

AQA Education

A company limited by guarantee

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

Registered company number 3644723

Registered charity number 1073334

www.aqa.org.uk

INTRODUCTION

AQA Education (AQA) is a company limited by guarantee; it does not have share capital and is a registered charity. The directors, who are AQA trustees and constitute the members of the Charity, present the Directors' and Trustees' Report which includes the Strategic Report and the audited Consolidated Financial Statements for the year ended 31 March 2019.

STRUCTURE, GOVERNANCE AND MANAGEMENT

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

Mr M Bedlow (appointed 09/09/2019)
Mr M Bramwell
Sir Michael Griffiths
Ms P J Hird (Vice Chair)
Mr G Jackson OBE
Ms E Kitcatt
Mr N Kiyani
Mrs S Moore
Mr P Nesbitt (resigned 31/07/2019)
Mr M G Nicholson
Professor J P Phillips
Professor T Salt (resigned 09/09/2019)
Ms J E Smith
Professor M E Smith (resigned 29/10/2018)
Mr J Trkulja (resigned 31/07/2019)
Mr M Turner
Mr J van Wijngaarden (Chair)
Mr N Walkey (resigned 31/03/2019)
Professor M Rand-Weaver (appointed 01/04/2019)

During the year, a review of the governance structure was undertaken from which it was agreed that the Council of Trustees would be known as the Board of Trustees. This change took effect from 1 April 2019.

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

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

Governance committees

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

Advisory committees

Curriculum and Assessment Quality Committee	Mrs S Moore
Research Committee	Professor J Baird (non-trustee)

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

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

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

Governance committees

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

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

- **Audit and Risk Committee**: meets at least four times a year and reports to the Board of Trustees on the integrity and regulatory compliance of AQA's annual financial statements; the independence and performance of the external and internal auditors and the functioning of AQA's internal controls, procedures and risk management.

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

Governance committees (continued)

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

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

- **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.

The Board of Trustees, is for company law purposes also the Board of Directors, and has ultimate responsibility for the Charity's activities. It exercises its powers through the chief executive officer (CEO) who is also a trustee. AQA's day-to-day business is carried out by the CEO, Professor Toby Salt*, and a team of senior executives who make up the Executive Team: Patricia Brennan (replaced by Mark Bedlow in June 2019) (Strategy and Delivery), Lisa Pearl (People), Alex Scharaschkin (Research and Regulation), David Shaw (Chief Information Officer), Nick Stevens (Finance and Corporate Services), Ian Stockford (replaced by Roddy Gillespie in May 2019) (Qualifications and Markets) and Michael Turner (Corporate Affairs).

*On 9 September 2019, Professor Toby Salt stepped down as CEO and Mr Mark Bedlow took up the role.

Group structure

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

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

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

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

Commercial partnership

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

PAY POLICY FOR SENIOR STAFF

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

AQA has 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, other members of the Executive Team and trustees when required. Specifically, the Committee determines annually what increase, if any, should be applied to the CEO's remuneration, based on specific data provided to them.

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

In March 2019 we published our gender pay report which shows that our pay gap has decreased from 9.83% to 8.37%. Our analysis shows that there are more males than females in the upper quartile and this indicates that there are more males in the most senior roles in our business. We believe this to be the reason for our mean pay gap being higher than our median pay gap.

To help address this, an Empowering Women individual development programme has been established. This work aims to help AQA create a working environment where women and men have equal opportunities to progress.

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

PUBLIC BENEFIT

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

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

- we provide a broad range of A-level, AS-level and GCSE courses and offer qualifications in a number of low-entry subjects which we think are educationally and socially valuable.
- our qualifications are designed to enable students of all abilities to demonstrate what they can do.
- our vocational and work-based qualifications promote lifelong learning and individual attainment and widen participation in education.
- we provide, through the joint venture with Oxford University Press, a range of international GCSE, AS and A-levels to improve education internationally through excellence in teaching, learning and assessment. These qualifications are modelled on our reformed GCSE and A-level qualifications, but are specifically designed for students who don't have English as a first language. This allows them to succeed fairly and solely 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 progress.
- we are investing in a transformation programme that will increase our efficiency and effectiveness so that we make the best use of our charitable funds.

OBJECTIVES, ACHIEVEMENTS AND PERFORMANCE

Delivering against our purpose (continued)

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

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

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

  The participants work in one-to-one and group sessions over eight months to plan and deliver a social action project which benefits their local community. This year, 80 students took part, bringing the total number of students supported since it started in 2011 to 425.

- Investing in teachers: we set up a project to sponsor teachers to attend residential leadership courses with the Prince's Teaching Institute. The first cohort of four teachers attended in July 2018, and seven teachers in February 2019.

- Research and sharing our assessment expertise: we fund cutting-edge research through our Centre for Education Research and Practice (CERP). This research benefits teachers and students as it has improved the way we design assessments, and most recently, the new qualifications developed in response to government policy changes. We also work with other academics and institutions: for example, we are currently sponsoring a Research Fellow at the Oxford University Centre for Educational Assessment, and we are working on joint projects with the University of Surrey and the University of East Anglia.

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

- Explaining assessment: we see it as part of our role to help all our stakeholders, including students, parents, school governors and the general public understand assessment. We have developed engaging content, including 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.

We also believe that to deliver on our charitable purpose, we need to invest in our communities and our people. During the year we supported a number of charitable activities chosen by employees. This support included allowing colleagues time off to carry out charitable activities, including school governor duties, under our policy granting special leave for public duties. We also introduced 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.

OBJECTIVES, ACHIEVEMENTS AND PERFORMANCE

Delivering against our objectives

At the end of 2015, we reviewed our longer-term strategy and objectives and then set out our revised objectives in January 2016. This strategy takes us through to 2020. These objectives and what we did to achieve them are set out below.

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

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

- assessment at the end of the course, covering the content from the full two years for GCSE and A-levels.
- coursework is only used when it is the only valid way to assess essential elements of the subject and does not contribute to the final grade.
- AS qualifications are stand-alone and designed to be co-teachable with the A-level.
- a new 9 to1 grading system for GCSEs, with 9 being the highest.

We've finished developing our new GCSE, AS and A-level qualifications as per the Government's phased timeline and the last of our new qualifications was accredited in December 2017. These new qualifications include a range of subjects that need to be cross-subsidised, such as community languages not offered by other awarding bodies: A-level Bengali, A-level Biblical Hebrew, A-level Modern Hebrew, A-level Panjabi and A-level Polish.

2018 was the second year that we've awarded new GCSEs, with 29 new qualifications graded from 9 to 1, rather than A* to G. We also awarded 21 of our other new qualifications for the first time. The third phase of the reform subjects are awarded in 2019 with the final set of qualifications being awarded for the first time in 2020.

While our UK qualifications are taught in more than 40 countries around the world, we have developed a range of qualifications that is specifically designed to meet the needs of the international market for our joint venture with Oxford University Press, Oxford International AQA Examinations Limited. These new international GCSEs, AS and A-levels are now available to students in 14 countries across the Middle East and Asia. The shared aim of the joint venture is to improve education internationally through excellence in teaching, learning and assessment.

The Office of Qualifications and Examinations Regulation (Ofqual) is the regulator of qualifications, exams and assessments in England. It ensures that we exercise our responsibilities appropriately against the General Conditions of Recognition (GCoR) and each year we submit our annual declaration of compliance. We have annual regulatory assurance plans to monitor and maintain our compliance. Through continuous improvements in our quality and customer standards, we will maintain AQA's reputation on regulatory issues relating to the development, delivery and marking of examinations.

