to key education policy stakeholders.

**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 18.

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

We define principal decisions as those that are material or of strategic importance to AQA, and also those that are significant to any of its key stakeholder 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.

**SECTION 172(1) REPORTING (continued)**

**Integration and rebranding of AQA Milton Keynes (formerly DRS Data Services Ltd)**
The Board of Trustees took the decision to integrate a number of departments within AQA MK into AQA to provide consistency, accessibility and synergies of skills and resources across the Group. The trustees considered the following:

- The impact on staff as a result of restructuring the businesses.
- Opportunities for enhanced collaboration and knowledge sharing.
- Benefits of consistency and clarity into the subsidiary's processes by incorporating and integrating their systems into AQA's.
- Synergies and improvements that could be developed due to shared services and resources.
- Rebranding to enhancing the reputation and profitability of the subsidiary.

**Payroll project**
During the year the Board of Trustees approved the implementation of a new payroll system for both employees and associates. In reaching the decision, the following key points were considered and discussed:

- The importance of maintaining a secure and robust payroll system.
- The impact on employees, identifying required communications and training necessary.
- Integration with existing systems and connected business processes.
- Suitability for AQA's unique circumstances, potential points of weakness and what contingencies could be implemented to mitigate the risks.

**Hybrid working**
During the year the Board of Trustees supported the move to hybrid working for employees. In reaching its decision, the following were a key focus for the Board of Trustees:

- The interest and wellbeing of AQA employees.
- The importance of continuing to be competitive in the recruitment market.
- Adapting to new ways of working.
- The needs of the business such as collaboration and ensuring productivity is maintained or improved.
- The need to invest in offices or end user technology.
- Ensuring safe working environments for colleagues.

**FINANCIAL REVIEW**

AQA is in a strong and stable financial position coming out of this unprecedented period, during which the operations, income and costs of AQA changed significantly. We continue to focus on our long term financial strategy and are continuing to build our reserves. We have continued to rebuild the level of reserves due to good market performance and good financial management.

These financial statements cover the year to 31 March 2022. The key highlights from the year are as follows;

- Our income increased by 9.0% over the prior year. This was due to an increase in market share, an increase in entry fees, required in order to cover increasing costs, and the acquisition of AlphaPlus.

- Our income from educational services of £143,603,000 *(2021: £133,119,000)* was earned through AQA, Doublestruck Limited and an amount from AQA Milton Keynes. Our income from AlphaPlus Consultancy Limited and an element from AQA Milton Keynes Limited is shown as Digital Services. We earned £3,278,000 *(2021: £1,518,000)* in digital services during the year from third party sources. AQA Milton Keynes incurred a loss of £7,609,000 (2021: £847,000). This was due to a significant reduction in income due to the cancellation of the summer 2020 and summer 2021 examination series. AQA Milton Keynes is expected to return to profitability in the following year, due to the summer 2022 examination series taking place.

**FINANCIAL REVIEW (continued)**

- AQA's income was primarily earned during the summer series in 2021. The cancellation of exams for the second year continued to be a substantial change in how we typically award grades to students. As an education charity we didn't want to gain financially from the extraordinary circumstances of 2020 and 2021. As the grading arrangement led to a reduction in costs, we passed this back to schools and colleges. This resulted in a return of fees of £48,500,000 *(2021: £42,178,000)*, which amounted to 27% *(2021: 26%)* of the entry fees paid.

- Our net income before investment gains and losses was £18,107,000 *(2021: £2,872,000)*. This represents an operating margin of 12% *(2021: 2%)*. This shows a return to the typical profitability before the Coronavirus pandemic as we build back our reserves to a sustainable level. The increase in net income is driven by additional income following the acquisition of AlphaPlus and continuing to focus on our support costs ensuring we are efficient and therefore achieve good value for money.

- Our long term investments showed steady performance throughout the year. The results for the year show an overall net gain on investments of £2,344,000 (2021: £6,889,000).

- AQA continues to participate in two defined benefit pension schemes, the AQA Pension Scheme and the Greater Manchester Pension Fund ("GMPF") (Note 27). AQA also has some unfunded pension obligations, which are obligations that are outside of the pension scheme. The net balance sheet asset for the aggregation of the schemes is detailed as follows:

| | 31 March 2022<br>£000 | 31 March 2021<br>£000 |
|---|---|---|
| Fair value of scheme assets | 304,431 | 292,215 |
| Present value of defined benefit obligation | (278,718) | (289,749) |
| Net pension asset | 25,713 | 2,466 |

The net pension asset is made up as follows:

| | 31 March 2022<br>£000 | 31 March 2021<br>£000 |
|---|---|---|
| GMPF pension liability | (13,516) | (21,463) |
| Unfunded pension liability | (3,323) | (3,616) |
| AQA Pension Scheme asset | 42,552 | 27,545 |
| Net pension asset | 25,713 | 2,466 |

- During the year we saw an actuarial gain of £23,376,000 *(2021: loss £17,288,000)* on our pension assets and liabilities. This wasn't wholly unexpected as we saw some of the temporary losses in the prior year unwinding in the current year.

- After taking all of these into account, AQA's Charity Funds increased by £43,827,000 *(2021: decrease £7,527,000)* to £156,169,000 *(2021: £112,342,000)*.

- The Group has sufficient liquidity with £821,000 *(2021: £2,821,000)* in cash fund investments and £69,098,000 *(2021:* £109,697,000*)* 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 2022 series.

- Overall, the Group has performed well and has maintained its focus on how we work. There continues to be ongoing investment in the development of our IT systems, moving ahead with our strategy and improving our workspaces.

**FUNDRAISING**

Given the nature of the Charity, there is no external fundraising, and no use of professional fundraisers or commercial participators. 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 Greenhouse Gas (GHG) emissions and energy consumption disclosures in their directors' report. Charities 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 have achieved a 74% reduction in our emissions per £m of sales revenue compared to our baseline year 2018/19.

We have continued to initiate improvements and to promote our environmental message throughout the organisation. Achievements have been accelerated due to the global Coronavirus pandemic and introduction of hybrid working resulting in reduced building occupancy and business travel. Although the levels of GHG reduction are not sustainable upon full return to operational norms, we have committed to significant changes to our operating model to enhance future GHG reductions. In the past 12 months our main achievements are:

- Commenced our 'Future Ways of Working' project to improve building use efficiency whilst promoting hybrid working between the office and from home
- Improving technology to enable more virtual employee and associate meetings, reducing the need for travel
- Switched to 100% Renewable Energy Guarantee of Origin (REGO) certificate sources for purchased electricity for owned/solely occupied buildings reducing impacts by 254.41 Tonnes $CO_2e$
- Reducing overall waste to landfill and impacts on the environment by 93%*
- Achieving a 99.89% waste recycling and recovery rate on all waste streams
- Reducing work related travel emissions by 91%*
- Reducing business flight travel emissions by 99%*
- Reducing energy consumption in our buildings by 56.5%*

*Reductions compared to GHG reporting baseline year 2018/19

As part of the Sustainability Strategy further improvements are underway, which will include:

- Reducing $CO_2$ emissions
  - Reduce the Group's property portfolio and condense operations efficiently to key sites as part of the 'Future Ways of Working' project
  - Design and commission installation of new thermally efficient windows at the Manchester office to reduce heat loss and solar thermal gain (completion by March 2023)
  - Implementation of building management and building intelligence systems in AQA Milton Keynes Optima 50 and Manchester offices to automate, optimise and control the office environments
  - Continued reduction in business travel of a minimum 50% based on 2019/20 data and the ceasing, by exception, of all domestic business air travel

**ENVIRONMENTAL POLICY (continued)**

- Reducing the use of Plastic
  - Implementation of 30% recycled plastic film content for question paper despatch for summer 2023 onwards
  - Continued work with our printing supply chain and testing alternatives to plastics on some of our processes for example using paper-based packaging
  - Removal of non-question paper single use plastic packaging and testing paper-based alternatives
  - Working with Joint Council for Qualifications and the other awarding organisations, trialling a plastic packaging take back scheme from AQA and non-AQA centres with the aim to recover at least 80% of plastic waste packaging

- Sustainable Procurement
  - Produce and implement sustainability criteria for procurement of goods and services.

Emissions for Scope 1 (direct) and scope 2-3 (indirect) sources are continually monitored at source (i.e. energy consumption and waste production) as well estimated (i.e. fuel consumption through transport) applying the relevant conversion factors.

The annual quantity of emissions in tonnes of carbon dioxide for the Group for the year was 404.75 tonne $CO_2e$, which is a reduction of 466.18 tonnes $CO_2e$ from the prior year. This equates to 2.74 tonnes per £m sales revenue, which is an 54% reduction compared to the prior year and 74% reduction compared to the 2018/19 baseline year. The emissions in 2018/19 baseline year 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 – 2,223,470.22 kWh (2021: 2,494,599 kWh)
- Gas – 404,199.65 kWh (680,757 kWh)

The total Group transport fuel use for the year was:

- Transport fuel – 23.49 tonnes (2021: 10.69 tonnes) $CO_2e$ (owned and grey fleet transport)

Our overall target to reduce our greenhouse gas emissions by 40% between 2018-2019 to 2025-2026 has been exceeded. A revised emissions target has been set at 60% or 4 tonnes $CO_2e$ for £m of revenue between 2018-2019 to 2025-2026, which factors in our return to full operational norms.

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 2021 (DEFRA) and the Greenhouse Gas Protocol Initiative (where DEFRA factors are not supplied).

**RISK MANAGEMENT**

Risk management at AQA is underpinned by an established risk policy and process including the setting of Risk Appetite which is reviewed annually by the Executive Team, the Audit, Risk and Compliance Committee (ARCC) and ultimately approved by the Board of Trustees.

Strategic and operational risks are identified in the context of our overall objectives and defined risk appetite. Our overall 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.

Operational risks are regularly reviewed by department managers, with any significant operational risks escalated to the Executive Team. On a monthly basis, the Executive Team reviews the strategic risk register and top operational risks. A risk report is presented to each meeting of the ARCC to ensure effective oversight of risk management activities and the overall AQA risk profile. Regular updates are provided to the Board of Trustees by the ARCC Chair.

**RISK MANAGEMENT (continued)**

Our Group Risk Manager facilitates risk management activities across the business, ensuring that the process is communicated and managed effectively. Appropriate training mechanisms are in place, with risk awareness and guidance provided to managers and their teams to promote the effectiveness of our risk management framework.

Our outsourced internal auditors (KPMG during 2012/22) conduct a risk-based assurance programme of work throughout the year. The audit programme focuses on areas assessed as being at significant internal risk, as identified by the Executive Team and by Trustees. The ARCC approves the annual internal audit plan and reviews the individual reports and recommendations. The output provides assurance across the business areas within AQA and where weaknesses in controls are identified, actions are taken to address these. The ARCC monitors progress on any agreed actions from internal audit reviews to ensure these are addressed appropriately and in a timely manner.

