



Assessment and Qualifications Alliance
(a company limited by guarantee)

**Accounts for the year ended 30 September 2004
together with directors' report and auditors' report**

Registered company number 3644723

Registered charity number 1073334

www.aqa.org.uk



AQA

Registered Office and Advisors

REGISTERED OFFICE

Assessment and Qualifications Alliance
Devas Street
Manchester
M15 6EX

PRINCIPAL ADDRESSES

Guildford
Stag Hill House
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GU2 7XJ

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Manchester
M15 6EX

Harrogate
31-33 Springfield Avenue
Harrogate
HG1 2HW

AUDITORS

PKF
Pannell House
Park Street
Guildford
Surrey
GU1 4HN

BANKERS

National Westminster Bank plc
Blackwater Valley Service Centre
282 Farnborough Road
Farnborough
Hants
GU14 7YT

SOLICITORS

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WEBSITE www.aqa.org.uk

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AQA

Directors' Report

Introduction

The Directors, who are also AQA Trustees and constitute the members of the Company, present their annual report, together with the accounts and auditors' report, for the year ended 30 September 2004.

The Assessment and Qualifications Alliance (AQA) is a company limited by guarantee not having a share capital and is governed by its Memorandum and Articles of Association. It is also a registered charity.

Charitable Objects

AQA's Charitable Objectives are:

To advance education for the benefit of the public including, without limitation, by the preparation, validation, accreditation, conduct and administration of:

- examinations for the award of General Certificate of Education, General Certificate of Secondary Education and General National Vocational Qualifications or such other certificate or certificates as may be substituted for them; and
- any other tests, examinations or other systems of assessing and recording academic or other achievement.

Principal Activities and Business Review

AQA provides a wide range of qualifications all of which play a part in the lifelong-learning agenda of the Government. The qualifications include GCE AS/A level, GCSE, GNVQ, Advanced VCE and Key Skills.

AQA has had a successful year. The setting, marking and reporting of our examinations have proceeded even more smoothly than in previous years, which amply demonstrates the commitment of examiners and AQA staff to continuous improvement.

This year has seen the 14-19 Working Group, which was chaired by Mike Tomlinson, publish its interim report. AQA made major contributions to the deliberations of the Working Group through membership of its Assessment Sub-Group and by contributing the expertise of our Research Sub-division to address many of the fundamental assessment issues.

Shortly after AQA's financial year end the 14-19 Working Group also published its final report. The proposed diploma qualification should promote attainment of a functional level of skills in literacy, numeracy and ICT, which should prepare students for future study and for life and give confidence to employers and Higher Education about young people's skills.

We continue to work positively on the 14-19 Agenda and make contributions with QCA and other Awarding Bodies on the policy and planning work leading to the publication of a White Paper early in 2005. The experience of Curriculum 2000 indicates how crucial it is for this work to consider the details of delivery of the proposals.

AQA has operated the contract to mark the National Curriculum Tests (NCT) since AQA was formed. This contract ended in October 2004 and AQA was not successful in bidding for the new contract to commence from November 2004. As a result there were a number of redundancies amongst staff who had operated the NCT contract. The costs are included in the Restructuring costs caption within the Statement of Financial Activities.

No organisation in the 21st century can afford to stand still. This year AQA carried out a major review of strategy. The result was a change to the divisional operating structure which came into effect in the autumn of 2004 and will help ensure that AQA continues to be the provider of choice for general qualifications by further improving our efficiency and capacity to serve schools and colleges effectively. The restructuring will also give a clearer focus and leadership on innovation and development to ensure that AQA is at the forefront of new ways of carrying out assessment and communicating with schools, colleges and other examination centres.

As part of the strategic review, the roles and costs of AQA's various offices were reconsidered and it was decided to close the offices in Bristol and Newcastle. These decisions mean the loss of very long-standing permanent presences

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Directors' Report

in the areas concerned and have been made only after very careful consideration. However, by operating solely out of the three remaining offices in Guildford, Harrogate and Manchester, we will be able to focus our efforts and resources more effectively, providing a better service for all schools, colleges and other examination centres. The Bristol and Newcastle offices will close subsequent to the year end but the full costs of closure have been provided for in the results for the year to 30 September 2004.

AQA is already making major contributions towards the modernisation of the qualifications system. This restructuring will provide extra resources for development work and innovation.

This year, for the first time, schools and colleges were able to monitor their AQA entries via the Internet, using a secure section of our Website called e-AQA. Centres were also able to request checks and re-marks of candidates' work online via e-AQA. Development work is continuing and further facilities, including the ability to make and amend entries via e-AQA, will be added in the coming year.

A significant part of our effort on modernisation this year has been our contribution to the work that the National Assessment Agency (NAA) is co-ordinating across all the awarding bodies and NAA funding has been made available for that purpose. AQA is fully committed to this work, collaborating with the other awarding bodies and NAA to ensure that any unnecessary variation between different awarding bodies' procedures and documentation is eradicated and to tackle issues such as the national shortage of examiners and the secure movement of candidates' scripts from centres to examiners.

To provide a faster and more accurate service, in 2004 AQA captured marks electronically from over three hundred examiners. The system ran smoothly and effectively with virtually no problems.

We are now embarking on a three-year plan for the phased introduction of new marking technology. We expect to use it to collect over two and a half million marks in 2005 and all our examiners to be submitting marks on computer by 2007. We will continue to work closely with our examiners to ensure that our developments in this area are practicable and that the system continues to work smoothly as the volume increases.

From a financial perspective it has been another year of improvement. A significant level of surplus has been generated despite the need to allow for the costs of restructuring the organisation. Increases in investment funds contributed part of this but more important was a good operating performance.

