



Assessment and Qualifications Alliance
(a company limited by guarantee)

**Accounts for the year ended 30 September 2003
together with directors' report and auditors' report**

Registered company number 3644723

Registered charity number 1073334



AQA

Registered Office and Advisors

REGISTERED OFFICE

Assessment and Qualifications Alliance
Devas Street
Manchester
M15 6EX

PRINCIPAL ADDRESSES

Devas Street
Manchester
M15 6EX

Stag Hill House
Guildford
Surrey
GU2 7XJ

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

Addleshaw Goddard
100 Barbirolli Square
Manchester
ME2 3AB

AQA

Directors' Report

Introduction

The Directors, who are also AQA Trustees, present their annual report, together with the accounts and auditors' report, for the year ended 30 September 2003.

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.

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.

The year 2002/03 began in the aftermath of the difficulties nationally with the summer 2002 results and finished with the successful completion of the summer 2003 results. The difficulties following the summer 2002 results led to the setting up of the review under Mike Tomlinson and AQA co-operated fully with this review and willingly subjected all its grade boundary decisions to scrutiny. In the event all our grade boundaries were upheld and, therefore, no AQA grade boundaries were changed as a result of the Tomlinson enquiry. The effects of this affair, however, continued, and the Chief Executive was called before a Select Committee of the House of Commons in October 2002. The Select Committee found no fault with AQA or its procedures and results. It did, however, recommend that the Department for Education and Skills should allow longer lead-in times for any future major changes to the examinations system.

Mike Tomlinson was also asked to consider wider issues relating to Curriculum 2000. In December 2002 his second report recommended that the Joint Council for General Qualifications (JCGQ) should work towards producing greater uniformity in the various examining boards' procedures so that they become more user friendly. A report from the Cabinet Office considering how the bureaucratic burden on schools could be reduced further strengthened this message. AQA has, therefore, been working with the other awarding bodies on the restructuring of the JCGQ; this culminated in the Joint Council for Qualifications (JCQ) coming into existence at the beginning of 2004. The JCQ, which now also includes the City & Guilds of London Institute within its membership, will be able to respond to current demands much more readily than its predecessor body.

The Secretary of State set up a 14-19 Working Party also under the chairmanship of Mike Tomlinson in early 2003 to make recommendations regarding how the qualifications system might need to be modified to meet the nation's needs in the future. This Working Party is still in progress and a number of AQA staff, including the Chief Executive, have been actively involved in its work.

During the year, AQA has continued to plan for the future, in particular the introduction of new technologies to help increase the accuracy and efficiency of the examining process. To this end, AQA is committed to an investment programme totalling some £20 million over a period of five years. Following the events of summer 2002, QCA has developed a modernisation programme and AQA is co-operating fully with QCA and the other Awarding Bodies in moving this programme forwards.

The year-end saw plans being made to bid for the new contract to mark and collect national data for the National Curriculum Tests from 2005 onwards. This culminated in the lodging of a bid for this work in January 2004 and AQA now awaits the outcome expected in the Spring.

The year was significant also in other ways. It was the centenary of the founding of the JMB (the oldest forbear of AQA) and also the fiftieth anniversary of the founding of the AEB. These anniversaries were marked by a National Conference held in the Queen Elizabeth II Conference Centre in London in May 2003 at which the Secretary of State was the lead speaker. AQA also published a book entitled "Setting the Standard" which charted the history of public examinations and the settings of standards over the last one hundred years. The year also saw Raoul Franklin, the first Chair of AQA, step down from office, being replaced by Diana Cavanagh, previously Vice-Chair. The end of the year also saw Kathleen Tattersall retire from the post of Chief Executive, after a long career in public examining which had been marked by the award of the OBE earlier in the year. She is succeeded as Chief Executive by Mike Cresswell, an acknowledged world authority on assessment and the setting of standards.

AQA

Directors' Report

From a financial perspective, it has been another difficult year for AQA. However, plans which were put in place following 2001/02 to return to a non-deficit position are on track. Income for the year 2002/03 was maintained at expected levels and progress was made in controlling costs. A substantial cut in AQA's operating deficit was therefore achieved which, together with increases in the Stock Market, has led to a significantly better financial performance than in the previous year. Once AQA has returned to a non-deficit position, it plans to begin to rebuild the reserves that have been reduced in the last few years.