Further, the ARCC reviews our internal controls and procedures (financial and non-financial) and considers the results of our audit 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 is 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.

- **Operational delivery:** the security of assessment materials 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 ARCC and the Board of Trustees.

- **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 ended 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 system, directly and through the Joint Council for Qualifications, which represents the main exam boards.

- **Robust IT systems:** We have invested in a multi-year programme to ensure our technology capability is supported by a strong, modern, cloud-based platform. Our programme is progressing well, with our new exam and marking platforms fully operational to deliver the summer 2022 exam series. Development of our technical environment will continue to 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 including the setting of Risk Appetite, and are continually updated and monitored throughout the year. 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.

**FINANCIAL RISK MANAGEMENT (continued)**

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 Group level and a business unit level.

**Exposure to price, credit, liquidity and cash flow risk**

**Price risk** - In normal circumstances, the risk is considered to be low based on the business model for the delivery of regulated assessments in the UK market. 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 £49,685,000 are exposed to price risk but this exposure is within the Group's risk appetite.

**Credit risk** - 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 17 to the financial statements.

**Liquidity risk** - The Group mitigates liquidity risk by managing cash generated by its operations and applying cash collection targets throughout the Group.

**Cash flow risk** - 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**

The Coronavirus pandemic has had a significant impact on the AQA Group. Our Business Continuity Planning mechanisms were used throughout 2020/21 and the first half of 2021/22, successfully ensuring continuity of operations throughout the pandemic as well as focus on employee wellbeing.

The cancellation of the summer 2021 exam series, announced by the Department for Education in January 2021, meant substantial change to how we awarded grades and meant we had to design, develop, and deliver a new system to award qualifications. This included additional development to our new platform Centre Services, to collect grades and to process any appeals we received.

We provided additional support to schools and colleges who had to produce grades for their students, including an optional support package of materials, with questions and mark schemes and example materials so they could benchmark their students. We gave guidance on how to collate and use evidence to support the grades as part of the quality assurance process. We also had to respond to further policy changes that required technology and operational updates. Despite all the challenges, we delivered accurately and on time.

To ensure consistency between boards and centres we worked closely with other exam boards to make sure the requirements for internal quality assurance and arrangements for external quality assurance were consistent and robust. Schools' and colleges' internal quality assurance arrangements needed to include consideration of results in previous years as a guide to help check that judgements are not unduly harsh or lenient. Schools and colleges were required to document the process they followed to ensure the judgements being made were fair, consistent, evidence-based and minimised the risk of bias and discrimination. As well as good practice, the documentation was required as part of the quality control assurance we were required to undertake.

In March 2021, we launched our new Centre Services system which is part of a broader programme to replace our current exam processing system. The new system is more secure, reliable and easier for exams officers and teachers to use. It is also more flexible and can adapt to future needs. The new system was used to provide support materials and to collect students' grades for the summer 2021 series.

To support teaching and learning while schools were closed due to the pandemic, we offered some of our online teacher support material free of charge through our Exampro online learning platforms, and we also ran a series of free events to support teachers in the 2020/21 academic year. We continued to support teachers and students as they prepared to for the special autumn 2021 series, and introduced a support programme to help build core skills, identify gaps in learning and re-engage students when they returned to the classroom. With many students sitting national exams for

**SIGNIFICANT EVENTS (continued)**

the first time we knew that they would need more support than usual, so to help teachers better support their students we provided free training to support student exam preparation. This also included, for some subjects, a series of unseen papers through Exampro to help teachers prepare their students for exams.

Our operations have continued throughout the pandemic with almost all staff working from home up until autumn 2021. This required significant input from our IT team. Throughout this period, the wellbeing of our staff has been a key priority. Regular communication, guidance and support about working from home, and new initiatives that focus on mental and physical wellbeing have been introduced.

Where colleagues have not been able to do their jobs from home, or have really struggled with home working, we have supported them in returning safely to the office. Since autumn 2021, we have moved to a hybrid working arrangement for most staff, with a combination of office- and home-based working.

**RESERVES POLICY**

The target level of reserves enables us to achieve our primary charitable purpose of advancing education for the benefit of the public. To continue to provide high quality qualifications, assessment, and support to schools and colleges, we must invest in strategic areas including new products and systems. Some of these incur upfront expenditure that is not recovered for several years.

At the end of the year, we had funds of £156,169,000. 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 of £4,501,000. This 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 of £48,365,000 represent the tangible and intangible assets of the Group, without which we could not operate.

- Investment revaluation reserve of £4,042,000 represents the excess of market value of investments over their cost price.

The remainder of our funds are our general funds:

- Free reserves (£73,548,000) – these will mainly be used to deliver the 2022 summer exam series and will allow us to deliver on our charitable objectives to enhance social mobility through qualifications in the future. 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.

- Pension reserves (£25,713,000) – 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.

When setting our free reserves target range we follow Charity Commission's guidance and consider our cash flow requirements and perform an assessment of the risks and obligations facing the organisation. Based on our assessment, our policy has been to maintain free reserves in the range of £75 million to £90 million. We continue to review the free reserves target, to ensure that the free reserves policy continues to reflect changes in the organisation.

**GOING CONCERN**

The Board of Trustees has reviewed the financial position, considering the level of reserves and cash, and the system of financial control and risk management. They have undertaken sensitivity analysis and considered the potential impact of the Ukraine crisis and high inflation in the current economic client. Accordingly, they have a reasonable expectation that the Charity and the Group have adequate resources to continue in operational existence for the foreseeable future.

## GOING CONCERN (continued)

As a consequence, these financial statements are prepared on the going concern basis. The trustees consider that there are no material uncertainties about the Group's ability to continue as a going concern.

## 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. We agreed in the year to transition our long-term reserves to Cazenove's Responsible Multi-Asset Fund. This is a fund designed to enhance our ESG (Environmental, Social and Governance) standards.

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 or equivalent other 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 helps us to achieve our objectives and enables our people to use their skills to their best effect. It also ensures we are compliant with relevant legislation. Having good governance allows us to review any risks we are facing in ways that support a productive culture.

**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 the extent to which they apply the Code 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.
- Equality, diversity and inclusion.
- 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 help students and teachers to realise their potential.

**GOVERNANCE (continued)**

Everyone has the potential to achieve, so we make sure that our qualifications give all students no matter their background or ability; 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. We are committed to continually improving the content and quality of our qualifications, to make sure they remain trusted by all who 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. Our Student Advisory Group, initially launched in October 2019, has gone from strength to strength and is now in its third year . Members' views and perspectives have been particularly useful in helping the organisation to understand the impact of the Coronavirus pandemic on students, and how AQA can develop resources to help this cohort as best as possible. We are also seeking their views to inform current and new areas of work, such as piloting new forms of assessment.

Our Product Board has now been operational for two years and has had a considerable impact on developing products and services for our customers, teachers and students. Chaired by the Chief Operating Officer, the Board brings together expertise from across the organisation in order to ensure customers' needs are considered in the round and new developments are identified and assessed in a timely fashion.

***Leadership***

AQA is governed by the Board of Trustees. Our Trustees are volunteers with distinguished careers in education and a wide variety of other fields, who want to give time to supporting AQA's work for teachers, students and the field of education. Our Trustees include in their number our chief executive. They are aware of their legal responsibilities and take great care in their decision making and ensuring the organisation is operating to a high standard.

Our Trustees are responsible for our overall strategy, policy, educational initiatives and development, and for steering AQA to fulfil its educational and charitable objectives. They are regularly updated on this work throughout the year.

The Executive Team is made up of nine 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 its strategy and policies. In 2021 we welcomed a new Director of People, Isabelle Perrett.

Our Board of Trustees and Executive Team, with colleagues, have been instrumental in developing and demonstrating the AQA values and behaviours that enable the organisation and its people to achieve their potential.

***Integrity***

Maintaining our integrity is critical to how AQA operates; it is about doing what is right, and being open and honest. We aim always to uphold our the values and behaviours we have set. Our Board of Trustees scrutinise our decision making to ensure we adhere to this, as well as the requirements set by regulators such as the Charity Commission and Ofqual.

AQA operates a conflict of interest policy for all employees, Trustees and independent members, subcontractors and all third parties who work with us and act on our behalf. Conflicts of interest are collated at the start of each exam series. Declarations of interest are made and recorded at the start of every formal meeting.

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

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

**GOVERNANCE (continued)**

***Decision making, risk and control***
AQA strives to make decisions that are evidence based and informed by a good understanding of 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. We have a centrally held range of policies and procedures to help ensure consistent control measures are put in place to manage our work efficiently.

***Board effectiveness***
Our Board of Trustees meets five times a year, which continued remotely throughout the pandemic. Each meeting agenda includes progress reports on major programmes, critical activities and strategy. As mentioned above, the chief executive is also a Trustee and member of the Board. Other Executive Team members may be invited to attend and present at the meetings but do not have a vote in any decisions. In early 2022 we commissioned an external organisation to conduct a review of the Board's effectiveness. The final report commented positively on the Board structure, engagement and working relationships, and made some recommendations for further enhancements.

***Equality, diversity and inclusion***
We are continuing to enact our commitment to build an inclusive place to work, that allows under-represented voices to be heard, and values each individual. 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 are looking at creative ways to attract and develop a more diverse workforce and build a culture that encourages inclusion and removes barriers to developing individuals' talents. 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. The network has been consulted in the review and development of several HR policies, and uses the AQA intranet to publicise its activities and to raise awareness.

- 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.

- 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 and empowerment the network provides; the network was therefore 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. The network members have been consulted in the review and development of HR policies, and have organised several well-attended events open to all AQA employees. The network members have been active in several HR policy reviews.

- The Disability Community has been established to promote awareness, champion change and provide a safe and supportive space for colleagues who either have a disability, live with or care for those who do, or are interested in learning more about the challenges surrounding disability to support others. The Community has been working with other networks as part of the Equality, Diversity and Inclusion strategy.

Promoting wellbeing and good mental health has continued to be a focus for the organisation. Many colleagues have completed a Mental Health First Aid training course which aims to have mental health support on site at all times.

AQA also engages with the 'This is Me' national campaign during Mental Health Awareness week, in which colleagues share their particular mental health experiences with the aim of ending the stigma of mental health conditions in any workplace. The organisation uses many strategies to promote better wellbeing across the spectrums of mental and physical health, social and environmental matters. Each office has at least one Wellbeing Warrior and events are frequently organised, including an annual Well Fayre to help all employees to learn more and improve their wellbeing.

## GOVERNANCE (continued)

***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 and enquiring employees. We know high levels of engagement have a positive influence on the performance of our teams as they engage with the teachers, students and others in the field of education. This has been even more important during the ongoing effects of the Coronavirus pandemic.