Results

The Statement of Financial Activities on page 10 shows income for the year from examination and other activities of £151,131,344 (2003 £128,967,741). Total Resources Expended for the year was £144,878,514 (2003 £134,003,288), resulting in an operating surplus before restructuring costs of £6,252,830 (2003 deficit £5,035,547). After taking into account the restructuring costs of £3,217,914 (2003 nil) and net realised gains on investments of £647,489 (2003 losses £832,178), AQA's Net Incoming Resources were £3,682,405 (2003 outgoing £5,867,725). After further taking into account the net unrealised gains on investments of £1,906,828 (2003 £3,727,171), AQA's overall funds increased by £5,589,233 (2003 reduced by £2,140,554) to £57,148,442 (2003 £51,559,209).

Reserves Policy

During the year a detailed review of Reserves Policy was undertaken. Based on the results of this review it is the long term aim of the Council to increase reserves from their current level to £80 million. It is considered that this level of reserves is required in order to maintain the Accumulated Fund at a level sufficient to ensure financial stability whilst avoiding significant fluctuations in examination fees, to enable significant expenditure from time to time in such strategic areas as the development of new examination specifications and the enhancement of computer systems and to provide for AQA's pension liabilities.

The Council has set a target to increase reserves by a minimum of £2 million per annum until the long term target is attained. The surplus generated in 2003/04 exceeds this minimum level.

The Council considers that the Reserves of AQA constitute a single unrestricted fund.

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Disabled Persons Policy

AQA is an equal opportunities employer. As such, it supports the employment of people with a disability wherever possible, both in recruitment and in the retention of employees becoming disabled during their employment, as well as more generally through training and career development.

Employee Information

AQA provides employees with relevant information and seeks their views on matters of common concern. This is typically done through announcements, in-house newsletters, bulletins and dissemination of information via departmental meetings. Extensive use is made of the AQA Intranet to ensure staff are fully informed of latest developments and performance of the organisation. Employee surveys are undertaken to supply valuable feedback on the effectiveness of communications.

Formal discussions with staff are held through a Joint Unions Committee.

Charitable Assets

The Directors are of the opinion that the charity's assets are available and adequate to fulfil the obligations of the charity. In the opinion of the Directors the market value of the Land and Buildings is at least equivalent to the book value. In the absence of any valuation any potential excess or shortfall cannot be quantified.

Risk Management

The Audit Committee reports directly to the Council. The committee comprises Trustees and independent members. It reviews AQA's internal controls and procedures (financial and non financial) and considers the results of AQA's high level risk assessment.

A Quality Assurance Committee (QAC) also reports directly to the Council. The Committee comprises Trustees and independent members and is chaired by an independent member. The Committee meets twice a year to discuss quality assurance and risk management issues.

A Quality Audit Unit has been appointed to work with AQA managers to map high and low-level business processes and to identify risks. The Unit works with managers to develop an action plan to mitigate or remove the risks and monitors the action plan at regular intervals. Both the Council and the QAC receive reports from the Unit. The Quality Audit Unit is being restructured with a view to developing it as an Internal Audit Unit.

High level risk plans have been developed for all departments. The risk plans are monitored by the Senior Management and a report is provided to the Audit Committee and the Council annually.

Extensive employee training has been undertaken to ensure the effectiveness of AQA's risk management processes.

Investments

Trustees are empowered to invest AQA's funds not immediately required for its day to day activities as seen fit and in accordance with the law. Investments are diversified to reduce risk and are balanced between long-term capital growth and income generation. Specific targets for both income generation and capital growth have been agreed with all of the Fund Managers. AQA takes professional investment advice on all its investment decisions.

An Investment Sub-committee of the Finance Committee receives quarterly reports from the Fund Managers and meets regularly on a half-yearly basis with the professional investment advisers (Deloitte & Touche Wealth Management Ltd) to review performance.

All Fund Managers have been set performance targets to be achieved over a rolling five year period. During the current year all Fund Managers performed ahead of the target.

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Directors' Report

Corporate Governance

The Council of AQA, which is also, for company law purposes, the board of directors, has ultimate responsibility for the company's activities and exercises its powers through the Director General.

All Council members are required annually to complete a Register of Interests declaration and to declare any potential conflict of interest at the commencement of each meeting they attend. This also applies to Committee or Sub-committee members who are not Council members.

AQA's Articles of Association provide for a Council and a range of committees.

AQA's committees provide forums for considering issues relating to administration, finance, services and the specifications AQA offer. This ensures individuals with an interest and a breadth of experience in teaching and assessment can participate in the work of AQA alongside those with commercial, operational and technical skills.

The Finance Committee is responsible for the financial management of the company, including recommending AQA's budget for approval and monitoring performance against the budget.

The Audit Committee was established to recommend the annual statutory accounts for approval and review related ancillary matters. External auditors also attend all Audit Committee meetings.

The Staffing Committee is responsible for staffing policy and AQA's Conditions of employment.

The Information Technology Advisory Group is responsible for advising on policy and budgets relating to the development of organisation-wide ICT systems.

The Education and Training Committee is responsible for approving AQA's specifications and policy on all education related matters. Members are representatives from schools/colleges, teacher associations and higher education institutions.

The Research Committee is responsible for approving AQA's research policy and research papers for publication.

The Quality Assurance Committee is a forum for outside members to inspect AQA's business. Five of the seven members are independent of AQA and are appointed following public advertisement.

The Access Management Group is responsible, alongside the Access Advisory Group, for maintaining AQA's Access Validating Authority (AVA) for Access to Higher Education courses.

The Council has also established a number of other committees responsible for specific areas of work including an Irregularities Sub-Committee which advises the Education and Training Committee and deals with serious cases of malpractice; six Regional Committees providing a forum for teachers in a particular region to exchange views with AQA officers and a means of keeping in touch with developments, and twenty two Subject Advisory Committees consisting mainly of teachers from AQA centres that feed into examinations development.