Results

The Statement of Financial Activities on page 9 shows income for the year from examination and other activities of £128,967,741. Total expenditure for the year was £134,003,288, resulting in an operating deficit of £5,035,547. After taking into account the net realised losses on investments of £832,178 and net unrealised gains on investments of £3,727,171. AQA's overall funds reduced by £2,140,554 to £51,559,209.

Reserves Policy

AQA aims to maintain the Accumulated Fund at a level sufficient to ensure financial stability whilst avoiding significant fluctuations in the examination fees and enabling significant expenditure from time to time in such areas as the development of new examinations specifications and the enhancement of computer systems. The reserves policy supporting this aim is to maintain the Accumulated Fund at a level appropriate to serve this purpose. It is the aim of the Council to rebuild the reserves from their current level of approximately 4.8 months of income to 9 months of income over the next three to five years.

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

Disabled Persons Policy

AQA is an equal opportunities employer. As such, it supports the employment of disabled persons wherever possible, both in recruitment and in the retention of employees becoming disabled during their employment and 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 and bulletins. 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

A Quality Assurance Committee has been established which reports directly to the Council. The Committee comprises Trustees and other independent members and is chaired by an independent member. The Committee meets three times 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.

High level risk plans have been developed by all senior managers for all departments. The risk plans are monitored by the Management Executive Committee and a report will be provided to the Council annually.

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Directors' Report

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. 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 the performance of the Fund Managers.

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.

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. A significant proportion of AQA committee members are serving teachers in centres which offer AQA qualifications.

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

Subsequent to the year end, the Council has established an Audit Committee to recommend the annual statutory accounts for approval and review related ancillary matters.

The Staffing Committee is responsible for staffing policy and AQA's Terms and 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.

Directors

Mrs D L Cavanagh (Chair)	(from 30.9.98)
(appointed Chair 1.4.03)	
Dr J Ash	(from 1.4.02)
Professor C Baker	(from 1.4.03)
Mr D Battye	(from 1.4.01)

Mr D F Birchall	(from 30.9.98)
Mr A J Booth (Vice Chair)	(from 5.4.00)
(appointed Vice Chair 1.4.03)	
Mr S Bradford	(from 1.10.99)
Mrs D P Chambers	(from 1.4.03)

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Directors' Report

Miss L Devlin	(from 1.4.01 resigned 12.12.03)	Dr P R Mason	(from 1.4.01)
Professor R N Franklin (resigned as Chair 31.3.03)	(from 30.9.98)	Mrs E A J Nicholson	(from 1.4.01 resigned 28.11.02)
Mr P Galsworthy	(from 1.4.02)	Mr M Oldham	(from 5.4.00)
Mr G Glyn	(from 1.4.01)	Professor P Preece	(from 30.9.98)
Mr V B Guthrie	(from 30.9.98)	Mrs S Rogers	(from 30.9.98)
Dr J Henshaw	(from 1.4.02 resigned 3.6.03)	Professor M J R Shave	(from 30.9.98 resigned 31.3.03)
Professor J Harding	(from 1.10.02)	Mr A E D Starr	(from 1.4.01)
Mr D Hawker	(from 1.4.03)	Mrs J Sturgis	(from 30.9.98 resigned 31.3.03)
Mr T Jolliffe	(from 30.9.98)	Mr F Sumner	(from 30.9.98)
Dr H Keable	(from 5.4.00 resigned 31.3.03)	Mrs M Twelftree	(from 30.9.98)
		Dr M P Williamson	(from 1.4.01)

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

10 February 2004

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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.

AQA

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 2003 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 whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 2003 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

11 February 2004

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Statement of Financial Activities for the year ended 30 September 2003

	Notes	2003 £	2002 £
Incoming Resources			
Examination fees	3	124,611,867	114,712,782
Other income		2,381,381	1,275,568
Investment income	4	1,974,493	2,506,499
Total Incoming Resources		<u>128,967,741</u>	<u>118,494,849</u>
Resources Expended			
Cost of generating funds	5	71,903	82,629
Charitable expenditure:			
Costs of activities in furtherance of the charity's objects	6	78,571,591	75,616,947
Support costs	7	52,700,036	51,641,025
Management and administration	8	2,659,758	2,807,993
Total Resources Expended		<u>134,003,288</u>	<u>130,148,594</u>
Net Outgoing Resources Before Revaluations and Investment Asset Disposals	10	(5,035,547)	(11,653,745)
Net realised losses on investments	13(b)	(832,178)	(837,145)
Net Outgoing Resources		<u>(5,867,725)</u>	<u>(12,490,890)</u>
Net unrealised gains on investments	13(b)	3,727,171	(5,155,135)
Net Movement in Funds		<u>(2,140,554)</u>	<u>(17,646,025)</u>
Fund balances brought forward at 1 October 2002		<u>53,699,763</u>	<u>71,345,788</u>
Fund balances carried forward at 30 September 2003		<u>51,559,209</u>	<u>53,699,763</u>