During the year we have held a wide range of staff engagement sessions for colleagues to hear updates from the Executive Team and others on how organisational and strategic programmes are progressing.

We also encourage openness with all our colleagues, and AQA associates and examiners, through our 'Speak Out' facility. This is designed to encourage people (anonymously if they prefer) to give feedback or raise an issue, including anything that does not '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.

Corporately, we engage 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 from 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 Lead who sits within our Exams Integrity Team and holds responsibility for all safeguarding activity across the organisation. A Safeguarding Strategy is regularly updated and presented to our trustees for approval; this strategy shapes the organisation's response to safeguarding issues, including training for staff, associates and examiners who may undertake visits to schools, training on dealing with safeguarding issues presented in students' exam responses, 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

The directors have not identified any adjusting events. FRS 102 requires, for non-adjusting events, disclosure of the nature of the event, and either an estimate of its financial effect or a statement that such an estimate cannot be made. AQA has acquired companies and arranged loan facilities after the reporting date which are disclosed in Note 29.

## ADDITIONAL INFORMATION

The AQA website contains up-to-date information on qualification specifications, exam timetables, events, teacher support, examiner recruitment, publications and other areas of the organisation's activities. The website address is 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 Charitable Company and of the incoming resources and application of resources, including the income and expenditure, of the Group and Charitable Company 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.
- 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 Charitable Company'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 Charitable Company'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 14 December 2022 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 on the financial statements**

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 2022 and of the Group’s incoming resources and application of resources for the year then ended;
- 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.

We have audited the financial statements of AQA Education (“the Parent Charitable Company”) and its subsidiaries (“the Group”) for the year ended 31 March 2022 which comprise the consolidated statement of financial activities, the consolidated and charitable parent statement of financial position, the consolidated statement of cash flows and 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).

**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 Auditor’s responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Independence*

We remain independent of the Group and the Parent Charitable Company in accordance with the ethical requirements that are 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.

**Conclusions related to going concern**

In auditing the financial statements, we have concluded that the Trustees’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Charitable Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustees with respect to going concern are described in the relevant sections of this report.

**Other information**

The Trustees are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor’s report thereon. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

**Other Companies Act 2006 reporting**
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Trustees' Report, which includes the Directors' Report and 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 Strategic report and the Directors' Report, which are included in the Trustees' Report, have been prepared in accordance with applicable legal requirements.

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 Strategic report or the Trustees' 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.

**Auditor's 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.

*Extent to which the audit was capable of detecting irregularities, including fraud*

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding and accumulated knowledge of the Group and Parent Charitable Company, and the sector in which they operate, we considered the risk of acts by the Group or Parent Charitable Company which were contrary to applicable laws and regulations, including fraud and whether such actions or non-compliance might have a material effect on the financial statements. We considered the significant laws and regulations to be United Kingdom Generally Accepted Accounting Practice (including FRS102 and the Charities Statement of Recommended Practice) and the UK Companies Act 2006. All audit team members were briefed to ensure they were aware of any relevant regulations in relation to their work, areas of potential non-compliance and fraud risks.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of an override of controls), and determined that the principal risks were related to posting inappropriate journal entries, management bias in accounting estimates and improper incoming resources recognition.

Our audit procedures in response to the above included, but were not limited to:

- Agreement of the financial statement disclosures to underlying supporting documentation;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the carrying value of goodwill, retirement benefit obligations and provisions;
- Procedures to test incoming resources including agreement of incoming resources recognised to supporting documentation on a sample basis and testing incoming resources recorded around the year end to check the appropriate year end cut-off;
- Identifying and testing journal entries identified as potentially unusual. This testing included, but was not limited to, any journal entries posted with specific keywords, journals posted by unexpected users, and journals posted to least used accounts;
- Discussions with management, and those charged with governance, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Discussions with management, and those charged with governance to understand if there have been any Serious Incident Reports made to the Charity Commission either during the period or post year end;
- A review of trustees' meeting minutes both during the period, and post year end, for any known or suspected instances of non-compliance with laws and regulation, Serious Incident Reports made to the Charity Commission or fraud;
- Enquires to confirm with management that there was no legal correspondence during the period, or post year end, requiring review;
- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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:
https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's 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 auditor's 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.

DocuSigned by:
Gareth M Jones
AF9E71C5233D451...

Gareth M Jones (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Manchester, UK
21 December 2022

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 2022

| | Note | Year ended 31 March 2022 Unrestricted funds £000 Continuing operations | £000 Discontinued operations | **£000 Total** | Year ended 31 March 2021 Unrestricted funds £000 Continuing operations (Restated) | £000 Discontinued operations | £000 Total (Restated) |
|---|---|---|---|---|---|---|---|
| **Income:** | | | | | | | |
| *Income from charitable activities:* | | | | | | | |
| Educational services | 4 | 143,603 | - | **143,603** | 133,119 | - | 133,119 |
| *Income from other trading activities:* | | | | | | | |
| Digital services | 4 | 3,278 | - | **3,278** | 697 | 821 | 1,518 |
| Investment income | 5 | 1,142 | - | **1,142** | 1,208 | - | 1,208 |
| Total income | | 148,023 | - | **148,023** | 135,024 | 821 | 135,845 |
| **Expenditure:** | | | | | | | |
| *Expenditure on charitable activities:* | | | | | | | |
| Educational services | 6 | 126,080 | - | **126,080** | 129,468 | - | 129,468 |
| *Expenditure on other trading activities:* | | | | | | | |
| Digital services | 6 | 3,336 | - | **3,336** | 1,655 | 893 | 2,548 |
| *Expenditure on raising funds:* | | | | | | | |
| Investment management costs | 5 | 150 | - | **150** | 130 | - | 130 |
| Share of loss in joint venture | 13 | 350 | - | **350** | 827 | - | 827 |
| Total expenditure | | 129,916 | - | **129,916** | 132,080 | 893 | 132,973 |
| **Net income / (expenditure) before investment gains / (losses)** | | 18,107 | - | **18,107** | 2,944 | (72) | 2,872 |
| **Gains on investment assets** | | | | | | | |
| Net realised gains on investments | 15 | 1,586 | - | **1,586** | 234 | - | 234 |
| Net movement on unrealised gains | 15 | 758 | - | **758** | 6,655 | - | 6,655 |
| **Net income / (expenditure) before other recognised gains / (losses)** | | 20,451 | - | **20,451** | 9,833 | (72) | 9,761 |
| **Other recognised gains / (losses)** | | | | | | | |
| Actuarial gains / (losses) on defined benefit pension schemes | 27 | 23,376 | - | **23,376** | (17,288) | - | (17,288) |
| **Net income / (expenditure) and net movement in funds for the year** | | 43,827 | - | **43,827** | (7,455) | (72) | (7,527) |
| **Reconciliation of funds** | | | | | | | |
| Total funds brought forward | | | | **112,342** | | | 119,869 |
| Total funds carried forward | 22 | | | **156,169** | | | 112,342 |

The Consolidated Statement of Financial Activities incorporates the Summary Income and Expenditure Account. Income is derived from both continuing and discontinued operations. Net income/(expenditure) and net movement in funds represents the surplus/(deficit) for the year for Companies Act 2006 purposes and includes a surplus of £50,302,000 relating to the parent (*2021: deficit £3,169,000).*

The notes on pages 36 to 76 form part of these financial statements.

# AQA Education
# Consolidated and Charitable Parent Statement of Financial Position
## as at 31 March 2022

| | Note | **Group 2022** | **Charity 2022** | Group 2021 | Charity 2021 |
|---|---|---|---|---|---|
| **Fixed Assets** | Note | **£000** | **£000** | £000 | £000 |
| Intangible assets | 11 | **40,491** | **30,638** | 39,594 | 34,557 |
| Tangible assets | 12 | **17,534** | **8,951** | 16,170 | 9,080 |
| Investment in subsidiary undertakings | 13 | **-** | **24,432** | - | 13,134 |
| Other fixed asset investments | 15 | **49,685** | **49,685** | 42,758 | 42,758 |
| **Total Fixed Assets** | | **107,710** | **113,706** | 98,522 | 99,529 |
| **Current Assets** | | | | | |
| Stocks and work in progress | 16 | **2,232** | **817** | 2,065 | 925 |
| Debtors | 17 | **155,796** | **165,654** | 65,686 | 77,596 |
| Investments | 18 | **821** | **821** | 2,821 | 2,821 |
| Cash at bank and in hand | | **69,098** | **65,722** | 109,697 | 106,833 |
| **Total Current Assets** | | **227,947** | **233,014** | 180,269 | 188,175 |
| **Liabilities** | | | | | |
| Creditors: Amounts falling due within one year | 19 | **(196,919)** | **(190,234)** | (166,185) | (163,109) |
| **Net Current Assets** | | **31,028** | **42,780** | 14,084 | 25,066 |
| **Total Assets less Current Liabilities** | | **138,738** | **156,486** | 112,606 | 124,595 |
| **Provisions for Liabilities and Charges** | 21 | **(8,282)** | **(7,329)** | (2,730) | (2,493) |
| **Net Assets Excluding Pension Asset and Liability** | | **130,456** | **149,157** | 109,876 | 122,102 |
| Defined benefit pension scheme asset | 27 | **42,552** | **42,552** | 27,545 | 27.545 |
| Defined benefit pension scheme liability | 27 | **(16,839)** | **(16,839)** | (25,079) | (25,079) |
| **Total Net Assets** | | **156,169** | **174,870** | 112,342 | 124,568 |
| **The Funds for the Group and Charity:** | | | | | |
| **Unrestricted Funds** | | | | | |
| Designated funds | | **4,501** | **4,501** | 2,500 | 2,500 |
| General funds | | **151,668** | **170,369** | 109,842 | 122,068 |
| **Total Funds** | 22 | **156,169** | **174,870** | 112,342 | 124,568 |

# AQA Education
# Consolidated Statement of Financial Position (continued)
## as at 31 March 2022

The notes on pages 36 to 76 form part of these financial statements. The company registration number is 3644723. The financial statements on pages 31 to 76 were approved and authorised for issue by the Board of Trustees on 14 December 2022 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 2022

| | Note | **Group 2022 £000** | Group 2021 £000 |
|---|---|---|---|
| **Cash flows from operating activities:** | | | |
| **Net cash (used in) / generated from operations** | 23 | **(21,000)** | 20,044 |
| Taxation received | | **185** | 197 |
| **Net cash (used in) / generated from operating activities** | | **(20,815)** | 20,241 |
| **Cash flows from investing activities:** | | | |
| Investment income | 5 | **714** | 710 |
| Purchase of tangible fixed assets | 12 | **(2,304)** | (4,649) |
| Purchase of intangible fixed assets | 11 | **(9,746)** | (15,086) |
| Purchase of subsidiaries, net of cash acquired | 14 | **(5,316)** | - |
| Purchase of fixed assets investments | 15 | **(16,050)** | (19,133) |
| Sale of current investments | | **2,000** | 26,988 |
| Proceeds from sale of fixed asset investments | 15 | **14,646** | 19,450 |
| Investment in joint venture | 13 | **(549)** | (600) |
| (Increase) in cash held with fund managers | 15 | **(3,179)** | (767) |
| **Net cash (used in) / provided from investing activities** | | **(19,784)** | 6,913 |
| (Decrease) / increase in cash and cash equivalents in the year | | **(40,599)** | 27,154 |
| **Cash and cash equivalents at the beginning of the year** | | **109,697** | 82,543 |
| **Cash and cash equivalents at the end of the year** | | **69,098** | 109,697 |

The notes on pages 36 to 76 form part of these financial statements.