During the year the Council Business Group was formed. This Group, consisting of a small number of Trustees and the Director General, operates as a clearing house for time critical decisions on behalf of the Council, a preliminary review group on strategic issues and special studies and in addition it acts as an advisory group to the Director General.

The day to day business of AQA is carried out by the Director General, Dr Mike Cresswell and a team of six specialist managers - Andrew Bird, John Milner, John Mitchell, Robert Cox, Carolyn Adams and Peter Dawson.

Additional Information

AQA publishes an Annual Report. This is a more detailed review of the operations of AQA. Copies can be obtained from Aldon House, 39 Heald Grove, Rusholme, Manchester, M14 4PB or via e-mail at mailbox@aqa.org.uk. The Annual Report is also available on the AQA website.

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Directors' Report

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

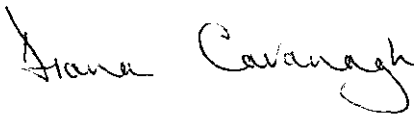
Directors

Mrs D L Cavanagh (Chair)		Mr G Glyn	
Dr J Ash		Mr V B Guthrie	
Mr C Baker		Mr D Hawker	
Mr D F Birchall		Professor P J Layzell	(appointed 1.4.04)
Mr A J Booth CBE (Vice Chair)		Dr P R Mason	
Mr S Bradford		Mr M Oldham	
Mrs D P Chambers		Professor P Preece	
Mr B Cookson	(appointed 1.4.04)	Mrs S Rogers	
Mr P Galsworthy		Mr A E D Starr	
Mr A Gatehouse	(appointed 1.4.04)	Mr F Sumner	
		Professor M P Williamson	

Auditors

The auditors, PKF, have indicated their willingness to continue in office and their reappointment will be proposed at the Annual General Meeting.

By order of the Council



Mrs D L Cavanagh
Chair of the Council

17 March 2005

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Statement of Directors' Responsibilities

AQA is a company limited by guarantee and a registered charity. Members of the Council are responsible for the management of AQA and are therefore both its company directors and charity trustees.

Company law requires the directors to prepare accounts for each financial period which give a true and fair view of the state of the company and of the incoming and outgoing resources and other recognised gains of the company for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is appropriate to presume that the company will not continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for ensuring that the directors' report and other information included in the annual report is prepared in accordance with company law in the United Kingdom.

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Auditors' Report

Independent Auditors' Report to the members of the Assessment and Qualifications Alliance

We have audited the financial statements of the Assessment and Qualifications Alliance for the year ended 30 September 2004 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The responsibilities of the directors (who also act as trustees for the charitable activities of the Assessment and Qualifications Alliance) for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the charitable company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the charitable company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the charitable company's affairs as at 30 September 2004 and of its incoming resources and application of resources, including its income and expenditure, in the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PKF
Registered Auditors

Guildford
United Kingdom

17 March 2005

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Statement of Financial Activities for the year ended 30 September 2004

	Notes	2004 £	2003 £
Incoming Resources			
Examination income	3	139,130,203	124,611,867
Other income	4	10,056,941	2,381,381
Investment income	5	1,944,200	1,974,493
Total Incoming Resources		151,131,344	128,967,741
Resources Expended			
Cost of generating funds	6	49,855	71,903
Charitable expenditure:			
Costs of activities in furtherance of the charity's objects	7	86,388,795	78,571,591
Support costs	8	57,662,477	54,800,192
Management and administration	9	777,387	559,602
Total Resources Expended		144,878,514	134,003,288
Net Incoming/(Outgoing) Resources before Revaluations and Investment Asset Disposals and before Restructuring Costs		6,252,830	(5,035,547)
Restructuring costs	10	3,217,914	-
Net Incoming/(Outgoing) Resources before Revaluations and Investment Asset Disposals		3,034,916	(5,035,547)
Net realised gains/(losses) on investments	14(b)	647,489	(832,178)
Net Incoming/(Outgoing) Resources		3,682,405	(5,867,725)
Net unrealised gains on investments	14(b)	1,906,828	3,727,171
Net Movement in Funds		5,589,233	(2,140,554)
Fund balances brought forward at 1 October 2003		51,559,209	53,699,763
Fund balances carried forward at 30 September 2004		57,148,442	51,559,209

All recognised gains and losses arising in the year are included in the above Statement of Financial Activities.
All income is derived from continuing operations.
Net Incoming/(Outgoing) Resources represents the surplus/(deficit) for the year for Companies Act purposes.
The accompanying notes are an integral part of this statement.

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Balance Sheet

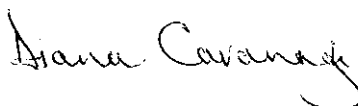
as at 30 September 2004

		2004	2003
		£	£
	Notes		
Fixed Assets			
Tangible assets	14(a)	18,615,137	19,049,383
Investments – listed	14(b)	30,842,239	25,082,291
		<u>49,457,376</u>	<u>44,131,674</u>
Current Assets			
Stocks		193,636	171,297
Debtors	15	30,448,840	18,183,717
Cash at bank and in hand		4,610,897	8,496,883
		<u>35,253,373</u>	<u>26,851,897</u>
Creditors – Amounts falling due within one year	16	<u>22,018,645</u>	<u>17,176,224</u>
Net Current Assets		<u>13,234,728</u>	<u>9,675,673</u>
Total Assets less Current Liabilities		62,692,104	53,807,347
Provisions	18	5,543,662	2,248,138
Net Assets		<u><u>57,148,442</u></u>	<u><u>51,559,209</u></u>
Unrestricted Fund	19	<u><u>57,148,442</u></u>	<u><u>51,559,209</u></u>

Approved by the Council on 17 March 2005 and signed on its behalf by:

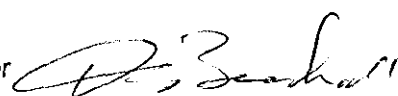
Mrs D L Cavanagh

Chair of the Council



Mr D F Birchall

Director



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Cash Flow Statement

Reconciliation of net outgoing resources to net cash inflow from operating activities