We are also regulated by Qualifications Wales and CCEA for delivery of examinations in Wales and Northern Ireland respectively.

2) Being trusted and reliable in assessment design and delivery

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

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

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

OBJECTIVES, ACHIEVEMENTS AND PERFORMANCE

Delivering against our objectives (continued)

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

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

4) Ensuring sound financial management and a robust asset base

We aim to achieve this by accurately recording and monitoring income and expenditure and planning how we will meet new challenges. We continue to focus on the way we work which ensures we are efficient and therefore achieve good value for money. We aim to maintain resources at a level that ensures we are able to meet our financial commitments and obligations as they fall due, fund unexpected expenditure, invest in capital projects, and safeguard the future of the Charity.

We hold Audit and Risk, Finance and Remuneration Committee meetings during the year to ensure we meet our responsibilities to deliver our financial objectives.

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

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

During the reporting year, we continued our work to update our core operational systems, which will improve our resilience to accommodate both significant increases in entries and resist the growing cyber threat. The development of our new platform is on target.

As part of our strategy to move to 100% e-marking, our new marking system will be used for the first time in summer 2019. Our core processing system and our new HR and finance systems will be in place in the coming three years.

6) Ensuring we have great people achieving their potential

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

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

We continued offering a range of development opportunities for colleagues. The 18 colleagues who were put forward for an apprenticeship qualification in the last financial period continued with their training.

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

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

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 continue focusing on supporting schools and colleges with the transition to the new GCSE, AS-level and A-level qualifications, with the fourth and final phase of reform to be assessed for the first time in 2020.

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

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

We have committed to another year of sponsoring teachers through the Princes Trust and we will continue funding the Unlocking Potential programme until 2019/20.

FINANCIAL REVIEW

These financial statements cover the year to 31 March 2019. The key highlights from the year are as follows;

- Our income has grown by 9.4%. Our income from educational services of £180,295,000 *(2018 Restated: £164,862,000)* was earned through AQA and Doublestruck Limited. Our income from DRS Data Services Limited is shown as Digital Services. We earned £5,812,000 *(2018: £6,457,000)* in Digital Services during the year from third party sources.

- AQA's income was primarily earned during the summer exam series in 2018. There were two factors affecting the level of income. Firstly, there was a further reduction in the overall market for AS-level qualifications as a result of the Government reform. The overall number of student entries for AS-level qualifications reduced by a further 52.5% compared to the prior year. Secondly, this was more than offset by the continued growth in our market share in GCSEs. Following the strong performance of our Maths and English GCSEs in the prior year, the positive customer reaction to the second wave of our new GCSEs has been welcome. In summer 2018, our GCSE market share across England and Wales was 55.2% with a year-on-year improvement of 6.4%. At A-level, our market share declined 0.4% against an overall market decline of 2%. Against an overall market volume decline for AS-levels of 52.5% AQA's market share was 31.3%, a decline of 7.6%.

- Our net income before investment gains and losses was £24,696,000 *(2018 Restated: £19,404,000)*. This represents an operating margin of 13%, and enables us to continue to invest in our products and services. We have continued to reduce our support costs after making a number of significant changes during the prior year. As mentioned in our objectives, we have maintained focus on the way we work which ensures we are efficient and therefore achieve good value for money.

- During the year we changed the investment advisors for our long term investments. At the same time, we reviewed and updated our investment policy to ensure it was aligned with the objectives of the Group. This resulted in changes in the mix of investments held, which is reflected in the Consolidated Statement of Financial Activities as an overall net gain on investments (i.e. the aggregate of the £7,858,000 unrealised losses and the £8,013,000 in the realised gains) of £155,000 for the year *(2018: £268,000)*.

FINANCIAL REVIEW (continued)

- AQA continues to participate in two defined benefit pension schemes, the AQA Pension Scheme and the Greater Manchester Pension Fund ("GMPF"). AQA also has some unfunded pension obligations, which are obligations that are outside of the pension scheme. The net balance sheet liability at 31 March 2019 for the aggregation of the schemes is detailed as follows:

	31 March 2019 £000	31 March 2018 £000
Fair value of scheme assets	270,431	255,025
Present value of defined benefit obligation	(260,341)	(260,515)
Net pension asset / (liability)	10,090	(5,490)

The net pension asset / (liability) is made up as follows:

	31 March 2019 £000	31 March 2018 £000
GMPF pension liability	(19,060)	(19,235)
Unfunded pension liability	(3,856)	(4,018)
AQA Pension Scheme asset	33,006	17,763
Net pension asset / (liability)	10,090	(5,490)

- After taking all of these into account, AQA's Charity Funds increased by £37,996,000 *(2018 Restated: £23,080,000)* to £95,209,000 *(2018 Restated: £57,213,000)*.

- The Group has healthy liquidity with £14,152,000 *(2018: £15,053,000)* in cash fund investments and £84,063,000 *(2018: £80,066,000)* 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 upcoming summer 2019 exam series. These funds will be used to fund the delivery of the summer 2019 exams.

- Comparative figures have been restated to reflect the change within FRS 102 in respect of accounting for Gift Aid payments made by a subsidiary where no legal obligation exists. The change, which impacts the Charity figures only, has resulted in a reduction in surplus of £577,000 and a reduction in amounts owed to Group undertakings of £2,347,000.

- The comparative figures for the Group have been restated to reflect the change in revenue recognition policy for Doublestruck, a subsidiary undertaking. The change has resulted in a reduction in surplus of £9,000 and increase in deferred revenue.

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

- Our financial prospects for the following year are good. Our income from the summer 2019 series is forecast to grow compared to the summer of 2018. Our market share in A-levels has remained broadly constant but our AS qualification entries fell by 44.1% which was expected given the continuing decline in the number of students choosing these qualifications since the Government reform. This is offset by an increase in our GCSE market share which was up by 1.7% compared with a national increase of 1.4%.

FUNDRAISING

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

ENVIRONMENTAL POLICY

We accept our environmental responsibilities and recognise our obligations to contribute to the resolution of global and local environmental issues by reducing our impacts on the environment and by taking a leading role in promoting environmental best practice. During the year, we continued to initiate improvements and to promote the environmental message throughout the organisation. Achievements in the past 12 months are:

- Reducing carbon impacts from travel by 11.5%, down to 283 tonnes of CO_2.
- Reducing waste disposal and impacts on the environment by 19% or 69 tonnes.
- Achieving an 89% waste recycling and recovery rate on all waste streams.
- Reducing energy consumption in our buildings through increased installation of LED low energy lighting, automated lighting controls, installation of energy efficient boilers and improved heating/cooling controls.

Further improvements will be implemented which will include a paper cup recycling scheme and segregated food waste which will be diverted from landfill and used to create energy.

RISK MANAGEMENT

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

Our internal auditors carry out independent audits of our risk management activity as part of our agreed internal audit plan. There is a transparent process for escalating risks through this governance structure. Employee training is provided to individuals and to groups as needed to promote the effectiveness of our risk management framework. Additionally a senior manager, with responsibility for risk process, works with AQA managers to support risk management across the organisation.

The Audit and Risk Committee, comprising five members (currently three trustees and two independent members), reviews our internal controls and procedures (financial and non-financial) and considers the results of our risk reviews. It reports directly to the Board of Trustees.

The following principal risks facing AQA are considered as part of the established process of risk management.