## 1 General information

AQA Education (AQA) is a company limited by guarantee (registered company number 3644723 in England and Wales) and a registered charity (registered charity number 1073334 in England and Wales). 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 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 January 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 has a reasonable expectation that the Group has adequate resources to continue in operational existence for at least 12 months from the date of approval of the financial statements. 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: AQA Milton Keynes Limited, Doublestruck Limited and AlphaPlus Consultancy Limited. AlphaPlus Consultancy Limited has a year end of 30 September, therefore consolidated figures only include the period from acquisition to 31 March.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

The net income and net movement in funds for the year for the Charity were £50,302,000 surplus *(2021: £3,169,000 deficit)* and total funds at the year-end were £174,870,000 *(2021: £124,568,000).*

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.

*(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 with the exception of AlphaPlus Consultancy Limited with a year end of 30 September.

*(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.

## 3 Summary of significant accounting policies (continued)

(c) Basis of consolidation (continued)

*(ii) Joint ventures (continued)*

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.

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.

(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.

## 3 Summary of significant accounting policies (continued)

(d) Income recognition (continued)

*(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.

*(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.

*(v) Digital services*

Revenue from services such as scanning are recognised in the accounting period in which the work on the services is performed and the obligations have been satisfied in accordance with the customers' agreed requirements.

Sales of scanning machines and associated equipment are recognised when the products have been delivered to the customer and it is probable that economic benefits associated with the transaction will flow to the Company. Maintenance service contracts are recognised on a straight-line basis over the period of the contract.

*(vi) Educational consultancy services*

Revenue for educational consultancy services is recognised when the services are complete, with services ongoing over the year end treated as work in progress. Profit on long term work in progress contracts is recognised when the outcome of the contracts can be assessed with reasonable certainty, and is that amount which is estimated to reflect fairly the profit arising up to the accounting date. Profit on long term work in progress contracts is recognised as the difference between the reported revenue and related costs.

(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.

(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.

## 3 Summary of significant accounting policies (continued)

*(i) Governance and support costs (continued)*

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.

*(ii) Other trading activities*

These costs relate to non-charitable services provided by subsidiary undertakings, AQA Milton Keynes Limited and AlphPlus Consultancy Limited. It includes direct costs as well as overhead costs.

(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 taking place 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 due but 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.

## 3 Summary of significant accounting policies (continued)

*(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.

*(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 within '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.

## 3 Summary of significant accounting policies (continued)

(i) Business combination and goodwill (continued)

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 measurable 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. At the time of acquisition management performed an assessment of expected useful life and deemed 8 years to be appropriate. 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.

(j) Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation commences when the software or development project is ready for use. 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
Development costs – up to 5 years

For Nexus, our bespoke exams processing system, amortisation is charged over the length of the project which is due to finish in the 2023/24 financial year.

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

The assets are reviewed for indicators of impairment and if these are present, the asset will be impaired to the recoverable amount.

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

## 3 Summary of significant accounting policies (continued)

(j) Intangible assets (continued)

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*

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.

*(iii) Research and development 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.

(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.

## 3 Summary of significant accounting policies (continued)

(k) Tangible fixed assets and depreciation (continued)

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 fixed 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.

*(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 have 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.

## 3 Summary of significant accounting policies (continued)

(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 publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment. These long term investments, whilst highly liquid, are included in fixed assets, as there is no intention to draw down on them in the next year or indeed in the near future.

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 were to cease trading.

*(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 27 details the actuarial assumptions used in determining the carrying amount at 31 March 2022.

*(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 | |
|---|---|---|
| | **2022** | 2021 |
| | **£000** | £000 |
| | | (Restated) |
| Educational Services - United Kingdom fee income | **142,837** | 132,417 |
| Educational Services – Overseas fee income | **766** | 702 |
| **Total income from charitable activities** | **143,603** | 133,119 |
| Digital Services – United Kingdom income | **2,323** | 454 |
| Digital Services – Overseas income | **955** | 1,064 |
| **Total income from other trading activities** | **3,278** | 1,518 |

Included within Educational Services income are two grants from the Department for Education for £4,351,000. These grants were to support with the cost of appeals of summer examination series in 2021 and additional running costs incurred for the autumn examination series in 2021. This grant was to maximise the rebate to schools.

The restated figures are due to a prior period adjustment which has resulted in income of £752,000 being reallocated from digital services to educational services in 2021. Please refer to Note 28 for further details.

## 5 Investment income and management costs

| | Unrestricted funds | |
|---|---|---|
| | **2022** | 2021 |
| | **£000** | £000 |
| Interest – UK deposits | **86** | 142 |
| Dividends | **628** | 568 |
| | **714** | 710 |
| Net credit to other finance income on defined pension scheme assets and liabilities (note 27) | **428** | 498 |
| **Total investment income** | **1,142** | 1,208 |
| Brokers' fees | **(150)** | (130) |
| **Total investment management costs** | **(150)** | (130) |
| **Net investment income** | **992** | 1,078 |

## 6 Total of expenditure

| | 2022 Educational services £000 | 2022 Digital services £000 | **2022 Total £000** | 2021 Educational services £000 (Restated) | 2021 Digital services £000 (Restated) | 2021 Total £000 |
|---|---|---|---|---|---|---|
| Operational costs: | | | | | | |
| Examiner costs | 9,810 | - | **9,810** | 11,658 | - | 11,658 |
| Printing postage and other examination costs | 2,341 | - | **2,341** | 4,580 | - | 4,580 |
| Premises costs | 3,321 | 95 | **3,416** | 3,559 | 143 | 3,702 |
| Direct staff costs | 43,842 | 1,234 | **45,076** | 41,661 | 1,106 | 42,767 |
| Operating lease rentals | 1,854 | 61 | **1,915** | 2,038 | 63 | 2,101 |
| Non capital IT costs | 16,904 | 5 | **16,909** | 17,733 | 56 | 17,789 |
| Depreciation | 1,335 | 88 | **1,423** | 1,367 | 74 | 1,441 |
| Amortisation of intangibles | 17,232 | 272 | **17,504** | 17,949 | 406 | 18,355 |
| (Profit)/loss on disposal | - | - | **-** | (501) | (48) | (549) |
| Overheads | 3,353 | 1,579 | **4,932** | 3,120 | 601 | 3,721 |
| Research and development costs | - | - | **-** | 1 | - | 1 |
| Restructuring costs | 412 | - | **412** | 187 | - | 187 |
| Consultancy | 3,534 | - | **3,534** | 3,222 | - | 3,222 |
| Defined benefit scheme costs excluding net interest and employer contributions | 558 | - | **558** | 956 | - | 956 |
| Governance costs (see note 9) | 427 | 2 | **429** | 399 | 1 | 400 |
| Support costs (see note 9) | 21,157 | - | **21,157** | 21,539 | 146 | 21,685 |
| **Total expenditure** | 126,080 | 3,336 | **129,416** | 129,468 | 2,548 | 132,016 |

Discontinued operations shown in the prior year on the Consolidated Statement of Activities relate to the closure of AQA Milton Keynes' print division. The restated figures are due to a due to a prior period adjustment which has resulted in £15,729,000 of expenditure being reallocated from digital services to educational services. Please refer to Note 28 for further details.

## 7 Summary analysis of expenditure and related income for charitable activities

| | **2022 Total £000** | 2021 Total £000 (Restated) |
|---|---|---|
| **Income from charitable activities:** | | |
| Fees and charges | **143,603** | 133,119 |
| **Total income** | **143,603** | 133,119 |
| **Expenditure on charitable activities:** | | |
| Staff costs | **(65,014)** | (61,812) |
| Operational costs | **(61,066)** | (67,656) |
| **Total expenditure** | **(126,080)** | (129,468) |
| **Total surplus from charitable activities** | **17,523** | 3,651 |

## 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 £000 | Governance function £000 | **2022 Total £000** | **Basis of allocation** |
|---|---|---|---|---|
| Employment costs | 21,157 | 15 | **21,172** | Staff time |
| Trustee expenses | - | 2 | **2** | Invoiced events |
| Internal audit services | - | 221 | **221** | Governance |
| External auditor – audit services: | | | | |
| Audit of consolidated and Charity financial statements | - | 118 | **118** | Governance |
| Audit of the subsidiary financial statements | - | 33 | **33** | Governance |
| Assurance in relation to grant claims | - | 36 | **36** | Governance |
| Audit of teacher's pension scheme | - | 4 | **4** | Governance |
| **Total** | 21,157 | 429 | **21,586** | |

| | Support costs £000 | Governance function £000 | 2021 Total £000 | **Basis of allocation** |
|---|---|---|---|---|
| Employment costs | 21,685 | 15 | 21,700 | Staff time |
| Trustee expenses | - | 3 | 3 | Invoiced events |
| Internal audit services | - | 275 | 275 | Governance |
| External auditor – audit services: | | | | |
| Audit of consolidated and Charity financial statements | - | 83 | 83 | Governance |
| Audit of the subsidiary financial statements | - | 24 | 24 | Governance |
| **Total** | 21,685 | 400 | 22,085 | Governance |

As the Charity is unable to recover input VAT, the fee for the audit of consolidated and Charity financial statements includes VAT.

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

| | **2022** | 2021 |
|---|---|---|
| | **£000** | £000 |
| Wages and salaries | **51,398** | 48,829 |
| Social security costs | **5,085** | 4,954 |
| Pension costs | | |
| - Defined benefit employer contributions | **1,685** | 2,523 |
| - Defined contribution pension costs | **5,959** | 4,962 |
| | **64,127** | 61,268 |
| Other staff related costs | **2,121** | 1,187 |
| | **66,248** | 62,455 |

During the year £164,000 *(2021: £657,000)* was received from the Government in respect of the Coronavirus Job Retention Scheme.