	2004 £	2003 £
Surplus/(deficit) before investment income	1,090,716	(7,010,040)
Depreciation	2,250,137	2,173,639
Loss on disposal of tangible fixed assets	164,043	-
(Increase)/decrease in stock	(22,339)	2,768
(Increase)/decrease in debtors	(12,265,123)	(3,579,699)
Increase/(decrease) in creditors	5,891,176	674,027
Increase/(decrease) in provisions	3,295,524	(367,091)
	<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities	404,134	(8,106,396)
	<hr/>	<hr/>
Cash flow statement		
Net cash inflow/(outflow) from operating activities	404,134	(8,106,396)
Returns on investments and servicing of finance		
Investment income	1,944,200	1,995,356
Capital expenditure and financial investments		
Net payments on tangible fixed assets	(1,979,934)	(2,548,393)
Net payments on fixed asset investments	(3,205,632)	5,161,213
	<hr/>	<hr/>
	(5,185,566)	2,612,820
	<hr/>	<hr/>
	(2,837,232)	(3,498,220)
Management of liquid resources		
Decrease in term deposits	-	4,000,000
	<hr/>	<hr/>
(Decrease)/increase in cash	(2,837,232)	501,780
	<hr/>	<hr/>
Reconciliation of net cash flow to movement in net funds		
(Decrease)/increase in cash in the year	(2,837,232)	501,780
Outflow from liquid resources	-	(4,000,000)
	<hr/>	<hr/>
Change in the year	(2,837,232)	(3,498,220)
Net funds at 1 October 2003	7,127,253	10,625,473
	<hr/>	<hr/>
Net funds at 30 September 2004	4,290,021	7,127,253
	<hr/>	<hr/>

Liquid resources are those items which are readily convertible to cash at or close to their carrying amount.

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Notes to the Accounts

1. Principal Accounting Policies

(a) *Accounting Convention*

These accounts have been prepared under the historical cost convention modified by the revaluation of certain fixed asset investments and in accordance with applicable accounting standards. In addition the accounts have been drawn up to comply with the Statement of Recommended Practice on Accounting by Charities issued in 2000 (SORP 2000).

(b) *Examination and Other Income*

All income is recognised on a receivable basis. Examination and other income is included in the Statement of Financial Activities (SOFA) in the period in which the examinations take place.

(c) *Resources Expended*

(i) *Cost of generating funds*

Cost of generating funds represents investment management fees.

(ii) *Costs of activities in furtherance of the charity's objects*

Costs of activities in furtherance of the charity's objects represents expenditure incurred in preparing, issuing and marking examinations. This includes expenses such as examiners and markers fees, printing of examination papers and postage.

(iii) *Support costs*

Support costs represent those expenses incurred in supporting the charity's objects of preparing, issuing and marking examinations. Included in these costs are wages and salaries, IT costs and a proportion of general overheads.

(iv) *Management and administration*

Management and administration represents the proportion of staff costs relating to the management and administration of the charity, external and internal audit costs, a proportion of overhead expenses and senior committee expenses. The basis of cost allocation between support costs and management and administration has been reviewed and updated and the comparative figures for 2003 have been restated.

(v) *Basis of staff allocation*

All directly attributable overheads are charged to the appropriate expense category in the SOFA. General overheads are allocated on the basis of staff costs.

(d) *Specification Development*

Expenditure on the development of specifications and related teacher support materials is charged to the SOFA in the period in which the expenditure is incurred.

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Notes to the Accounts

1. Principal Accounting Policies (continued)

(e) *Systems Development*

The costs of developing new systems and related computer software are charged to the SOFA in the period in which the expenditure is incurred.

(f) *Pensions*

During the year, AQA operated The AQA Pension Scheme which is a defined benefit scheme that provides benefits based on pensionable salary. AQA also contributes to four further defined benefit schemes namely, the Avon Pension Fund, the Greater Manchester Pension Fund (GMPF), the Teachers' Pension Scheme and the Universities Superannuation Fund. With the exception of the GMPF, the other three schemes are multi-employer schemes where it is not possible to separately identify the assets and liabilities attributable to each employer. Consequently, contributions are charged in the SOFA in the period to which they relate.

Contributions to the defined benefit schemes are charged to the SOFA so as to spread the cost of pensions over employees' working lives with AQA.

(g) *Value Added Tax*

The majority of AQA's supplies are exempt for VAT 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 SOFA under the appropriate expense category or added to the cost of fixed assets.

(h) *Operating Leases*

Charges in respect of operating leases are recognised in the SOFA over the lives of the leasing agreements as incurred.

(i) *Tangible Fixed Assets*

Tangible fixed assets are stated at cost, net of depreciation. 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 buildings	40 years
Leasehold buildings	40 - 60 years
Leasehold land	125 years (period of lease)
Office equipment	8 years
IT equipment	3 years
Motor vehicles	4 years

For the purposes of SORP 2000, all tangible fixed assets are considered to be functional assets of the charity.

Tangible assets costing more than £750 per individual item or group of related items are capitalised in the year of acquisition.

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Notes to the Accounts

1. Principal Accounting Policies (continued)

(j) *Fixed Asset Investments*

Investment income is included in the accounts in the year in which it is receivable and investments are shown at market value at the balance sheet date.

The analysis of investment gains/losses is provided in note 14 and realised gains/losses are calculated as the difference between historic cost and market value (i.e. sales proceeds). This departure from the SORP is considered appropriate and is the way investment gains/losses are reported by AQA's investment managers.

(k) *Deferred Income and Expenditure*

Examination fees and chargeable meeting fees received in advance are deferred and recognised in the period the examinations and meetings take place.

Expenditure on question papers and on fees and expenses of examiners relating to examinations after the period end are carried forward as payments in advance to be charged against the period in which the examinations take place.