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

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

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

RISK MANAGEMENT (continued)

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

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

FINANCIAL RISK MANAGEMENT

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

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

Exposure to price, credit, liquidity and cash flow risk
Business price risk is the risk of exam entries falling due to a change in pricing. The risk is considered to be low based on our customer base. As well as the business price risk, price risk also arises on financial instruments because of changes in listed investment prices. Listed investments with a fair value of £37,880,000 are exposed to price risk but this exposure is within the Group's risk appetite.

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

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

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

SIGNIFICANT EVENTS

We continued developing operational systems software which has resulted in an intangible asset of £21,756,000 being recognised on the balance sheet.

RESERVES POLICY

The target level of reserves enables us to improve our primary purpose of advancing education for the benefit of the public by investing in strategic areas, including developing and launching revised or new qualifications, and enhancing systems that improve the way exams are delivered. These significant developments require us to incur expenditure over a period of years in advance of any revenue such developments will generate, and we must therefore hold enough reserves to cover major qualifications investment. The target level of reserves will also enable us to invest in potential future reforms to the exam system, continue to develop our IT systems, invest in our fixed assets, provide for the defined benefit pension deficit reduction plan, fund the cash flow cycle and provide short term contingency for any significant loss of income or significant unexpected additional costs.

RESERVES POLICY (CONTINUED)

At the end of the year AQA had total reserves of £94,973,000. 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:

Fixed asset funds (£47,571,000) – these represent the tangible and intangible assets of the Charity, without which we could not operate.

Capital commitments (£3,338,000) – these represent our commitments to complete our planned capital programmes

The remainder of our funds are our general funds:

Free reserves (£46,340,000) - these are sums that are freely available for general use. We hold reserves in order to fund future enhancements to our operations and qualifications, and to provide a contingency for unexpected costs or loss of income. These will mainly be used to deliver the 2019 summer exam series.

Pension asset (£10,090,000) – this represents the pension asset that is managed separately to our free reserves. We exclude the section 28 of FRS 102 pension scheme surplus from the target level of reserves as we believe that we can meet contributions from projected future income without significantly impacting on planned levels of charitable activity.

GOING CONCERN

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

INVESTMENT POWERS AND POLICY

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

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

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

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

CHARITABLE ASSETS

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

GOVERNANCE

Good governance is fundamental to our success as a charity. With it, we are best placed to achieve our objectives and enable our people to use their skills to their best effect and it helps to ensure we are compliant with relevant legislation. This also allows us to review any risks we are facing and support a positive 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 was launched, with a recommendation that charities review their level of application and explain any aspects of the Code they are not applying. In our review we carried out a detailed examination of each element of the Code:

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

In the review, we found that we were fully compliant or working towards the large majority of the Code.

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

Organisational purpose
AQA's organisational purpose is our public benefit which is to advance education by enabling students and teachers to realise their potential. Further details of our organisational purpose are given on page 6.

Leadership
AQA is governed by the Board of Trustees (previously known as the Council of Trustees) which is largely a body of volunteers with distinguished careers in a wide variety of fields but predominately education.

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

Names of trustees who served during the year and/or are trustees of the Charity as at the date of the report are shown on page 2, with the names of the executive team given on page 4.

Integrity
Maintaining our integrity is critical to how AQA operates. We aim to uphold our values, behaviours, standards and agreed policies wherever ethical, practical and possible. Our trustees and Board govern and scrutinise our decision making to ensure we meet the standards we set ourselves, as well as those set by regulators such as the Charity Commission and Ofqual.

AQA operates a conflict of interest policy for all trustees and independent members. Conflicts of interest are collated annually and new declarations of conflict of interest are made and recorded at the start of every formal meeting. Guidance is provided to trustees on the declaration of such interests.

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

During the year, we performed a review of the governance structure of the Charity which resulted in changes being made to the number of trustees of the Board and some of the sub committees and also the Terms of Reference. The Chief Executive is responsible to the trustee board for the day-to-day running of AQA and the execution of the overall strategy.

GOVERNANCE (continued)

Board effectiveness
The Nominations Committee has responsibility for reviewing prospective trustees and committee members and submits recommendations for appointment to the Board of Trustees.

On appointment, new trustees have an induction programme and reference pack to familiarise themselves with the work of AQA and the requirements of their role as a trustee. Inductions for trustees and committee members cover their core responsibilities, plus a tailored section personalised to meet the individuals need.

During the year, the Board of Trustees reviewed the terms of reference for the Governance and Advisory Committees. These make clear the Board of Trustees' and Committees' responsibilities and where there are clear delegated responsibilities to act on behalf of the Board of Trustees. The delegated authorities are discharged through the Committees of the Board of Trustees or through the Chief Executive. The Chief Executive is responsible to the Board of Trustees for the day to day running of AQA and the execution of the overall strategy and policies decided by the Board of Trustees. A full list of governance and advisory committees can be found on page 3.

Each Committee has defined terms of reference, detailing the delegated authorities where appropriate. The Committees enable experienced volunteer specialists to contribute to key aspects of AQA's affairs.

During the year the Board of Trustees used a specialist organisation to review its effectiveness and to provide guidance on the governance review.

Diversity
We are committed to building a diverse and inclusive organisation and Board of Trustees. We recognise that this will help ensure that our strategic thinking has rigour, borne out of challenge and divergence of thought.

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

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

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

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 do not have any anything to report in respect of events after the reporting date.

ADDITIONAL INFORMATION

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

STATEMENT OF TRUSTEES' RESPONSIBILITIES

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

Company law requires the trustees to prepare financial statements for each financial year. Under that law the trustees have prepared the financial statements in accordance with United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice), 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 the affairs of the Charitable Company and the Group and of the incoming resources and application of resources, including the income and expenditure, of the Charitable Company and Group for that year. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently.
- observe the methods and principles in the Statement of Recommended Practice: Accounting and Reporting by Charities (2015).
- make judgments and estimates that are reasonable and prudent.
- state whether applicable UK Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

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

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

Statement of disclosure of information to auditors

In so far as the trustees are aware:

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

APPOINTMENT OF AUDITORS

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

This report was approved by the Board of Trustees on 2 October 2019 and signed on its behalf by

Mr J van Wijngaarden Chair of the Board of Trustees

Mr N Kiyani Director and trustee

Mr M Bedlow Director and trustee

Independent auditors' report to the members of AQA Education

Opinion

We have audited the financial statements of AQA Education ("the Parent Charitable Company") and its subsidiaries ("the Group") for the year ended 31 March 2019 which comprise the consolidated statement of financial activities, the consolidated statement of financial position, the Parent Charitable Company statement of financial position, the consolidated statement of cash flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Charitable Company's affairs as at 31 March 2019 and of the Group's incoming resources and application of resources;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions related to going concern

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

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

Other information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or

apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept by the Parent Charitable Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Charitable Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

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

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

Auditors' responsibilities for the audit of the financial statements

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with

ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

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

BDO LLP

Hamid Ghafoor (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
Manchester
2 October 2019

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 2019

	Note	Unrestricted funds 2019 £000	2018 £000 Restated
Income:			
Income from charitable activities:			
Educational services	4	180,295	164,862
Income from other trading activities:			
Digital services	4	5,812	6,457
Investment income	5	923	776
Total income		187,030	172,095
Expenditure:			
Expenditure on charitable activities:			
Educational services		144,945	137,466
Expenditure on other trading activities:			
Digital services		16,067	13,825
Expenditure on raising funds:			
Investment management costs	5	66	142
Share of loss in joint venture	13	1,256	1,258
Total expenditure	6	162,334	152,691
Net income before investment gains/(losses)		24,696	19,404
Gains/(losses) on investment assets			
Net realised gains on investments	14	8,013	657
Net movement on unrealised (losses) reserve	14	(7,858)	(389)
Net income before other recognised gains		24,851	19,672
Other recognised gains			
Actuarial gains on defined benefit pension schemes		13,145	3,408
Net income and net movement in funds for the year		37,996	23,080
Reconciliation of funds			
Total Funds brought forward		57,213	34,133
Total Funds carried forward	21	95,209	57,213

The Consolidated Statement of Financial Activities incorporates the Summary Income and Expenditure Account. All income is derived from continuing operations. Net income and net movement in funds represents the surplus for the year for Companies Act 2006 purposes and includes a profit of £2,753,000 relating to subsidiary undertakings (*2018 Restated: £2,660,000).* Further details regarding the restatement of the 2018 figures are shown in note 27.