Termination payments of £831,000 (*2021: £39,000*) were made in the year, due to a change in the staffing structure.

| | **2022** | 2021 |
|---|---|---|
| | **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 | **830** | 726 |
| Support and administration | **476** | 443 |
| Digital services | **76** | 112 |
| | **1,382** | 1,281 |

Having received Charity Commission permission £15,000 *(2021: £15,000)* was paid to Mr van Wijngaarden in his role as Chair of the Trustees. The Trustees have been reimbursed for all expenses incurred by them in connection with their attendance at meetings of the Board, 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 £2,129 *(2021: £3,388)*, were reimbursed to 9 *(2021: 13)* 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 £1,870,000 *(2021: £1,265,000)*. The remuneration of the Chief Executive Officer, who is also a trustee, was £299,000 *(2021: £249,000).* This increase reflects the appointment of the CEO part-way through the prior year.

## 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 wholly owned subsidiaries. The remuneration of the key management personnel of the subsidiaries totalled £611,000 *(2021: £442,000)*. The total remuneration of the key management personnel for the Group was £2,481,000 *(2021: £1,707,000)*.

98 employees *(2021: 113 employees)* within the Group earned over £60,000 in the year excluding pension contributions within the following bands:

**Group**

| | **Year ended 31 March 2022 Number** | Year ended 31 March 2021 Number |
|---|---|---|
| Higher paid employees fell within the following bands: | | |
| £60,001 to £70,000 | **51** | 54 |
| £70,001 to £80,000 | **18** | 24 |
| £80,001 to £90,000 | **8** | 7 |
| £90,001 to £100,000 | **6** | 9 |
| £100,001 to £110,000 | **4** | 6 |
| £110,001 to £120,000 | **3** | 2 |
| £120,001 to £130,000 | **3** | 3 |
| £130,001 to £140,000 | **1** | 2 |
| £140,001 to £150,000 | **-** | 2 |
| £150,001 to £160,000 | **3** | 2 |
| £160,001 to £170,000 | **-** | 1 |
| £240,001 to £250,000 | **-** | 1 |
| £290,001 to £300,000 | **1** | - |

The above bandings are based on annual salaries.

Contributions by the employer were made to defined benefit pension schemes for 15 (*2021: 21*) higher paid employees. Contributions amounting to £600,000 (*2021: £782,000*) were made to defined contribution schemes for 73 (*2021: 84*) higher paid employees.

## 11 Intangible assets

| Group | Goodwill | Software | Development expenditure | Total |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **COST** | | | | |
| At 1 April 2021 | 7,676 | 59,389 | 15,374 | 82,439 |
| Additions | 8,654 | 9,746 | - | 18,400 |
| Disposals | - | - | (276) | (276) |
| At 31 March 2022 | **16,330** | **69,135** | **15,098** | **100,563** |
| **ACCUMULATED AMORTISATION** | | | | |
| At 1 April 2021 | 6,035 | 24,441 | 12,369 | 42,845 |
| Amortisation charge for the year | 635 | 13,863 | 3,005 | 17,503 |
| On disposal | - | - | (276) | (276) |
| At 31 March 2022 | **6,670** | **38,304** | **15,098** | **60,072** |
| **NET BOOK VALUE** | | | | |
| At 31 March 2022 | **9,660** | **30,831** | **-** | **40,491** |
| At 31 March 2021 | 1,641 | 34,948 | 3,005 | 39,594 |

| Charity | Software | Total |
|---|---|---|
| | £000 | £000 |
| **COST** | | |
| At 1 April 2021 | 57,937 | 57,937 |
| Additions | 9,746 | 9,746 |
| At 31 March 2022 | **67,683** | **67,683** |
| **ACCUMULATED AMORTISATION** | | |
| At 1 April 2021 | 23,380 | 23,380 |
| Amortisation charge for the year | 13,665 | 13,665 |
| At 31 March 2022 | **37,045** | **37,045** |
| **NET BOOK VALUE** | | |
| At 31 March 2022 | **30,638** | **30,638** |
| At 31 March 2021 | 34,557 | 34,557 |

## 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 2021 | 2,084 | 17,223 | 2,866 | 13,329 | 35,502 |
| On acquisition of subsidiary | 450 | - | 69 | 34 | 553 |
| Additions | - | 411 | 12 | 1,881 | 2,304 |
| Disposals | - | - | - | (472) | (472) |
| At 31 March 2022 | **2,534** | **17,634** | **2,947** | **14,772** | **37,887** |
| **ACCUMULATED DEPRECIATION** | | | | | |
| At 1 April 2021 | 807 | 8,539 | 2,880 | 7,176 | 19,402 |
| Charge for the year | 47 | 423 | 34 | 919 | 1,423 |
| On disposals | - | - | - | (472) | (472) |
| At 31 March 2022 | **854** | **8,962** | **2,914** | **7,623** | **20,353** |
| **NET BOOK VALUE** | | | | | |
| At 31 March 2022 | **1,680** | **8,672** | **33** | **7,149** | **17,534** |
| At 31 March 2021 | 1,277 | 8,684 | 38 | 6,171 | 16,170 |

| Charity | Leasehold Land & Buildings £000 | IT Equipment £000 | Furniture, Equipment and Vehicles £000 | Total £000 |
|---|---|---|---|---|
| **COST** | | | | |
| At 1 April 2021 | 17,223 | 2,348 | 3,489 | 23,060 |
| Additions | 411 | - | - | 411 |
| At 31 March 2022 | **17,634** | **2,348** | **3,489** | **23,471** |
| **ACCUMULATED DEPRECIATION** | | | | |
| At 1 April 2021 | 8,539 | 2,318 | 3,123 | 13,980 |
| Charge for the year | 423 | 22 | 95 | 540 |
| At 31 March 2022 | **8,962** | **2,340** | **3,128** | **14,520** |
| **NET BOOK VALUE** | | | | |
| At 31 March 2022 | **8,672** | **8** | **271** | **8,951** |
| At 31 March 2021 | 8,684 | 30 | 366 | 9,080 |

## 12 Tangible fixed assets (continued)

**Analysis of land and buildings as at 31 March 2022**

| **Group** | Freehold Land & Buildings | Long Leasehold Land & Buildings | Total | Freehold Land & Buildings | Long Leasehold Land & Buildings | Total |
|---|---|---|---|---|---|---|
| | **2022** | **2022** | **2022** | 2021 | 2021 | 2021 |
| | **£000** | **£000** | **£000** | £000 | £000 | £000 |
| Cost | **2,534** | **17,634** | **20,168** | 2,084 | 17,223 | 19,307 |
| Depreciation | **(854)** | **(8,962)** | **(9,816)** | (807) | (8,539) | (9,346) |
| Net book value | **1,680** | **8,672** | **10,352** | 1,277 | 8,684 | 9,961 |

| **Charity** | Long Leasehold Land & Buildings | |
|---|---|---|
| | *2022* | 2021 |
| | *£000* | £000 |
| Cost | *17,634* | 17,223 |
| Depreciation | *(8,962)* | (8,539) |
| Net book value | *8,672* | 8,684 |

## 13 Investment in subsidiary undertakings

(a) Investment in subsidiary undertakings

| | **2022** | 2021 |
|---|---|---|
| | **£000** | £000 |
| At 1 April 2021 | | |
| Doublestruck | **5,826** | 5,826 |
| AQA MK | **7,308** | 7,308 |
| Additions | | |
| AlphaPlus | **11,298** | - |
| At 31 March 2022 | **24,432** | 13,134 |

AQA holds 100% of the share capital of Doublestruck Limited (Doublestruck), AQA Milton Keynes Limited (AQA MK), formerly DRS Data Services Limited, and AlphaPlus Consultancy Limited. The registered address of Doublestruck (Company number: 02373295) is Devas Street, Manchester, M15 6EX, for AQA MK (Company number: 05568337) is Devas Street, Manchester, M15 6EX and for AlphaPlus (Company number: 04801609) is Unit 109 Albert Mill, Hulme Hall Road, Manchester, England, M1 4LY.

## 13 Investment in subsidiary undertakings (continued)

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

| | Doublestruck Limited | | AQA Milton Keynes Limited | | AlphaPlus Consultancy Limited * |
|---|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 | **2022** |
| | **£000** | £000 | **£000** | £000 | **£000** |
| Total income | **4,665** | 4,206 | **11,236** | 15,537 | **2,219** |
| Total expenditure | **(2,733)** | (2,601) | **(17,998)** | (18,824) | **(1,617)** |
| Profit/(loss) on ordinary activities before taxation | **1,932** | 1,605 | **(6,762)** | (3,287) | **602** |
| Taxation | **-** | - | **-** | - | **-** |
| Retained profit/(loss) for the year | **1,932** | 1,605 | **(6,762)** | (3,287) | **602** |
| Assets | **3,642** | 3,184 | **11,267** | 15,002 | **4,370** |
| Liabilities | **(3,109)** | (2,971) | **(18,876)** | (15,849) | **(1,124)** |
| Net assets/(liabilities) and reserves | **533** | 213 | **(7,609)** | (847) | **3,246** |

AlphaPlus figures include the period since acquisition to the 31 March 2022.

(b) Investment in joint venture

| | **2022** | 2021 |
|---|---|---|
| | **£000** | £000 |
| At 1 April 2021 | **(678)** | (451) |
| Funding payments | **549** | 600 |
| Share of loss | **(350)** | (827) |
| At 31 March 2022 | **(479)** | (678) |

AQA's share of the accumulated losses of the joint venture which exceeds the amount invested is included within provisions for liabilities and charges on the balance sheet and is stated at cost less impairment. During the year, an addition of £549,000 was made to the cost of the investment.

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 | See below | Equity |

Oxford International AQA Examinations Limited offers a 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. AQA remains committed to funding its share of the jointly controlled entity.

## 14 Acquisition of Subsidiary

On 24 January 2022 the group acquired 100% of AlphaPlus Consultancy Limited, a company registered in England and Wales, which provides digital educational services.

In calculating the goodwill arising on acquisition, the fair value of net assets of AlphaPlus Consultancy Limited were assessed and no adjustments to book value were necessary.

| | Book value | Revaluation of fixed assets | Fair value |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| *Fixed assets* | | | |
| Tangible | 484 | - | 484 |
| *Current assets* | | | |
| Debtors | 2,492 | - | 2,492 |
| Investments | 1 | - | 1 |
| Cash at bank and in hand | 959 | - | 959 |
| **Total assets** | **3,936** | **-** | **3,936** |
| *Creditors* | | | |
| Due within one year | (1,291) | - | (1,291) |
| **Net assets** | **2,645** | **-** | **2,645** |
| Goodwill (note 11) | | | 8,654 |
| **Total purchase consideration (including expenses of £307,000)** | | | **11,299** |
| Purchase consideration settled in cash | | | 6,275 |
| Contingent consideration (note 21) | | | 5,024 |
| **Total consideration** | | | **11,299** |
| Purchase consideration settled in cash | | | 6,275 |
| Cash and cash equivalents in subsidiary acquired | | | (959) |
| **Cash outflow on acquisition** | | | **5,316** |

The useful economic life of goodwill has been estimated to be 8 years.

Since acquisition date, AlphaPlus Consultancy Limited has contributed £2,219,000 to group turnover and £602,000 to group net income.