(l) *Stocks*

The purchase of materials, goods and examination materials are written off in the period of purchase. Printing stocks are valued at the lower of cost and net realisable value.

(m) *Recognition of Liabilities*

Provisions are recognised when AQA 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. Provisions are not discounted.

2. AQA Council

None of the Directors, who constitute the members of the AQA Council, including the Chair, is paid any remuneration for services to AQA. Travelling and subsistence expenses amounting to £31,301 (2003 - £29,959), were reimbursed to 21 (2003 - 24) Directors.

3. Examination Income

	2004 £	2003 £
United Kingdom	138,811,928	124,313,752
Overseas	318,275	298,115
	<hr/>	<hr/>
	139,130,203	124,611,867
	<hr/>	<hr/>

As the Overseas Income is not material, no segmental analysis as required by Statement of Standard Accounting Practice 25 Segmental Reporting, is given.

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Notes to the Accounts

	2004 £	2003 £
4. Other Income		
National Assessment Agency – modernisation programme funding	7,557,081	-
Publications and other income	2,499,860	2,381,381
	<u>10,056,941</u>	<u>2,381,381</u>
5. Investment Income		
Interest – UK listed securities	818,727	238,385
Interest – UK deposits	813,983	1,560,432
Dividends – UK listed funds	311,490	175,676
	<u>1,944,200</u>	<u>1,974,493</u>
6. Costs of Generating Funds		
Investment managers' fees	49,855	71,903
	<u>49,855</u>	<u>71,903</u>
7. Costs of Activities in Furtherance of the Charity's Objects		
Examiner costs and teacher release	75,274,143	67,715,639
Printing, postage and other examination costs	9,944,866	9,553,678
Temporary staff costs	1,169,786	1,302,274
	<u>86,388,795</u>	<u>78,571,591</u>
8. Support Costs		
Staff costs	40,494,752	38,233,301
Premises costs	4,266,913	4,234,760
IT costs, teacher support and marketing	8,264,128	7,599,957
Depreciation	2,250,137	2,173,639
Printing and other costs	2,386,547	2,558,535
	<u>57,662,477</u>	<u>54,800,192</u>

AQA

Notes to the Accounts

	2004 £	2003 £
9. Management and Administration		
Staff costs	229,889	164,832
Legal and professional	201,855	77,853
Overheads	251,067	237,046
Senior committee expenses	94,576	79,871
	<u>777,387</u>	<u>559,602</u>
10. Restructuring		
Restructuring costs relate to the cessation of the National Curriculum Tests contract with QCA and the closure of two of AQA's offices. All costs directly relating to the restructuring are included in the SOFA.		
11. Taxation		
AQA is a charity and therefore claims exemption from corporation tax.		
12. Net Incoming/(Outgoing) Resources		
	2004 £	2003 £
Net incoming/(outgoing) resources are arrived at after charging:		
Auditor's remuneration:		
audit fee	78,725	62,862
other fees	42,727	16,609
Operating lease rentals:		
land and buildings	664,402	516,175
plant and machinery	307,222	322,312
Depreciation	2,250,137	2,173,639
Staff Costs (see note 13)	<u>41,894,427</u>	<u>39,700,407</u>

AQA

Notes to the Accounts

	2004 £	2003 £
13. Staff Costs		
Wages and salaries	33,808,198	32,402,361
Social Security costs	2,165,061	2,285,160
Pension costs	4,347,882	2,980,683
	<hr/>	<hr/>
Other staff related costs	40,321,141	37,668,204
	1,573,286	2,032,203
	<hr/>	<hr/>
	41,894,427	39,700,407
	<hr/>	<hr/>

No emoluments have been paid to the Directors (who are also Trustees) during the year.

	2004	2003
Average number of employees: all of whom are directly or indirectly employed in the administration of examinations		
Examinations	1,270	1,266
Support and administration	299	298
	<hr/>	<hr/>
	1,569	1,564
	<hr/>	<hr/>

Higher paid employees fell within the following annual bands

£50,001 to £60,000	17	18
£70,001 to £80,000	4	6
£80,001 to £90,000	1	-
£110,001 to £120,000	1	1

All higher paid employees accrued benefits under defined benefit pension schemes during the current and previous year.

AQA

Notes to the Accounts

14. Fixed Assets

(a) *Tangible Assets*

	Freehold Land & Buildings £	Leasehold Land & Buildings £	IT Equipment £	Furniture, Equipment and Vehicles £	Total £
<u>COST</u>					
1 October 2003	3,613,939	14,770,208	12,968,774	6,211,597	37,564,518
Additions	432,502	200,925	1,275,994	70,513	1,979,934
Disposals	(621)	-	(7,383,325)	(1,793,022)	(9,176,968)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
30 September 2004	4,045,820	14,971,133	6,861,443	4,489,088	30,367,484
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<u>DEPRECIATION</u>					
1 October 2003	606,308	2,643,472	10,989,920	4,275,435	18,515,135
Charge for the period	121,985	319,358	1,283,643	525,151	2,250,137
On disposals	(66)	-	(7,343,582)	(1,669,277)	(9,012,925)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
30 September 2004	728,227	2,962,830	4,929,981	3,131,309	11,752,347
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<u>NET BOOK VALUE</u>					
30 September 2004	3,317,593	12,008,303	1,931,462	1,357,779	18,615,137
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
30 September 2003	3,007,631	12,126,736	1,978,854	1,936,162	19,049,383
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