The notes on pages 26 to 64 form part of these financial statements.

AQA Education
Statement of Financial Position
as at 31 March 2019

Consolidated and charitable parent statement of financial position

	Note	Group 2019	Charity 2019	Group 2018 Restated	Charity 2018 Restated
Fixed Assets		£000	£000	£000	£000
Intangible assets	11	34,044	21,756	21,415	12,415
Tangible assets	12	13,528	8,651	12,014	9,241
Investment in subsidiary undertakings	13	-	13,134	-	13,134
Other fixed asset investments	14	37,880	37,880	37,194	37,194
Total Fixed Assets		85,452	81,421	70,623	71,984
Current Assets					
Stocks and work in progress	15	1,390	570	2,295	1,317
Debtors	16	76,170	83,872	64,902	66,235
Investments	17	14,152	14,152	15,053	15,053
Cash at bank and in hand		84,063	80,267	80,066	77,319
Total Current Assets		175,775	178,861	162,316	159,924
Liabilities					
Creditors: Amounts falling due within one year	18	(172,748)	(168,284)	(167,363)	(163,353)
Net Current Assets / (Liabilities)		3,027	10,577	(5,047)	(3,429)
Total Assets less Current Liabilities		88,479	91,998	65,576	68,555
Provisions for Liabilities and Charges	20	(3,360)	(2,856)	(2,873)	(2,397)
Net Assets Excluding Pension Asset and Liability		85,119	89,142	62,703	66,158
Defined benefit pension scheme asset	26	33,006	33,006	17,763	17,763
Defined benefit pension scheme liability	26	(22,916)	(22,916)	(23,253)	(23,253)
Total Net Assets		95,209	99,232	57,213	60,668
The Funds for the Charity:					
Unrestricted Income Funds					
Designated funds		-	-	21,511	19,405
General unrestricted funds		85,238	89,261	33,453	39,014
Investment revaluation reserve		(119)	(119)	7,739	7,739
Total unrestricted funds before pension asset / (liability)		85,119	89,142	62,703	66,158
Net pension asset / (liability)		10,090	10,090	(5,490)	(5,490)
Total Charity Funds	21	95,209	99,232	57,213	60,668

The notes on pages 26 to 64 form part of these financial statements. The company registration number is 3644723. The financial statements on pages 22 to 64 were approved and authorised for issue by the Board of Trustees on 2 October 2019 and signed on its behalf by:

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

Mr N Kiyani **Director and trustee**

Mr M Bedlow **Director and trustee**

AQA Education
Consolidated Statement of Cash Flows
for the year ended 31 March 2019

	Note	Group 2019 £000	Group 2018 £000
Cash flows from operating activities:			
Net cash generated from operating activities	22	25,747	34,109
Taxation received		179	144
Net cash generated from operating activities		25,924	34,253
Cash flows from investing activities:			
Net Investment income		923	776
Purchase of tangible fixed assets		(3,441)	(1,740)
Proceeds from sale of tangible fixed assets		22	-
Purchase of intangible fixed assets		(18,479)	(12,532)
Purchase of fixed assets investments		(33,685)	(2,222)
Sale of current investments		901	44,959
Proceeds from sale of long term investments		35,374	2,357
Investment in joint venture		(1,230)	(1,285)
(Increase) in cash held with fund managers		(2,220)	(211)
Redundancy payments already provided		(94)	(1,551)
Net cash (used in) / generated from investing activities		(21,929)	28,551
Cash flows from financing activities:			
Repayment of borrowings		-	(998)
Net cash used in financing activities		-	(998)
Increase in cash and cash equivalents in the year		3,995	61,806
Cash and cash equivalents at the beginning of the year		80,066	18,260
Cash and cash equivalents at the end of the year		84,063	80,066

The notes on pages 26 to 64 form part of these financial statements.

1 General information

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

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

2 Statement of compliance

These financial statements have been prepared in accordance with the Statement of Recommended Practice "Accounting and Reporting by Charities" (Charities SORP (FRS 102)) applicable to charities preparing their financial statements in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015), 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.

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

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

3 Summary of significant accounting policies (continued)

(c) Basis of consolidation

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

(i) Subsidiaries

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

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

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

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

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

(ii) Joint ventures

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

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

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

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

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

3 Summary of significant accounting policies (continued)

(c) Basis of consolidation (continued)

(ii) Joint ventures (continued)

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

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

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

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

The net income and net movement in funds for the year for the Charity were £38,565,000 *(2018: £26,816,000)* and total funds at the year-end were £99,232,000 *(2018: £63,015,000)*.

(d) Income recognition

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

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

(i) Provision of examination services

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

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

(ii) Events

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

(iii) Centre inspection services

Income is recognised for Centre Inspection Services on a straight line basis over the period of the contract. Invoices are raised quarterly in arrears.

(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.

3 Summary of significant accounting policies (continued)

(e) Fund accounting

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

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

(f) Expenditure recognition and irrecoverable value added tax

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

(i) Charitable activities

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

(ii) Governance and support costs

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

Allocation of support and governance costs

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

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

(iii) Other trading activities

These costs relate to services provided by the subsidiary undertaking, DRS Data Services Limited. It includes direct cost 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 after the year end are carried forward as payments in advance to be charged against the year in which the examinations take place.

3 Summary of significant accounting policies (continued)

(h) Employee benefits

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

(i) Short-term benefits

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

(ii) Defined contribution pension plans

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

(iii) Defined benefit pension plans

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

The defined benefit section of the AQA Pension Scheme, GMPF and the unfunded augmented pension liabilities are accounted for as defined benefit schemes under section 28 of FRS 102. The defined benefit section of the AQA Pension Scheme was closed to new entrants from July 2006 and to future accruals from January 2011. AQA 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.

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.

3 Summary of significant accounting policies (continued)

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

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

(i) Business combination and goodwill

Business combinations are accounted for by applying the purchase method

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

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

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

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

Goodwill is amortised over its expected useful life which is estimated as 8 years. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the consolidated statement of financial activities. Reversals of impairment are recognised when the reasons for the impairment no longer apply.

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

3 Summary of significant accounting policies (continued)

(j) Intangible assets

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

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

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

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

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

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

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

(i) *Specification development*

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

(ii) *Systems development*

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

(iii) *Research expenditure*

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

Other development expenditure that does not meet these criteria is recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent year.

3 Summary of significant accounting policies (continued)

(k) Tangible fixed assets and depreciation

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

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

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

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

Software having a net book value of £500 is included within tangible assets. The trustees have not deemed it necessary to reclassify software costs to intangible assets as they consider it to be immaterial with no material impact on the Group assets and financial activities.

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.