## 15 Other fixed asset investments

### Investments

| | **Group & Charity 2022 £000** | Group & Charity 2021 £000 |
|---|---|---|
| Market value at 1 April 2021 | **42,758** | 35,418 |
| Additions at cost | **16,050** | 19,133 |
| Disposals at market value (i.e. sales proceeds) | **(14,646)** | (19,450) |
| Net movements in cash held with fund managers | **3,179** | 768 |
| Net investment gains | **2,344** | 6,889 |
| Market value at 31 March 2022 | **49,685** | 42,758 |
| Cost at 31 March 2022 | **45,642** | 39,474 |
| Balance on net unrealised gain reserve | **4,043** | 3,284 |

**Analysis of net investment gains**

| | **Group & Charity 2022 £000** | Group & Charity 2021 £000 |
|---|---|---|
| Movement on unrealised gains | **758** | 6,655 |
| Realised gains based on historic cost of investments disposed of during the year | **1,586** | 234 |
| Net investment gains | **2,344** | 6,889 |

## 15 Other fixed asset investments (continued)

### Analysis of market value of investments held

| | **Group & Charity 2022 £000** | **% of total** | Group & Charity 2021 £000 | % of total |
|---|---|---|---|---|
| Equities | | | | |
| United Kingdom | **2,958** | **5.9** | 2,974 | 7.0 |
| Overseas | **19,042** | **38.3** | 20,786 | 48.6 |
| Bonds | | | | |
| United Kingdom | **637** | **1.3** | 2,415 | 5.6 |
| Overseas | **4,331** | **8.7** | 2,596 | 6.1 |
| Multi asset funds | **9,522** | **19.2** | 3,456 | 8.1 |
| Alternatives | | | | |
| Hedge funds | **638** | **1.3** | - | - |
| Property | **1,777** | **3.6** | 3,129 | 7.3 |
| Commodities | **1,972** | **4.0** | 1,809 | 4.2 |
| Other | **4,001** | **8.0** | 3,965 | 9.3 |
| Cash held with fund managers | **4,807** | **9.7** | 1,628 | 3.8 |
| | **49,685** | **100.0** | 42,758 | 100.0 |

All investments are carried at their fair value. Investment in equities and fixed interest units are all traded in quoted public markets, such as the London Stock Exchange. Holdings in common investment funds, unit trusts and open-ended investment companies are as advised by the fund managers. 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).

## 16 Stocks and work in progress

| | **Group 2022 £000** | **Charity 2022 £000** | Group 2021 £000 | Charity 2021 £000 |
|---|---|---|---|---|
| Raw materials | **1,230** | **-** | 693 | - |
| Work in progress | **-** | **-** | 365 | - |
| Finished goods | **1,002** | **817** | 1,007 | 925 |
| | **2,232** | **817** | 2,065 | 925 |

The balances above are shown net of a provision amounting to £169,000 *(2021: £391,000)*.

## 17 Debtors

| | **Group 2022** | **Charity 2022** | Group 2021 | Charity 2021 |
|---|---|---|---|---|
| | **£000** | **£000** | £000 | £000 |
| Trade debtors | **149,834** | **148,658** | 58,364 | 57,348 |
| Amount recoverable on contracts | **-** | **-** | 115 | - |
| Amounts owed by Group undertakings | **-** | **14,383** | - | 13,624 |
| Amount due from related party | **143** | **142** | 300 | 300 |
| Other debtors | **417** | **310** | 495 | 310 |
| Prepayments and accrued income | **5,402** | **2,161** | 6,412 | 6,014 |
| | **155,796** | **165,654** | 65,686 | 77,596 |

Prepayments and accrued income includes £501,000 *(2021: £900,000)* falling due after more than one year.

Other debtors includes £185,000 *(2021: £185,000)* 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 an annual commercial rate of 4.75% over the Royal Bank of Scotland base rate.

## 18 Current investments

Investments totalling £821,000 *(2021: £2,821,000)* 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.

## 19 Creditors: amounts falling due within one year

| | Group 2022 £000 | Charity 2022 £000 | Group 2021 £000 | Charity 2021 £000 |
|---|---|---|---|---|
| Trade creditors | **4,812** | **3,200** | 5,488 | 4,752 |
| Payments on account | **150** | **-** | - | - |
| Amounts owed to Group undertakings | **-** | **1,018** | - | 1,929 |
| Taxation and social security costs | **3,476** | **2,638** | 1,892 | 1,343 |
| Other creditors | **681** | **657** | 430 | 121 |
| Accruals and deferred income | **187,800** | **182,721** | 158,375 | 154,964 |
| | **196,919** | **190,234** | 166,185 | 163,109 |

Amounts due to Group undertakings are unsecured. Loans are repayable on demand with twelve months' notice and interest is charged at an annual commercial rate of 4.75% over the Royal Bank of Scotland base rate.

Accruals and deferred income include net refund liability of £3,536,000 *(2021: £25,000,000)*.

The movement on deferred income during the year was:

| | Group 2022 £000 | Charity 2022 £000 | Group 2021 £000 | Charity 2021 £000 |
|---|---|---|---|---|
| Balance at 1 April 2021 | **129,020** | **126,563** | 164,446 | 162,132 |
| Amount deferred in the year | **184,968** | **182,498** | 131,550 | 131,407 |
| Amount released in the year | **(129,761)** | **(127,346)** | (124,798) | (124,798) |
| Refunded to schools and colleges | **(3,500)** | **(3,500)** | (42,178) | (42,178) |
| Balance at 31 March 2022 | **180,727** | **178,215** | 129,020 | 126,563 |

The amount refunded to schools and colleges of £48,500,000 (2021: £42,178,000) was in respect of the summer 2021 exam series (2021: summer 2020 exam series) and relates to savings made in delivery of the special exam series. £45,000,000 of the refund to schools in relation to summer 2021 exam series was already recognised in 2021 financial statements and is part of the brought forward figure for the current year. There was an additional £3,500,000 of refunds recognised in the current year bringing the total amount refunded to schools of £48,500,000 in respect of the summer 2021 exam series.

## 20 Financial instruments

The Group and Charity have the following financial instruments:

| | Note | **Group 2022 £000** | **Charity 2022 £000** | Group 2021 £000 | Charity 2021 £000 |
|---|---|---|---|---|---|
| **Financial assets measured at fair value through statement of financial activities:** | | | | | |
| Investment in securities | | | | | |
| Equities | 15 | **22,000** | **22,000** | 23,760 | 23,760 |
| Bonds | 15 | **4,968** | **4,968** | 5,011 | 5,011 |
| Multi asset funds | 15 | **9,522** | **9,522** | 3,456 | 3,456 |
| Alternatives | 15 | **8,388** | **8,388** | 8,903 | 8,903 |
| Cash held with fund managers | 15 | **4,807** | **4,807** | 1,628 | 1,628 |
| Short-term deposits | 18 | **821** | **821** | 2,821 | 2,821 |
| | | **50,506** | **50,506** | 45,579 | 45,579 |

| | Note | **Group 2022 £000** | **Charity 2022 £000** | Group 2021 £000 | Charity 2021 £000 |
|---|---|---|---|---|---|
| **Financial liabilities measured at amortised cost:** | | | | | |
| Trade creditors | 19 | **4,812** | **3,200** | 5,488 | 4,752 |
| Amounts owed to Group undertakings | 19 | **-** | **1,018** | - | 1,929 |
| Other creditors | 19 | **681** | **657** | 430 | 121 |
| Accruals | | **7,073** | **4,507** | 30,349 | 29,395 |
| | | **12,566** | **9,382** | 36,267 | 36,197 |

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.

## 21 Provisions for liabilities and charges

| Group | Contingent consideration | Reorganisation | Leasehold dilapidations | Share of loss in joint venture | Total |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| Balance at 1 April 2021 | - | 47 | 2,005 | 678 | 2,730 |
| Provided in the year | 5,024 | - | 727 | - | 5,751 |
| Utilised in the year | - | - | - | (199) | (199) |
| Balance at 31 March 2022 | **5,024** | **47** | **2,732** | **479** | **8,282** |

| Charity | Contingent consideration | Reorganisation | Leasehold dilapidations | Share of loss in joint venture | Total |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| Balance at 1 April 2021 | - | 47 | 1,767 | 678 | 2,492 |
| Provided in the year | 5,024 | - | 12 | - | 5,036 |
| Utilised in the year | - | - | - | (199) | (199) |
| Balance at 31 March 2022 | **5,024** | **47** | **1,779** | **479** | **7,329** |

**Contingent consideration**

This provision relates to future consideration due for the acquisition of AlphaPlus Consultancy Limited. Actual consideration will be calculated based on financial performance in the post acquisition period to September 2024. The provision represents management’s financial forecasts for the company.

**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 2022 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 entity which is jointly held with Oxford University Press. The provision will be offset against future profits of the joint venture.

## 22 Total Charity Funds

### Analysis of movements in unrestricted funds

| Group | 1 April 2021 | Net Income / (expenditure) | Investment and actuarial gains | Transfers | **31 March 2022** |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | **£000** |
| **Designated funds** | | | | | |
| Pension charged account fund | 2,500 | - | - | 2,001 | **4,501** |
| **Total designated funds** | **2,500** | **-** | **-** | **2,001** | **4,501** |
| **Unrestricted general funds** | | | | | |
| General unrestricted funds | 49,968 | 37,985 | - | (14,405) | **73,548** |
| Fixed asset fund | 54,124 | (18,292) | - | 12,533 | **48,365** |
| Investment revaluation reserve | 3,284 | - | 758 | - | **4,042** |
| **Total unrestricted general funds** | 107,376 | 19,693 | 758 | (1,872) | **125,955** |
| **Unrestricted funds before pension asset** | 109,876 | 19,693 | 758 | 129 | **130,456** |
| Pension reserve | 2,466 | - | 23,376 | (129) | **25,713** |
| **Total general funds** | **109,842** | **19,693** | **24,134** | **(2,001)** | **151,668** |
| **Total Group Funds** | **112,342** | **19,693** | **24,134** | **-** | **156,169** |

A description of the funds can be found on page 21.