AQA

Notes to the Accounts

14. Fixed Assets (continued)

(b) Investments

	2004 £	2003 £
Market value at 1 October 2003	25,082,291	27,348,511
Additions at cost	29,688,753	10,176,723
Disposals at market value (i.e. sales proceeds)	(26,483,122)	(15,337,936)
Net investment gains	2,554,317	2,894,993
	<hr/>	<hr/>
Market value at 30 September 2004	30,842,239	25,082,291
Cost at 30 September 2004	(29,344,431)	(25,491,311)
	<hr/>	<hr/>
Balance on net unrealised gain reserve	1,497,808	(409,020)
	<hr/>	<hr/>
Analysis of net investment gains		
Movement on unrealised gains	1,906,828	3,727,171
Realised gains/(losses) based on historic cost of investments disposed of during the year	647,489	(832,178)
	<hr/>	<hr/>
Net investment gains	2,554,317	2,894,993
	<hr/>	<hr/>

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Notes to the Accounts

14. Fixed Assets (continued)

(b) Investments (continued)

	Value at 30 Sept 2004 £	% of total	Value at 30 Sept 2003 £	% of total
UK Equities and UK Property Unit Trusts				
Schroder Charity Equity Fund Accumulation Units	-	-	10,799,391	43.0
Schroder Charity Equity Fund Income Units	10,505,714	34.0	-	-
Charishare Distribution Units	6,070,101	19.7	1,054,251	4.2
Schroder Exempt Property Units	1,965,218	6.4	-	-
Other	3,062,052	9.9	4,792,769	19.1
UK Fixed Interest – listed				
Treasury 7.5% Stock	-	-	2,368,535	9.4
Schroder Charity Fixed Interest Fund Income Units	3,538,312	11.5	-	-
Charinco Distribution Units	1,988,593	6.4	114,208	0.5
Other	-	-	1,411,910	5.6
International Equities				
Institutional Overseas Equity Fund Equity Units	-	-	3,354,894	13.4
Schroder Institutional Overseas Equity Fund Income Units	2,119,562	6.9	-	-
33 KWS Overseas Fund Income Units	1,592,687	5.2	518,748	2.1
Other	-	-	667,585	2.7
	<u>30,842,239</u>	<u>100.0</u>	<u>25,082,291</u>	<u>100.0</u>

Except as indicated above no single investment exceeded 5% of the total value of investments.

(c) Joint Venture

AQA participates in the joint venture company Qualdat with two other examination groups. No amounts have been disclosed in AQA's financial statements as they are not considered material.

15. Debtors

	2004 £	2003 £
Trade debtors	27,272,610	16,138,084
Other debtors	56,506	51,332
Prepayments and accrued income	3,119,724	1,994,301
	<u>30,448,840</u>	<u>18,183,717</u>

AQA

Notes to the Accounts

	2004 £	2003 £
16. Creditors: Amounts falling due within one year		
Bank overdrafts	320,876	1,369,630
Other trade creditors	2,786,156	719,944
Other taxes and social security costs	12,145,302	10,833,702
Other creditors	588,085	62,135
Accruals	5,181,818	4,190,813
Deferred income (note 17)	996,408	-
	<u>22,018,645</u>	<u>17,176,224</u>

17. Deferred Income

Balance at 1 October 2003	-	-
Pre-paid examination entry fees and meeting fees	996,408	-
	<u>996,408</u>	<u>-</u>
Balance at 30 September 2004	996,408	-

18. Provisions

	Restructuring £	Leasehold Dilapidations £	Augmented Pension £	Total £
Balance at 1 October 2003	-	-	2,248,138	2,248,138
Provided	2,789,514	85,760	824,644	3,699,918
Utilised	(176,023)	-	(228,371)	(404,394)
	<u>2,613,491</u>	<u>85,760</u>	<u>2,844,411</u>	<u>5,543,662</u>
Balance at 30 September 2004	2,613,491	85,760	2,844,411	5,543,662

- (a) The provision for restructuring represents amounts provided in respect of restructuring costs relating to the cessation of the National Curriculum Tests contract with QCA and the closure of two of AQA's offices.
- (b) The provision for leasehold dilapidations relates to estimated contractual future costs of making good leasehold properties when they are vacated.
- (c) The provision for augmented pensions represents amounts provided in respect of the cost of augmented unfunded pensions for members of staff who have left, based on actuarial advice. Amounts subsequently paid over to pension funds are charged against the provision.

AQA

Notes to the Accounts

19. Unrestricted Fund

	Accumulated Fund £
Balance at 1 October 2003	51,559,209
Net incoming resources	3,682,405
Net unrealised gain on investments	1,906,828
	<hr/>
Balance at 30 September 2004	57,148,442
	<hr/>

The Council considers that the Reserves of AQA constitute a single unrestricted fund.

20. Reconciliation of Movements in Funds

	2004 £	2003 £
Opening funds	51,559,209	53,699,763
Net movement in funds in the financial year	5,589,233	(2,140,554)
	<hr/>	<hr/>
Closing funds	57,148,442	51,559,209
	<hr/>	<hr/>

21. Operating Lease Commitments

At 30 September 2004 AQA was committed to making the following payments during the year commencing on 1 October 2004 in respect of operating leases.

	Land and Buildings		Other	
	2004 £	2003 £	2004 £	2003 £
Leases which expire:				
Within 1 year	133,768	145,706	125,398	185,603
within 2 to 5 years	-	58,162	261,361	320,456
after 5 years	538,191	436,309	-	-

22. Capital Commitments

	2004 £	2003 £
Contracted for but not provided	32,808	-
	<hr/>	<hr/>

AQA

Notes to the Accounts

23. Retirement Benefits

The two principal schemes for AQA's staff are the AQA Pension Scheme and the Greater Manchester Pension Fund (GMPF). AQA also contributes to three multi-employer defined benefit schemes.

The total pension costs during the year are as follows:

	2004 £	2003 £
Scheme:		
AQA – Note 23(a)	2,092,197	1,302,522
GMPF – Note 23(b)	1,144,959	1,096,730
Other pension schemes – Note 23(d)	286,082	279,121
	<hr/>	<hr/>
Total pension contributions	3,523,238	2,678,373
Pension provision (note 18)	824,644	302,310
	<hr/>	<hr/>
Total pension costs	4,347,882	2,980,683
	<hr/>	<hr/>

The pension costs for the year have been prepared on a SSAP24 basis. The Accounting Standards Board (ASB) is proposing to account for pension costs on a new basis as detailed in Financial Reporting Standard 17 (FRS17). The ASB guidance requires the impact of FRS17 to be separately disclosed in the notes to the accounts.