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

(l) Leased assets

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

(i) Operating lease

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

3 Summary of significant accounting policies (continued)

(ii) Lease incentive

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

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

(m) Impairment of non-financial assets

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

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

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

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

(n) Stocks

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

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

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

(o) Cash and cash equivalents

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

3 Summary of significant accounting policies (continued)

(p) Provisions

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

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

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

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

(q) Financial instruments

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

(i) Financial assets

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

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

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

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

3 Summary of significant accounting policies (continued)

(q) Financial instruments (continued)

(i) Financial assets (continued)

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

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

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

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

(ii) Financial liabilities

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

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

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

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

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

3 Summary of significant accounting policies (continued)

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

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

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

Critical judgements in applying the entity's accounting policies

(i) Share of loss in joint venture

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

(ii) Intangible assets - software

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

(s) Key accounting estimates and assumptions

(i) Carrying value of goodwill

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

(ii) Retirement benefit obligations

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

Note 26 details the actuarial assumptions used in determining the carrying amount at 31 March 2019.

(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.

3 Summary of significant accounting policies (continued)

(u) Prior period restatement

The accounting policy in relation to accounting for Gift Aid payments payable by the subsidiary undertaking to the parent has been updated as a result of a change in the requirements of FRS 102. The change in accounting policy, which has been applied retrospectively, has resulted in a material change in the recording of Gift Aid receipts in the parent Charity and therefore a prior period restatement has been made. Further details on the impact of the change are contained in note 27.

The revenue recognition policy in relation to subscription income in Doublestruck Limited, a subsidiary undertaking has been changed. The change in accounting policy, which has been applied retrospectively, has resulted in a material change in the recording of revenue in the Group financial statements and therefore a prior period restatement has been made. Further details on the impact of the change are contained in note 27.

4 Income from charitable and other trading activities

	Unrestricted funds 2019 £000	2018 £000 Restated
Educational Services - United Kingdom fee income	179,266	164,115
Educational Services – Overseas fee income	1,029	747
Total income from charitable activities	180,295	164,862
Digital Services – United Kingdom income	3,170	3,314
Digital Services – Overseas income	2,642	3,143
Total income from other trading activities	5,812	6,457

5 Investment income and management costs

	Unrestricted funds 2019 £000	2018 £000
Interest – UK deposits	337	53
Dividends – UK listed funds	586	281
	923	334
Net credit to other finance income on defined pension scheme assets and liabilities (note 26)	-	442
Total investment income	923	776
Brokers' fees	66	142
Total investment management costs	66	142
Net investment income	857	634

6 Total of expenditure

	2019			2018
	Educational services	Digital services	Total	Total
	£000	£000	£000	£000
Operational costs:				
Examiner costs	64,503	-	64,503	60,150
Printing postage and other examination costs	5,733	-	5,733	7,714
Premises costs	3,491	587	4,078	3,737
Direct staff costs	36,052	7,865	43,917	41,586
Finance charge – operating lease rentals	1,415	469	1,884	1,555
Depreciation	1,046	785	1,831	1,510
Amortisation of intangibles	4,920	931	5,851	2,905
Loss/(profit) on disposal of tangible fixed assets	76	(5)	71	36
Overheads	6,675	2,309	8,984	8,049
Research and development costs	-	1,871	1,871	1,798
Investment management costs	65	-	65	142
Net finance cost relating to defined benefit pension scheme	1,564	-	1,564	1,233
Governance costs (see note 9)	343	15	358	492
Support costs (see note 9)	19,128	1,240	20,368	20,526
Share of loss in joint venture	1,256	-	1,256	1,258
Total expenditure	146,267	16,067	162,334	152,691

7 Summary analysis of expenditure and related income for charitable activities

	2019 Total	2018 Total
	£000	£000
Income from charitable activities:		
Fees and charges	180,295	164,871
Total income	180,295	164,871
Expenditure on charitable activities:		
Staff costs	53,241	53,660
Operational costs	91,704	83,806
Total expenditure	144,945	137,466
Total surplus from charitable activities	35,350	27,405

8 Taxation

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

9 Analysis of governance and support costs

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

	Support costs	Governance function	2019 Total	Basis of allocation
	£000	£000	£000	
Employment costs	20,367	15	20,382	Staff time
Trustee expenses	17	-	17	Invoiced events
Internal audit services	-	227	227	Governance
External auditor – audit services:				
Audit of consolidated and charity financial statements	-	91	91	Governance
Audit of the subsidiary financial statements	-	25	25	Governance
Advisory	-	-	-	Governance
Total	20,384	358	20,742	

	Support costs	Governance function	2018 Total	Basis of allocation
	£000	£000	£000	
Employment costs	20,526	14	20,540	Staff time
Trustee expenses	-	20	20	Invoiced events
Internal audit services	-	205	205	Governance
External auditor – audit services:				
Audit of consolidated and charity financial statements	-	109	109	Governance
Audit of the subsidiary financial statements	-	28	28	Governance
Advisory	-	116	116	Governance
Total	20,526	492	21,018	

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

	2019 £000	2018 £000
Wages and salaries	47,898	45,384
Social Security costs	4,302	4,088
Pension costs		
- Defined benefit pension costs	5,317	5,560
- Defined contribution pension costs	3,379	3,511
	60,896	58,543
Other staff related costs	3,066	3,596
	63,962	62,139

Termination payments of £123,000 (*2018: £1,551,000*) were made in the year, due to a change in the staffing structure.

	2019 Number	2018 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	776	687
Support and administration	388	439
Digital services	240	235
	1,404	1,361

Having received Charity Commission permission, £15,000 *(2018: £13,750)* was paid to Mr van Wijngaarden in his role as Chair of the Board of Trustees. In addition £180 *(2018: £475)* was paid to Mr Trkulja for marking of examination papers. The trustees have been reimbursed for all expenses incurred by them in connection with their attendance at meetings of the Board of Trustees, other committees or general meeting of the Charity or otherwise in connection with their discharge of their duties as trustees. Travelling and subsistence expenses amounting to £16,000 *(2018: £20,000)*, were reimbursed to 16 *(2018: 18)* 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 £1,195,000 *(2018: £1,294,000)*. The remuneration of the Chief Executive Officer, who is also a Trustee, was £260,000.

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

The key management personnel of the Group comprise those of the Charity and the key management personnel of its two wholly owned subsidiaries. The remuneration of the key management personnel of the two subsidiaries totalled £383,000 *(2018: £677,000)*. The employee benefits of key management personnel for the Group were therefore £1,578,000 *(2018: £1,971,000)*.

87 employees *(2018: 79 employees)* within the Group earned over £60,000 in the year excluding pension contributions within the following bands:

Group

	Year ended 31 March 2019 Number	Year ended 31 March 2018 Number
Higher paid employees fell within the following annual bands:		
£60,001 to £70,000	35	25
£70,001 to £80,000	19	19
£80,001 to £90,000	13	9
£90,001 to £100,000	7	6
£100,001 to £110,000	4	7
£110,001 to £120,000	2	2
£120,001 to £130,000	4	4
£130,001 to £140,000	1	5
£140,001 to £150,000	1	-
£150,001 to £160,000	-	1
£180,001 to £190,000	-	1
£250,001 to £260,000	1	-

Contributions were made to defined benefit pension schemes for 12 (*2018: 13*) higher paid employees. Contributions amounting to £633,000 (*2018: £529,000*) were made to defined contribution schemes for 69 (*2018: 59*) higher paid employees.