### Analysis of net assets between funds 2022

| Group | Designated fund | Total unrestricted | Pension asset | Total funds |
|---|---|---|---|---|
| Intangible assets | - | 40,491 | - | 40,491 |
| Tangible assets | - | 17,534 | - | 17,534 |
| Investments | - | 49,685 | - | 49,685 |
| Current assets | 4,501 | 223,446 | - | 227,947 |
| Liabilities | - | (196,919) | - | (196,919) |
| Provisions | - | (8,282) | - | (8,282) |
| Pension reserve | - | - | 25,713 | 25,713 |
| Total net assets | 4,501 | 125,955 | 25,713 | 156,169 |

## 22 Total Charity Funds (continued)

### Analysis of movements in unrestricted funds

| Charity | 1 April 2021 | Net income / (expenditure) | Investment and actuarial gains | Transfers | **31 March 2022** |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | **£000** |
| **Designated funds** | | | | | |
| Pension charged account fund | 2,500 | - | - | 2,001 | **4,501** |
| **Total designated funds** | **2,500** | **-** | **-** | **2,001** | **4,501** |
| **Unrestricted general funds** | | | | | |
| General unrestricted funds | 72,682 | 43,379 | - | (15,035) | **101,026** |
| Fixed asset fund | 43,636 | (17,211) | - | 13,163 | **39,588** |
| Investment revaluation reserve | 3,284 | - | 758 | - | **4,042** |
| **Total unrestricted general funds** | 119,602 | 26,168 | 758 | (1,872) | **144,656** |
| **Unrestricted funds before pension asset** | 122,102 | 26,168 | 758 | 129 | **149,157** |
| Pension reserve | 2,466 | - | 23,376 | (129) | **25,713** |
| **Total general funds** | **122,068** | **26,168** | **24,134** | **(2,001)** | **170,369** |
| **Total Charity Funds** | **124,568** | **26,168** | **24,134** | **-** | **174,870** |

A description of the funds can be found on page 21.

### Analysis of net assets between funds 2022

| Charity | Designated fund | Total Unrestricted | Pension asset | Total funds |
|---|---|---|---|---|
| Intangible assets | - | 30,638 | - | 30,638 |
| Tangible assets | - | 8,951 | - | 8,951 |
| Investment in subsidiary undertakings | - | 24,432 | - | 24,432 |
| Investments | - | 49,685 | - | 49,685 |
| Current assets | 4,501 | 228,513 | - | 233,014 |
| Liabilities | - | (190,234) | - | (190,234) |
| Provisions | - | (7,329) | - | (7,329) |
| Pension reserve | - | - | 25,713 | 25,713 |
| Total net assets | 4,501 | 144,656 | 25,713 | 174,870 |

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## 22 Total Charity Funds (continued)

**Analysis of movements in unrestricted funds**

| Group | 1 April 2020 | Net income / (expenditure) | Investment and actuarial gains / (losses) | Transfers | 31 March 2021 |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| **Designated funds** | | | | | |
| Pension charged account fund | 500 | - | - | 2,000 | 2,500 |
| **Total designated funds** | **500** | **-** | **-** | **2,000** | **2,500** |
| **Unrestricted general funds** | | | | | |
| General unrestricted funds | 41,176 | 22,271 | - | (13,479) | 49,968 |
| Fixed asset fund | 59,241 | (19,166) | - | 14,049 | 54,124 |
| Capital commitments | 2,826 | - | - | (2,826) | - |
| Investment revaluation reserve | (3,372) | - | 6,656 | - | 3,284 |
| **Total unrestricted general funds** | 99,871 | 3,105 | 6,656 | (2,256) | 107,376 |
| **Unrestricted funds before pension asset** | 100,371 | 3,105 | 6,656 | (256) | 109,876 |
| Pension reserve | 19,498 | - | (17,288) | 256 | 2,466 |
| **Total general funds** | **119,369** | **3,105** | **(10,632)** | **(2,000)** | **109,842** |
| **Total Group Funds** | **119,869** | **3,105** | **(10,632)** | **-** | **112,342** |

A description of the funds can be found on page 21.

**Analysis of net assets between funds 2021**

| Group | Designated fund | Total unrestricted | Pension asset | Total funds |
|---|---|---|---|---|
| Intangible assets | - | 39,594 | - | 39,594 |
| Tangible assets | - | 16,170 | - | 16,170 |
| Investments | - | 42,758 | - | 42,758 |
| Current assets | 2,500 | 177,769 | - | 180,269 |
| Liabilities | - | (166,185) | - | (166,185) |
| Provisions | - | (2,730) | - | (2,730) |
| Pension reserve | - | - | 2,466 | 2,466 |
| Total net assets | 2,500 | 107,376 | 2,466 | 112,342 |

## 22 Total Charity Funds (continued)

### Analysis of movements in unrestricted funds

| Charity | 1 April 2020 | Net Income / (expenditure) | Investment and actuarial gains / (losses) | Transfers | 31 March 2021 |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| **Designated funds** | | | | | |
| Pension charged account fund | 500 | - | - | 2,000 | 2,500 |
| **Total designated funds** | **500** | **-** | **-** | **2,000** | **2,500** |
| **Unrestricted general funds** | | | | | |
| General unrestricted funds | 62,995 | 21,490 | - | (11,803) | 72,682 |
| Fixed asset fund | 45,290 | (14,027) | - | 12,373 | 43,636 |
| Capital commitments | 2,826 | - | - | (2,826) | - |
| Investment revaluation reserve | (3,372) | - | 6,656 | - | 3,284 |
| **Total unrestricted general funds** | 107,739 | 7,463 | 6,656 | (2,256) | 119,602 |
| **Unrestricted funds before pension asset** | 108,239 | 7,463 | 6,656 | (256) | 122,102 |
| Pension reserve | 19,498 | - | (17,288) | 256 | 2,466 |
| **Total general funds** | **127,237** | **7,463** | **(10,632)** | **(2,000)** | **122,068** |
| **Total Charity Funds** | **127,737** | **7,463** | **(10,632)** | **-** | **124,568** |

A description of the funds can be found on page 21.

### Analysis of net assets between funds 2021

| Charity | Designated fund | Total Unrestricted | Pension asset | Total funds |
|---|---|---|---|---|
| Intangible assets | - | 34,557 | - | 34,557 |
| Tangible assets | - | 9,080 | - | 9,080 |
| Investment in subsidiary undertakings | - | 13,134 | - | 13,134 |
| Investments | - | 42,758 | - | 42,758 |
| Current assets | 2,500 | 185,675 | - | 188,175 |
| Liabilities | - | (163,109) | - | (163,109) |
| Provisions | - | (2,493) | - | (2,493) |
| Pension reserve | - | - | 2,466 | 2,466 |
| Total net assets | 2,500 | 119,602 | 2,466 | 124,568 |

## 23 Net cash (used in) / generated from operations

### Reconciliation of net income to net cash (used in) / generated from operations

| | Group **2022** **£000** | 2021 £000 |
|---|---|---|
| Net incoming resources before other recognised gains | **18,107** | 2,872 |
| Net investment income excluding net finance income on defined benefit pension schemes | **(714)** | (710) |
| Depreciation | **1,423** | 1,441 |
| Profit on disposal of tangible fixed assets | **-** | 95 |
| Amortisation of intangibles | **17,503** | 18,355 |
| Write-off of intangible assets | **-** | 3,322 |
| Increase in stocks | **(167)** | (355) |
| (Increase) / decrease in debtors | **(87,801)** | 6,800 |
| Increase / (decrease) in creditors | **29,444** | (12,213) |
| Increase in provisions | **1,076** | 693 |
| Post-employment benefits cost less payments | **129** | (256) |
| **Net cash (used in) / generated from operations** | **(21,000)** | 20,044 |

### Analysis of changes in net debt

| | At 1 April 2021 £000 | Cash flows £000 | Acquisition of subsidiary £000 | Non cash changes £000 | **At 31 March 2022 £000** |
|---|---|---|---|---|---|
| Cash at bank and in hand | 109,697 | (35,283) | (5,316) | - | **69,098** |
| **Total cash and cash equivalents** | 109,697 | (35,283) | (5,316) | - | **69,098** |

Included in the balance at 31 March 2022 is £4,501,000 *(2021: £2,500,000)* relating to a pension charged account to help fund a buy-out of the AQA Pension Scheme with an insurance company at some time in the future.

## 24 Operating lease commitments

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

| | **Group 2022 £000** | **Charity 2022 £000** | Group 2021 £000 | Charity 2021 £000 |
|---|---|---|---|---|
| Not later than one year | **2,128** | **1,376** | 1,791 | 1,116 |
| Later than one year and not later than five years | **5,950** | **3,335** | 4,683 | 2,985 |
| Later than five years | **15,002** | **12,350** | 16,133 | 13,083 |
| | **23,080** | **17,061** | 22,607 | 17,184 |

## 25 Capital commitments

There were £4,654,000 capital commitments contracted for at 31 March 2022 but not provided for *(2021: £6,170,000)* in relation to contracts for software systems.

## 26 Related party transactions

In the year, AQA received £375,000 (*2021: £348,000*) from Doublestruck for royalty fees, and AQA paid £36,000 (*2021: £55,000*) to Doublestruck for loan interest. Doublestruck also paid Gift Aid of £1,612,000 (*2021: £1,970,000*) to AQA during the year. The amount owed by AQA to Doublestruck in respect of a loan and accrued interest was £1,018,000 *(2021: £1,031,000)* at 31 March 2022.

In the year, AQA MK charged AQA £8,809,000 *(2021: £13,266,000)* for digital and IT services and exceptional items *(2021: digital services)* and AQA MK paid AQA £613,000 *(2021: £547,000)* for loan interest. AQA charged AQA MK £419,000 *(2021: £nil)* for management charges. During the year, AQA MK paid £nil (*2021: £nil*) to AQA for Gift Aid. The amount owed by AQA MK to AQA in respect of a loan, accrued interest and amounts to be recharged was £14,383,000 *(2021: £12,726,000)* at 31 March 2022.Total loan facility available from AQA Education to AQA MK is £20,000,000.

The amounts recharged to the joint venture, Oxford International AQA Examinations Limited, in the year were £1,271,000 (*2021: £1,100,000*). The amount due to AQA at the year-end was £150,000 (*2021: £289,000*).

Trustee and key management remuneration are disclosed in Note 10.

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

## 27 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 employer contributions in the year for these defined benefit schemes are:

| | **2022** | 2021 |
|---|---|---|
| | **£000** | £000 |
| Total AQA employer contributions | **1,685** | 2,008 |

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

| | **2022** | 2021 |
|---|---|---|
| | **£000** | £000 |
| The AQA Pension Scheme | **42,552** | 27,545 |

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

| | **2022** | 2021 |
|---|---|---|
| | **£000** | £000 |
| GMPF | **13,516** | 21,463 |
| Unfunded pension liabilities | **3,323** | 3,616 |
| | **16,839** | 25,079 |

## 27 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.

AQA continues to review its pension scheme offering and is commitment to providing a high-quality, fair and consistent employee offer to all colleagues.

### Principal actuarial assumptions

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

| | **2022** | 2021 |
|---|---|---|
| | **% per annum** | % per annum |
| Price increases | **3.15 – 3.55** | 2.75 – 3.35 |
| Pension increases - in payment | **2.65 – 3.45** | 2.55 – 3.25 |
| Pension increases - deferred | **3.15** | 2.75 |
| Salary increases | **3.40** | 3.00 |
| Discount rate | **2.60** | 2.10 |

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 95.1% *(2021: 97.0%)* of S2PxA (96.6% *(2021: 92.0%)* of S2PxA) tables for males (females); future improvements are in line with the CMI 2020 projections subject to a long term trend rate of 1.25% *(2021: 1.25%)*.