(a) The AQA Pension Scheme

During the year, AQA operated the AQA Pension Scheme which is a single defined benefit scheme that provides benefits based on pensionable salary. The assets of the scheme were held separately from those of AQA being invested in trustee administered funds.

SSAP24

Contributions to the scheme are charged to the Statement of Financial Activities so as to spread the cost of pension over employees' working lives with AQA. The contributions are determined by qualified actuaries on the basis of triennial valuations. The most recent full actuarial valuation for the AQA Scheme is at 30 September 2003 and the main results and assumptions of the valuation of the AQA Scheme are as follows.

Latest actuarial valuation date	30 September 2003
Method used	Projected Unit
Rate of increase in pensionable salaries	5.0%
Rate of future investments return	7.2%
Rate of increase in pensions in payment	3.0%
Price inflation rate	3.0%
Valuation rate of interest	7.7%
Market value of schemes' assets	£34.66m
Funding level	87%
Date of next valuation	30 September 2006

AQA

Notes to the Accounts

23. (a) The AQA Pension Scheme (continued)

The actuarial valuation showed that the market value of the scheme's assets was £34.66m which represented 87% of the benefits that had accrued to members. AQA's contribution rate, which rose to 21.5% in April 2004, will continue which, after taking account of some changes to benefits jointly agreed between the Trustees and AQA, should eliminate the deficit over the normal working lives of the employees.

FRS17

The following information is based upon the latest full actuarial valuation of the fund as at 30 September 2003 and updated by a qualified independent actuary to 30 September 2004 for the purposes of the FRS17 disclosures.

Assumptions

The assets of the scheme have been taken at market value and the liabilities have been calculated using the following principal actuarial assumptions.

	2004	2003	2002
	% per annum	% per annum	% per annum
Inflation	2.75	2.50	2.25
Pension increases	2.75	2.50	2.25
Salary increases	4.25	4.00	3.75
Discount rate	5.50	5.30	5.40

Assets in the Scheme and the expected rates of return

	2004		2003		2002	
	Expected Return	Value	Expected Return	Value	Expected Return	Value
	% per annum	£000	% per annum	£000	% per annum	£000
Equities	8.00	27,400	8.00	23,900	7.75	20,600
Bonds	5.25	9,800	5.00	9,000	5.00	5,300
Property	6.50	1,800	6.50	1,600	6.50	1,100
Cash and other	4.25	600	4.00	100	3.75	2,400
		<hr/>		<hr/>		<hr/>
Total market value		39,600		34,600		29,400
		<hr/>		<hr/>		<hr/>
Present value of scheme liabilities		(56,200)		(48,000)		(40,300)
		<hr/>		<hr/>		<hr/>
Net pension liability		(16,600)		(13,400)		(10,900)
		<hr/>		<hr/>		<hr/>

AQA

Notes to the Accounts

23. (a) The AQA Pension Scheme (continued)

Charge to the Statement of Financial Activities before Net Incoming Resources

	2004 £000	2003 £000
Current service cost	3,500	2,700

Analysis of the net return on the pension scheme

	2004 £000	2003 £000
Expected return on pension scheme assets	2,500	2,100
Interest on pension scheme liabilities	(2,500)	(2,200)
Net return included in incoming resources	0	(100)

Charge to the Statement of Financial Activities after Net Incoming Resources

	2004 £000	2003 £000
Actual return less expected return on pension scheme assets	1,400	1,900
Experience gains and (losses) on the schemes liabilities	(2,100)	-
Changes in assumptions underlying the present value of the scheme liabilities	(1,100)	(2,900)
Actuarial loss recognised in Statement of Financial Activities	(1,800)	(1,000)

AQA

Notes to the Accounts

23. (a) The AQA Pension Scheme (continued)

Movements in the scheme deficit during the year

	2004 £000	2003 £000
Deficit at the beginning of the year	(13,400)	(10,900)
Current service cost	(3,500)	(2,700)
Employer contributions	2,100	1,300
Other finance income	-	(100)
Actuarial losses	(1,800)	(1,000)
	<hr/>	<hr/>
Deficit at the end of the year	(16,600)	(13,400)
	<hr/>	<hr/>

History of experience gains and losses

	2004	2003	2002	2001
Difference between the expected and actual return on the scheme assets:				
Amount (£000)	1,400	1,900	(7,600)	(2,820)
Percentage of scheme assets	3.5%	5.5%	(25.8%)	(16.3%)
Experience gains and (losses) on scheme liabilities:				
Amount (£000)	(2,100)	-	400	360
Percentage of the present value of the scheme liabilities	(3.7%)	-	1.0%	1.7%
Total amount recognised in Statement of Financial Activities:				
Amount (£000)	(1,800)	(1,000)	(9,900)	(2,460)
Percentage of the present value of the Scheme liabilities	(3.2%)	(2.1%)	(24.6%)	(11.9%)

(b) Greater Manchester Pension Fund (GMPF)

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.

SSAP24

Contributions to the scheme are charged to the Statement of Financial Activities so as to spread the cost of pension over employees' working lives with AQA. The contributions paid are held in a trust separately from AQA and are determined by qualified actuaries on the basis of triennial valuations. The most recent full actuarial valuation for the GMPF Scheme is at 31 March 2001 and covers the entire GMPF Scheme, of which AQA is a part. The main results and assumptions of the valuations for the entire GMPF Scheme are as follows.