11 Intangible assets

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

Group	Goodwill	Software	Development expenditure	Total
	£000	£000	£000	£000
COST				
At 1 April 2018	7,676	15,366	8,677	31,719
Additions	-	13,331	5,148	18,479
Written off	-	(141)	-	(141)
At 31 March 2019	7,676	28,556	13,825	50,057
ACCUMULATED AMORTISATION				
At 1 April 2018	3,698	2,949	3,657	10,304
Amortisation charge for the year	950	3,973	927	5,850
Impairment released	-	(141)	-	(141)
At 31 March 2019	4,648	6,781	4,584	16,013
NET BOOK VALUE				
At 31 March 2019	3,028	21,775	9,241	34,044
At 31 March 2018	3,978	12,417	5,020	21,415

Charity	Software	Total
	£000	£000
COST		
At 1 April 2018	14,360	14,360
Additions	13,311	13,311
At 31 March 2019	27,671	27,671
ACCUMULATED AMORTISATION		
At 1 April 2018	1,945	1,945
Amortisation charge for the year	3,970	3,970
At 31 March 2019	5,915	5,915
NET BOOK VALUE		
At 31 March 2019	21,756	21,756
At 31 March 2018	12,415	12,415

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

12 Tangible fixed assets

Group	Freehold Land & Buildings £000	Leasehold Land & Buildings £000	IT Equipment £000	Furniture, Equipment and Vehicles £000	Total £000
COST					
At 1 April 2018	2,087	15,225	2,669	8,630	28,611
Additions	-	388	68	2,985	3,441
Disposals	(3)	-	(11)	(523)	(537)
At 31 March 2019	2,084	15,613	2,726	11,092	31,515
ACCUMULATED DEPRECIATION					
At 1 April 2018	664	7,451	1,993	6,489	16,597
Charge for the year	47	347	388	1,052	1,834
On disposals	-	-	(10)	(434)	(444)
At 31 March 2019	711	7,798	2,371	7,107	17,987
NET BOOK VALUE					
At 31 March 2019	1,373	7,815	355	3,985	13,528
At 31 March 2018	1,423	7,774	676	2,141	12,014

Charity	Leasehold Land & Buildings £000	IT Equipment £000	Furniture, Equipment and Vehicles £000	Total £000
COST				
At 1 April 2018	15,225	2,245	3,602	21,072
Additions	388	40	83	511
Disposals	-	(6)	(434)	(440)
At 31 March 2019	15,613	2,279	3,251	21,143
ACCUMULATED DEPRECIATION				
At 1 April 2018	7,451	1,601	2,779	11,831
Charge for the year	346	353	326	1,025
On disposals	-	(6)	(358)	(364)
At 31 March 2019	7,797	1,948	2,747	12,492
NET BOOK VALUE				
At 31 March 2019	7,816	331	504	8,651
At 31 March 2018	7,774	644	823	9,241

12 Tangible fixed assets (continued)

Analysis of leasehold land and buildings as at 31 March 2019

Group	Freehold Land & Buildings	Leasehold Land & Buildings		Total
		Short	Long	
	£000	£000	£000	£000
Cost	2,084	-	15,613	17,697
Depreciation	(711)	-	(7,797)	(8,508)
Net book value	1,373	-	7,816	9,189

Charity	Leasehold Land & Buildings		Total
	Short	Long	
	£000	£000	£000
Cost	-	15,613	15,613
Depreciation	-	(7,797)	(7,797)
Net book value	-	7,816	7,816

13 Investment in subsidiary undertakings

(a) Investment in subsidiary undertakings

	2019	2018
	£000	£000
At 1 April 2018 and 31 March 2019	13,134	13,134

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

13 Investment in subsidiary undertakings (continued)

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

	Doublestruck Limited		DRS Data Services Limited	
	2019	2018	2019	2018
	£000	£000	£000	£000
		Restated		
Total income	4,735	4,884	16,852	14,830
Total expenditure	(2,984)	(3,228)	(16,009)	(14,099)
Profit on ordinary activities before taxation	1,751	1,656	843	731
Taxation	-	-	(58)	(80)
Retained profit for the year	1,751	1,656	785	651
Assets	3,584	3,271	18,365	11,863
Liabilities	(3,237)	(3,000)	(12,843)	(7,126)
Net assets	347	271	5,522	4,737

(b) Investment in joint venture

	2019	2018
	£000	£000
At 1 April 2018	(484)	(511)
Funding payments	1,230	1,285
Share of loss	(1,256)	(1,258)
At 31 March 2019	(510)	(484)

AQA's share of the accumulated losses of the joint venture which exceeds the amount invested are included within provisions for liabilities and charges on the balance sheet.

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

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

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

At 31 March 2019, AQA was committed to funding the jointly controlled entity.

14 Other fixed asset investments

Investments

	Group & Charity 2019 £000	Group & Charity 2018 £000
Market value at 1 April 2018	37,194	36,850
Additions at cost	33,685	2,222
Disposals at market value (i.e. sales proceeds)	(35,374)	(2,357)
Net movements in cash	2,220	211
Net investment gains	155	268
Market value at 31 March 2019	37,880	37,194
Cost at 31 March 2019	37,999	29,456
Balance on net unrealised gain reserve	(119)	7,738

Analysis of net investment gains

Movement on unrealised (losses)/gains	(7,858)	(389)
Realised gains based on historic cost of investments disposed of during the year	8,013	657
Net investment gains	155	268

14 Other fixed asset investments (continued)

Analysis of market value of investments held

	Group & Charity 2019 £000	% of total	Group & Charity 2018 £000	% of total
Equities				
United Kingdom	9,050	23.9	8,732	23.5
Overseas	10,640	28.0	11,132	29.9
Bonds				
United Kingdom	2,615	6.9	-	-
Overseas	1,253	3.3	2,775	7.5
Multi asset funds	4,920	13.0	11,789	31.7
Alternatives				
Hedge funds	1,503	4.0	-	-
Property	3,143	8.3	-	-
Other	1,462	3.9	1,692	4.5
Cash held with fund managers	3,294	8.7	1,074	2.9
	37,880	100.0	37,194	100.0

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

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

15 Stocks and work in progress

	Group 2019 £000	Charity 2019 £000	Group 2018 £000	Charity 2018 £000
Raw materials	596	-	606	-
Work in progress	-	-	57	-
Finished goods	794	570	1,632	1,317
	1,390	570	2,295	1,317

The balances above are shown net of a provision amounting to £556,000 (*2018: £1,180,000*).

The cost of inventories recognised as an expense and included in cost of sales for the year to 31 March 2019 amounted to £2,361,000 (*2018: £2,884,000*), comprising £2,361,000 *(2018: £2,884,000)* in respect of raw materials.

16 Debtors

	Group 2019 £000	Charity 2019 £000	Group 2018 £000	Charity 2018 £000 Restated
Trade debtors	71,278	70,472	60,339	60,349
Amount recoverable on contracts	88	-	86	-
Amounts owed by Group undertakings	-	9,428	-	3,682
Other debtors	957	456	950	580
Prepayments and accrued income	3,847	3,516	3,527	1,624
	76,170	83,872	64,902	66,235

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

Amounts owed to Group undertakings have been restated to reflect the change within FRS 102 in respect of accounting for Gift Aid payments. Further details are provided in note 27.

17 Current investments

Investments totalling £14,152,000 *(2018: £15,053,000)* shown under current assets for the Group and Charity are represented by shares in the BlackRock Institutional Sterling Liquidity Fund and Goldman Sachs Sterling Liquid Reserves Fund.