For the GMPF liabilities the tables used are Club Vita curves, CMI 2018 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 95.1% *(2021: 67.0%)* of S3PxA (96.6% *(2021: 62.0%)* S2PxA) tables for males (females); future improvements are in line with the CMI 2021 projections subject to a long term trend rate of 1.25% *(2021: 1.25%)*. Example life expectancies are 24.5 *(2021: 24.5)* years (26.9 *(2021: 27.2)* years) from age 65 for a male (female) currently aged 65 and 25.8 *(2021: 25.8)* years (28.2 *(2021: 28.2)* years) from age 65 for a male (female) currently aged 45.

## 27 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 | |
|---|---|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 | **2022** | 2021 |
| | **£000** | £000 | **£000** | £000 | **£000** | £000 |
| Fair value of scheme assets | **202,576** | 197,677 | **101,855** | 94,538 | **304,431** | 292,215 |
| Present value of liabilities | **(160,024)** | (170,132) | **(118,694)** | (119,617) | **(278,718)** | (289,749) |
| Net pension asset/(liability) | **42,552** | 27,545 | **(16,839)** | (25,079) | **25,713** | 2,466 |

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

| | **2022** | 2021 |
|---|---|---|
| | **%** | % |
| Equities | **10.0** | 39.4 |
| Property | **17.8** | 11.6 |
| Bonds | **53.2** | 35.8 |
| Hedge Funds | **18.8** | 8.6 |
| Cash and other | **0.2** | 4.6 |
| Total | **100.0** | 100.0 |

### Statement of financial activities disclosures

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

| | **2022** | 2021 |
|---|---|---|
| | **£000** | £000 |
| Current service cost | **1,311** | 1,166 |
| Past service cost | **-** | 172 |
| Scheme administration expenses | **931** | 912 |
| Net interest on asset | **(428)** | (498) |
| Total | **1,814** | 1,752 |
| Actual return on scheme assets | **23,376** | (17,288) |

## 27 Retirement benefits (continued)

### Changes in the present value of the defined benefit obligations

| | **2022** | 2021 |
|---|---|---|
| | **£000** | £000 |
| Opening defined benefit obligations | **289,749** | 247,195 |
| Current service cost | **1,311** | 1,166 |
| Past service costs | **-** | 172 |
| Interest cost | **5,640** | 5,304 |
| Contributions by members | **287** | 308 |
| Actuarial (gains)/losses | **(10,690)** | 42,983 |
| Benefits paid | **(7,579)** | (7,379) |
| Closing defined benefit obligations | **278,718** | 289,749 |

### Changes in the fair value of the scheme assets

| | **2022** | 2021 |
|---|---|---|
| | **£000** | £000 |
| Opening fair value of scheme assets | **292,215** | 266,693 |
| Expected return on assets | **12,686** | 25,695 |
| Interest income | **6,068** | 5,802 |
| Contributions by members | **287** | 308 |
| Contributions by employer | **1,685** | 2,008 |
| Scheme administration expenses | **(931)** | (912) |
| Benefits paid | **(7,579)** | (7,379) |
| Closing fair value of scheme assets | **304,431** | 292,215 |

## 27 Retirement Benefits (continued)

**Amounts for the current and previous four years**

| | 31 March 2022 £000 | 31 March 2021 £000 | 31 March 2020 £000 | 31 March 2019 £000 | 31 March 2018 £000 |
|---|---|---|---|---|---|
| Fair value of scheme assets | **304,431** | 292,215 | 266,693 | 270,431 | 255,025 |
| Present value of defined benefit obligations | **(278,718)** | (289,749) | (247,195) | (260,341) | (260,515) |
| Net pension asset /(liability) | **25,713** | 2,466 | 19,498 | 10,090 | (5,490) |

### Other defined benefit pension schemes

### Multi-employer defined benefit schemes

AQA participated in two *(2021: 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, the schemes below are treated as defined contribution schemes for accounting purposes.

**Teachers' Pension Scheme**

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. Membership is automatic for teachers employed by AQA. TPS is an unfunded multi-employer pension scheme where it is not possible to identify AQA's share of the scheme's assets and liabilities. Accordingly, under Section 28 of FRS 102, AQA has accounted for its contributions to the scheme as if it were a defined contribution scheme. Below is set out the information available on the scheme.

TPS is an unfunded scheme to which both the member and employer makes contributions, as a percentage of salary - these contributions are credited to the Exchequer. Retirement and other pension benefits are paid by public funds provided by Parliament. The Government Actuary, using normal actuarial principles, conducts a formal actuarial review of the TPS in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury every 4 years. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education on 5 March 2019. The key elements of the valuation and subsequent consultation are:

- employer contribution rates set at 23.68% of pensionable pay (including a 0.08% administration levy)
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218,100 million and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £196,100 million, giving a notional past service deficit of £22,000 million
- the SCAPE rate, set by HM Treasury, is used to determine the notional investment return. The current SCAPE rate is 2.4% above the rate of CPI. Assumed real rate of return is 2.4% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.2%. The assumed nominal rate of return including earnings growth is 4.45%.

A copy of the valuation report and supporting documentation is on the Teachers' Pensions website. The next valuation result is due to be implemented from 1 April 2024.

## 27 Retirement Benefits (continued)

### University Superannuation Scheme

The Universities Superannuation Scheme is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual employers and a scheme-wide contribution rate is set. AQA is therefore exposed to actuarial risks associated with other participating employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. Accordingly, under Section 28 of FRS 102, AQA has accounted for the scheme as if it were a wholly defined contribution scheme. The latest available completed actuarial valuation is at 31 March 2020. At the valuation date, the value of the assets of the scheme was £66.5 billion and the value of the scheme's technical provisions was £80.6 billion indicating a shortfall of £14.1 billion and a funding ratio of 83%. A copy of the valuation report and supporting documentation is on the Universities Superannuation Scheme website. Following the 2020 valuation, a new deficit recovery plan was implemented from October 2021, which increased deficit payments from 2% of salaries to 6.3% of salaries.

### 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 £5,959,000 *(2021: £4,962,000)*. The amount charged includes contributions to the AQA defined contribution scheme. Contributions payable to the schemes at the year-end was £602,000 *(2021: £nil)*.

## 28 Prior Period Adjustment - restatement of consolidated statement of financial activities

The AQA Education financial statements separate income and expenditure into charitable educational services and other trading digital services. In the 2021 consolidated financial statements, the entire results of AQA Milton Keynes were treated as digital services in error.

The majority of AQA Milton Keynes financial activities are directly related to services required by AQA Education to meet its charitable purpose of providing examination services. As such this element should be treated as educational services on consolidation as this better reflects the nature of the activities. The 2021 figures have been restated to reflect this reclassification.

| | Unadjusted | Adjustment | Restated |
|---|---|---|---|
| | £000 | £000 | £000 |
| **Educational services:** | | | |
| Income from continuing operations | 132,367 | 752 | 133,119 |
| Expenditure from continuing operations | (113,739) | (15,729) | (129,468) |
| **Total surplus from charitable activities** | 18,628 | (14,977) | 3,651 |
| **Digital services:** | | | |
| Income from continuing operations | 1,449 | (752) | 697 |
| Expenditure from continuing operations | (17,384) | 15,729 | (1,655) |
| **Total deficit from digital services** | (15,935) | 14,977 | (958) |

The change in allocation results in income of £752,000 and expenditure of £15,729,000 being reallocated from digital services to educational services in 2021. There is no impact on consolidated net income/expenditure, the consolidated statement of financial position and the consolidated statement of cash flows.

## 29 Events after the reporting date

Management has not identified any adjusting events.

FRS 102 requires, for non-adjusting events, disclosure of the nature of the event, and either an estimate of its financial effect or a statement that such an estimate cannot be made.

**Creation of AQA Commercial Services Limited**

On 16 August 2022 AQA Commercial Services Limited a private limited company was incorporated under company number 14299239 and is wholly-owned by AQA. AQA Commercial Services Limited will act as a holding company with trading subsidiaries underneath.

**Acquisition of Blutick**

In November 2022 AQA acquired 100% share capital of Blutick Ltd, registered company number 11318113 (England and Wales). Blutick is a AI-driven platform, which supports the teaching, learning and assessment of Key Stage 3, GCSE and A-level Mathematics. This acquisition helps to enhance AQA's mathematics offering.

**Acquisition of A3C Solutions**

In December 2022 AQA acquired 100% share capital of A3C Solutions Ltd, registered company number 08453864 (England and Wales). A3C Solutions provides a project management and reporting tool designed for the Extended Project Qualification (EPQ) submissions. This acquisition helps to enhance AQA's EPQ offering.

**Acquisition of Training Qualifications UK Ltd**

In December 2022 AQA acquired 100% share capital of Training Qualifications UK Ltd, registered company number 07827508 (England and Wales). Training Qualifications UK Ltd is an End-Point Assessment Organisation built on innovation and technology that is disrupting the UK qualification and assessment sector. This acquisition helps to enhance AQA's qualification offering.

**Cazenove Loan**

In December 2022 AQA has arranged a short term £10,000,000 loan facility for a 12 month period with Cazenove, secured against AQA's investments managed by Cazenove. The facility has been put in place as a buffer due to AQA's cyclical nature of cashflow and will ensure that AQA is able to continue to deliver on AQA's strategy.

**AQA Education to AQA Commercial Services Loan Facility**

On 8 November 2022 AQA has arranged a £40,000,000 loan facility with AQA Commercial Services Limited at a commercial rate of interest. AQA Commercial Services Limited is aiming to make acquisitions of educational private limited companies whose activities will directly further AQA's charitable purposes and which may in addition raise money through their trading operations to be applied towards those charitable purposes.
The loan has been approved to provide funds to AQA Commercial Services Limited to make such acquisitions and is on the basis that the investment is in AQA's best interests given the combination of the financial return and the degree to which its objects are advanced and the social investment duties under the Charities Act 2011 are observed.

## Legal and administrative details

**Registered office**

AQA Education
Devas Street
Manchester
M15 6EX
Tel:  0800 197 7162
www.aqa.org.uk
Registered company number:  3644723 (England and Wales)
Registered charity number:  1073334 (England and Wales)

**Bankers, investment advisers and auditors**

**Bankers**

NatWest Bank
250 Bishopsgate
London
EC2M 4AA

**Independent Investment Advisors**

Cazenove Capital Management
1 London Wall Place
London
EC2Y 5AU

**Independent External Auditors**

BDO LLP
3 Hardman Street
Manchester
M3 3AT

**Independent Internal Auditors**

KPMG LLP
1 St Peter's Square
Manchester
M2 3AE