AQA

Notes to the Accounts

23. (b) Greater Manchester Pension Fund (GMPF) (continued)

Latest actuarial valuation date	31 March 2001
Method used	Projected Unit
Rate of increase in pensionable salaries	4.3%
Rate of future investments return	6.25%
- equities	
- bonds	5.25%
Rate of increase in pensions in payment	2.8%
Price inflation rate	2.8%
Market value of the total GMPF schemes' assets	£6,261m
Funding level	105%
Date of next valuation	31 March 2004

FRS17

The following FRS17 information represents AQA's separately identifiable share of the GMPF Scheme. The information is based upon the latest full actuarial valuation of the fund as at 31 March 2001 and updated to 30 September 2004 by a qualified independent actuary to 30 September 2004 for the purposes of the FRS17 disclosures.

Assumptions

The assets of the scheme have been taken at market value and the liabilities have been calculated using the following principal actuarial assumptions.

	2004 % per annum	2003 % per annum	2002 % per annum
Inflation	2.9	2.6	2.3
Pension increases	2.9	2.6	3.8
Salary increases	4.4	4.1	2.3
Discount rate	5.5	5.3	5.5

The FRS17 GMPF comparatives for the years 2003 and 2002 (and 2001 where appropriate) have been restated to reflect the change in the discount rate assumption from the CIPFA guideline rate to the ASB guideline rate.

AQA

Notes to the Accounts

23. (b) Greater Manchester Pension Fund (GMPF) (continued)

Assets in the Scheme and the expected rates of return

	2004		2003		2002	
	Expected Return % per annum	Fund Value £000	Expected Return % per annum	Fund Value £000	Expected Return % per annum	Fund Value £000
Equities	7.5	16,728	8.0	14,300	8.0	11,244
Bonds	5.1	4,031	5.0	3,522	5.5	3,003
Property	6.4	2,441	6.0	2,079	6.0	1,864
Cash	4.8	1,390	3.5	1,316	4.0	1,143
		<hr/>		<hr/>		<hr/>
Total market value		24,590		21,217		17,254
		<hr/>		<hr/>		<hr/>
Present value of scheme liabilities		(31,111)		(27,547)		(22,975)
		<hr/>		<hr/>		<hr/>
Net pension liability before unfunded liabilities		(6,521)		(6,330)		(5,721)
		<hr/>		<hr/>		<hr/>
Unfunded liabilities		(1,558)		(1,538)		-
		<hr/>		<hr/>		<hr/>
Net pension liability		(8,079)		(7,868)		(5,721)
		<hr/>		<hr/>		<hr/>

Charge to the Statement of Financial Activities before Net Incoming Resources

	2004 £000	2003 £000
Current service cost	1,340	1,127
Past service cost	61	30
	<hr/>	<hr/>
Total amount to be charged as resources expended	1,401	1,157
	<hr/>	<hr/>

AQA

Notes to the Accounts

23. (b) Greater Manchester Pension Fund (GMPF) (continued)

Analysis of the net return on the pension scheme

	2004 £000	2003 £000
Expected return on pension scheme assets	1,529	1,262
Interest on pension scheme liabilities	(1,579)	(1,217)
Net return included in incoming resources	<u>(50)</u>	<u>45</u>

Charge to the Statement of Financial Activities after Net Incoming Resources

	2004 £000	2003 £000
Actual return less expected return on pension scheme assets	735	1,438
Experience gains and (losses) arising on the scheme liabilities	(10)	(848)
Change in assumptions underlying the present value of the scheme liabilities	(706)	(2,740)
Actuarial gain/(loss) recognised in the Statement of Financial Activities	<u>19</u>	<u>(2,150)</u>

Movements in the scheme deficit during the year

	2004 £000	2003 £000
Deficit at the beginning of the year	(7,868)	(5,721)
Current service cost	(1,340)	(1,127)
Employer contributions	1,134	1,115
Contributions in respect of unfunded benefits	87	-
Past service costs	(61)	(30)
Net return on assets	(50)	45
Actuarial gains/(losses)	19	(2,150)
Deficit at the end of the year	<u>(8,079)</u>	<u>(7,868)</u>

AQA

Notes to the Accounts

23. (b) Greater Manchester Pension Fund (GMPF) (continued)

History of experience gains and losses

	2004	2003	2002
Difference between the expected and actual return on scheme assets:			
Amount (£000)	735	1,438	(2,820)
Percentage of scheme assets	3.0%	6.8%	(16.3%)
Experience gains and (losses) on scheme liabilities:			
Amount (£000)	(10)	(848)	(107)
Percentage of the present value of the scheme liabilities	(0.0%)	(2.9%)	(0.5%)
Total amount recognised in Statement of Financial Activities:			
Amount (£000)	19	(2,150)	(4,447)
Percentage of the present value of the Scheme liabilities	0.1%	(7.4%)	(19.4%)

(c) Analysis of Unrestricted Funds for FRS17 Purposes

For FRS17 purposes, the total funds relating to the defined benefit pension schemes' deficit are as follows.

	2004		2003	
	£000	£000	£000	£000
Total funds excluding pension deficits		57,148		51,559
AQA scheme deficit	(16,600)		(13,400)	
GMPF scheme deficit before unfunded liabilities	(6,521)		(6,330)	
		(23,121)		(19,730)
Total funds including pension deficits		34,027		31,829

The combined £23m pension deficit of the AQA and GMPF Schemes are calculated under the FRS17 methodology which differs from the methodology used by actuaries in calculating the employer's contribution to the schemes. Accordingly, the £23m deficit reported for FRS17 purposes does not directly affect the employer's pension contribution rates which spread the contributions over employees' working lives with AQA.

(d) Other Pension Schemes

Multi-employer Defined Benefit Schemes

AQA participates in three multi-employer defined benefit schemes where it is not possible to separately identify the assets and liabilities for each participating employer. Accordingly, under FRS17, these schemes are treated as defined contribution schemes for accounting purposes only.