18 Creditors: amounts falling due within one year

	Group 2019 £000	Charity 2019 £000	Group 2018 £000 Restated	Charity 2018 £000
Trade creditors	4,934	3,803	8,045	7,238
Payments on account	9	-	-	-
Amounts owed to Group undertakings	-	1,402	-	1,202
Taxation and social security costs	2,180	1,342	1,585	1,182
Other creditors	215	68	208	78
Accruals and deferred income	165,410	161,669	157,525	153,653
	172,748	168,284	167,363	163,353

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

The movement on deferred income during the year was:

	Group 2019 £000	Charity 2019 £000	Group 2018 £000 Restated	Charity 2018 £000
Balance at 1 April 2018	152,535	150,259	139,867	139,202
Amount deferred in the year	161,091	161,091	161,964	160,353
Amount released in the year	(154,843)	(154,514)	(149,296)	(149,296)
Balance at 31 March 2019	158,783	156,836	152,535	150,259

Accruals and deferred income have been restated to reflect the change in revenue recognition policy in Doublestruck Limited. Further details are provided in note 27.

19 Financial instruments

The Group and Charity have the following financial instruments:

	Note	Group 2019 £000	Charity 2019 £000	Group 2018 £000	Charity 2018 £000
Financial assets measured at fair value through statement of financial activities:					
Investment in securities					
- Equities	14	19,690	19,690	19,864	19,864
- Bonds	14	3,868	3,868	2,775	2,775
- Multi asset funds	14	4,920	4,920	11,789	11,789
- Alternatives		6,108	6,108	1,692	1,692
- Cash held with fund managers	14	3,294	3,294	1,074	1,074
Short-term deposits	17	14,152	14,152	15,053	15,053
		52,032	52,032	52,247	52,247

	Note	Group 2019 £000	Charity 2019 £000	Group 2018 £000	Charity 2018 £000 Restated
Financial assets that are debt instruments measured at amortised cost:					
Trade debtors	16	71,278	70,472	60,339	60,349
Amounts owed by Group undertakings	16	-	9,428	-	3,682
Other debtors	16	957	456	950	580
Cash at bank and in hand		84,063	80,267	80,066	77,319
		156,298	160,623	141,355	144,277

Amounts owed by Group undertakings have been restated to reflect the change within FRS 102 in respect of accounting for Gift Aid payments. Further details are provided in note 27.

19 Financial instruments (continued)

	Note	Group 2019 £000	Charity 2019 £000	Group 2018 £000	Charity 2018 £000
Financial liabilities measured at amortised cost:					
Trade creditors	18	4,934	3,803	8,045	7,238
Amounts owed to Group undertakings	18	-	1,402	-	1,202
Other creditors	18	215	68	208	78
Accruals	18	6,627	4,833	4,990	3,394
		11,776	10,106	13,243	11,912

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

20 Provisions for liabilities and charges

Group	General	Reorganisation	Leasehold dilapidations	Share of loss in joint venture	Total
	£000	£000	£000	£000	£000
Balance at 1 April 2018	-	185	2,204	484	2,873
Provided in the year	390	124	41	26	581
Utilised in the year	-	(94)	-	-	(94)
Balance at 31 March 2019	390	215	2,245	510	3,360

Charity	General	Reorganisation	Leasehold dilapidations	Share of loss in joint venture	Total
	£000	£000	£000	£000	£000
Balance at 1 April 2018	-	185	1,728	484	2,397
Provided in the year	390	124	13	26	553
Utilised in the year	-	(94)	-	-	(94)
Balance at 31 March 2019	390	215	1,741	510	2,856

20 Provisions for liabilities and charges (continued)

Reorganisation provision

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

Leasehold dilapidations

As part of the property leasing arrangements there is an obligation to repair damages and make good leasehold properties when they are vacated. The provision is expected to be utilised between 2019 and 2108 as the leases terminate.

Share of loss in joint venture

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

21 Total Charity Funds

Analysis of movements in unrestricted funds

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

21 Total Charity Funds (continued)

Analysis of net assets between funds 2019

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

Analysis of movements in unrestricted funds

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

21 Total Charity Funds (continued)

Analysis of net assets between funds 2019

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

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

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

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

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

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

21 Total Charity Funds (continued)

Analysis of movements in unrestricted funds

Group	1 April 2017	Net Income/ (expenditure)	Investment and actuarial gains/(losses)	Transfers	31 March 2018
	£000	£000	£000	£000	£000
Designated funds					
Fixed assets	19,400	(9,768)	-	-	9,632
Property maintenance and development	1,800	404	-	-	2,204
Transformation fund	-	-	-	9,675	9,675
Total designated funds	21,200	(9,364)	-	9,675	21,511
General unrestricted funds	16,773	29,425	-	(12,745)	33,453
Investment revaluation reserve	8,128	-	(389)	-	7,739
Unrestricted funds before pension liability	46,101	20,061	(389)	(3,070)	62,703
Net pension liability	(11,968)	-	3,408	3,070	(5,490)
Total Charity Funds	34,133	20,061	3,019	-	57,213

Analysis of net assets between funds 2018

Group	Unrestricted (general)	Unrestricted (designated)	Total funds
Intangible assets	21,415	-	21,415
Tangible assets	12,014	-	12,014
Investments	27,519	9,675	37,194
Current assets	152,684	9,632	162,316
Liabilities	(167,363)	-	(167,363)
Provisions	(669)	(2,204)	(2,873)
Pension liability	(5,490)	-	(5,490)
Total net assets	40,110	17,103	57,213

21 Total Charity Funds (continued)

Analysis of movements in unrestricted funds

Charity – Restated	1 April 2017	Net Income/ (expenditure)	Investment and actuarial gains/(losses)	Transfers	31 March 2018
	£000	£000	£000	£000	£000
Designated funds					
Fixed assets	14,000	(6,000)	-	-	8,000
Property maintenance and development	1,600	130	-	-	1,730
Product development	-	-	-	9,675	9,675
Total designated funds	15,600	(5,870)	-	9,675	19,405
General unrestricted funds	22,669	29,090	-	(12,745)	39,014
Investment revaluation reserve	8,128	-	(389)	-	7,739
Unrestricted funds before pension liability	48,167	23,220	(389)	(3,070)	66,158
Net pension liability	(11,968)	-	3,408	3,070	(5,490)
Total Charity Funds	34,429	23,220	3,019	-	60,668

Analysis of net assets between funds 2018

Charity	Unrestricted (general)	Unrestricted (designated)	Total funds
Intangible assets	12,415	-	12,415
Tangible assets	9,241	-	9,241
Investment in subsidiary undertakings	13,134	-	13,134
Investments	27,519	9,675	37,194
Current assets	151,924	8,000	159,924
Liabilities	(163,353)	-	(163,353)
Provisions	(667)	(1,730)	(2,397)
Pension liability	(5,490)	-	(5,490)
Total net assets	44,723	15,945	60,668

22 Net cash generated from operating activities

Reconciliation of net income to net cash inflow from operating activities

	Group 2019 £000	2018 £000
Net incoming resources before other recognised gains	24,696	19,404
Net investment income excluding net finance income on defined benefit pension schemes	(923)	(776)
Depreciation	1,834	1,459
Loss on disposal of tangible fixed assets	71	37
Amortisation of intangibles	5,850	2,905
Write back to statement of financial activities of tangible fixed assets	-	343
Decrease in stocks	905	1,455
(Increase) in debtors	(11,447)	(1,678)
Increase in creditors	5,385	12,333
Increase in provisions	1,811	1,698
Post-employment benefits less payments	(2,435)	(3,071)
Net cash generated in operating activities	25,747	34,109

23 Operating lease commitments

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

	Group 2019 £000	Charity 2019 £000	Group 2018 £000	Charity 2018 £000
Not later than one year	1,426	1,088	1,426	1,088
Later than one year and not later than five years	4,483	3,536	4,483	3,536
Later than five years	14,152	14,152	14,152	14,152
	20,061	18,776	20,061	18,776

24 Capital commitments

There were £3,380,000 capital commitments contracted for at 31 March 2019 but not provided for *(2018: £9,632,000)*.

25 Related party transactions

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

In the year, AQA received £299,509 (*2018: £273,302*) from Doublestruck for royalty fees, and AQA paid £15,296 (*2018: £17,542*) to Doublestruck for loan interest. Doublestruck also paid Gift Aid of £1,674,397 (*2018: restated £3,574,397*) to AQA during the year. The amount owed by AQA to Doublestruck in respect of a loan and accrued interest was £1,402,322 (2018: £1,202,493) at 31 March 2019.

In the year, AQA charged DRS £11,040,296 (2018: £8,372,997) for digital services and AQA paid Doublestruck £189,536 (2018: £74,447) for loan interest. During the year, DRS paid £697,394 (*2018: restated £nil*) to AQA for Gift Aid. The amount owed by DRS to AQA in respect of a loan, accrued interest and amounts to be recharged was £9,427,573 (2018: £3,682,042) at 31 March 2019.

The amounts recharged to the joint venture in the year were £903,000 (*2018: £469,000*). The amount due to AQA at the year-end was £115,000 (*2018: £16,000*).

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

26 Retirement benefits

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

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

	2019 £000	2018 £000
Total AQA pension costs	5,317	5,560

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

	2019 £000	2018 £000
The AQA Pension Scheme	33,006	17,763

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

	2019 £000	2018 £000
GMPF	19,060	19,235
Unfunded pension liabilities	3,856	4,018
	22,916	23,253

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 2015. The valuation at 30 September 2018 has been substantially completed but has not yet been finalised. The Charity agreed a funding plan with the Pension Trustees which resulted in deficit reduction payments of £3,290,000 in 2019 *(2018: £3,146,000)* and a further £3,400,000 expected to be contributed to the scheme in 2020.

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

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

26 Retirement benefits (continued)

Principal actuarial assumptions

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

	2019 % per annum	2018 % per annum
Price increases	2.40 – 3.30	2.25 – 3.25
Pension increases - in payment	2.45 – 3.15	1.95 – 3.10
Pension increases - deferred	2.40	2.25
Salary increases	2.90	2.75
Discount rate	2.50	2.60

The figures presented in these disclosures are based on the mortality assumptions adopted for the latest funding valuation with additional margins for prudence removed. For the AQA scheme the tables used are 97% of S2PxA (92% S2PxA) tables for males (females); future improvements are in line with the CMI 2018 projections subject to a long term trend rate of 1.5%. For the GMPF liabilities the tables used are Club Vita curves updated to 2014 using the Club Vita methodology; future improvements are in line with CMI 2013 projections subject to a long term trend rate of 1.25%. For the unfunded arrangements the same tables as the AQA liabilities are used but these are adjusted to reflect the assumed higher life expectancy of these members, specifically 67% of S2PxA (62% S2PxA) tables for males (females); future improvements are in line with the CMI 2018 projections subject to a long term trend rate of 1.5%. Example life expectancies are 24.8 years (27.3 years) from age 65 for a male (female) currently aged 65 and 26.4 years (29.0 years) from age 65 for a male (female) currently aged 45.

Statement of financial position disclosures

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

	Net Pension Asset		Net Pension Liabilities		Total	
	2019 £000	2018 £000	2019 £000	2018 £000	2019 £000	2018 £000
Fair value of scheme assets	183,366	174,734	87,065	80,291	270,431	255,025
Present value of liabilities	(150,360)	(156,971)	(109,981)	(103,544)	(260,341)	(260,515)
Net pension asset/(liability)	33,006	17,763	(22,916)	(23,253)	10,090	(5,490)

26 Retirement benefits (continued)

Major categories of scheme assets as a percentage of total scheme assets

	2019 %	2018 %
Equities	40.0	40.2
Property	13.3	10.2
Bonds	30.3	33.0
Hedge Funds	10.9	10.9
Cash and other	5.5	5.7
Total	100.0	100.0

Statement of financial activities disclosures

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

	2019 £000	2018 £000
Current service cost	1,430	1,534
Past service cost	600	503
Scheme administration expenses	852	895
Net interest on asset/(liability)	24	(87)
Total	2,906	2,845
Actual return on scheme assets	13,145	355

26 Retirement benefits (continued)

Changes in the present value of the defined benefit obligation

	2019 £000	2018 £000
Opening defined benefit obligation	260,515	261,681
Current service cost	1,430	1,534
Past service costs	600	503
Interest cost	6,401	6,386
Contributions by members	311	344
Actuarial gains	(792)	(3,408)
Benefits paid	(8,124)	(6,525)
Closing defined benefit obligation	260,341	260,515

Changes in the fair value of the scheme assets

	2019 £000	2018 £000
Opening fair value of scheme assets	255,025	249,713
Expected return on assets	12,167	355
Interest income	6,587	6,473
Contributions by members	311	344
Contributions by employer	5,317	5,560
Scheme administration expenses	(852)	(895)
Benefits paid	(8,124)	(6,525)
Closing fair value of scheme assets	270,431	255,025

26 Retirement Benefits (continued)

Amounts for the current and previous four years

	31 March 2019 £000	31 March 2018 £000	31 March 2017 £000	30 September 2015 £000	30 September 2014 £000
Fair value of scheme assets	270,431	255,025	249,713	193,597	186,770
Present value of defined benefit obligation	(260,341)	(260,515)	(261,681)	(208,565)	(207,415)
Net pension asset /(liability)	10,090	(5,490)	(11,968)	(14,968)	(20,645)
Experience (losses)/gains on assets	-	-	-	(2,603)	4,395
Experience (losses)/gains on liabilities	-	-	-	-	(2,467)

Other defined benefit pension schemes

Multi-employer defined benefit schemes

AQA participated in two *(2018: two)* multi-employer defined benefit schemes where it is not possible to separately identify the assets and liabilities for each participating employer. Accordingly, under section 28 of FRS 102, these schemes are treated as defined contribution schemes for accounting purposes.

Defined contribution schemes

During the year, the total amount charged to the consolidated statement of financial activities in relation to defined contribution schemes (including the defined benefit schemes accounted for as defined contribution schemes under section 28 of FRS 102) amounted to £2,576,000 *(2018: £2,782,000)*. The amount charged includes contributions to the AQA defined contribution scheme. No contributions were payable to the schemes at the year end *(2018: £nil)*.

27 Prior period restatement

As a result of changes within FRS 102 in respect of accounting for Gift Aid payments made by a subsidiary to its parent Charity where no legal obligation exists, a prior period restatement has been made to reflect the revised accounting treatment. The changes, which impact the results of the Charity only, resulted in a reduction in Charity Funds at 1 April 2017 of £1,770,000, a reduction in surplus of £577,000 for the year ended 31 March 2018 and a reduction in amounts owed by Group undertakings of £2,347,000 at 31 March 2018.

In addition, due to a change in revenue recognition policy for subscription income in Doublestruck Limited, a further prior period adjustment has been made. The changes, which impact the Group figures only, resulted in a reduction in Charity Funds at 1 April 2017 of £2,110,000, a reduction in surplus of £9,000 for the year ended 31 March 2018 and an increase in deferred revenue of £2,119,000 at 31 March 2018.

Legal and administrative details

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Registered charity number: 1073334

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