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 Outgoing Resources represents the deficit for the year for Companies Act purposes.

The accompanying notes are an integral part of this statement.

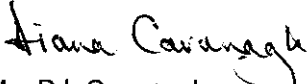
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Balance Sheet

as at 30 September 2003

		2003	2002
		£	£
	Notes		
Fixed Assets			
Tangible Assets	13(a)	19,049,383	18,674,629
Investments – Listed	13(b)	25,082,291	27,348,511
		<u>44,131,674</u>	<u>46,023,140</u>
Current assets			
Stocks		171,297	174,065
Debtors	14	18,183,717	14,624,881
Term deposits		-	4,000,000
Cash at bank and in hand		8,496,883	7,852,697
		<u>26,851,897</u>	<u>26,651,643</u>
Creditors – Amounts falling due within one year	15	<u>17,176,224</u>	<u>16,359,791</u>
Net Current Assets		<u>9,675,673</u>	<u>10,291,852</u>
Total Assets less Current Liabilities		<u>53,807,347</u>	<u>56,314,992</u>
Provisions	16	<u>2,248,138</u>	<u>2,615,229</u>
Net Assets		<u>51,559,209</u>	<u>53,699,763</u>
Unrestricted Fund	17	<u>51,559,209</u>	<u>53,699,763</u>

Approved by the Council on 10 February 2004 and signed on its behalf by:


Mrs D L Cavanagh

Chair of the Council


D F Birchall

Director

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Cash Flow Statement

Reconciliation of net outgoing resources to net cash outflow from operating activities.

	2003 £	2002 £
Deficit before investment income	(7,010,040)	(14,160,244)
Depreciation	2,173,639	2,161,982
Decrease/(increase) in stock	2,768	(33,671)
Increase in debtors	(3,579,699)	(221,394)
Increase in creditors	674,027	1,714,795
(Decrease)/increase in provisions	(367,091)	266,911
	<hr/>	<hr/>
Net cash outflow from operating activities	(8,106,396)	(10,271,621)
	<hr/>	<hr/>
Cash Flow Statement		
Net cash outflow from operating activities	(8,106,396)	(10,271,621)
Returns on investments and servicing of finance (Note 1)	1,995,356	2,582,272
Capital expenditure and financial investments (Note 1)	2,612,820	(2,859,511)
	<hr/>	<hr/>
	(3,498,220)	(10,548,860)
Management of liquid resources (Note 1)	4,000,000	5,500,000
	<hr/>	<hr/>
Increase/(decrease) in cash	501,780	(5,048,860)
	<hr/>	<hr/>
Reconciliation of net cash flow to movement in net funds		
(Note 2)		
Increase/(decrease) in cash in the year	501,780	(5,048,860)
Outflow from liquid resources	(4,000,000)	(5,500,000)
	<hr/>	<hr/>
Change in the year	(3,498,220)	(10,548,860)
Net funds at 1 October 2002	10,625,473	21,174,333
	<hr/>	<hr/>
Net funds at 30 September 2003	7,127,253	10,625,473
	<hr/>	<hr/>

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Notes to the Cash Flow Statement

	2003 £	2002 £
Note 1. Gross Cash Flows		
Returns on investments and servicing of finance		
Investment income and realised gains	1,995,356	2,582,272
Capital expenditure and financial investment		
Net payments on tangible fixed assets	(2,548,393)	(1,907,520)
Net payments on fixed asset investments	5,161,213	(951,991)
	2,612,820	(2,859,511)
Management of liquid resources		
Decrease in term deposits	(4,000,000)	(5,500,000)

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

Note 2. Analysis of change in net funds

	1 October 2002 £	Cash Flows £	30 September 2003 £
Cash in hand and at bank, less bank overdraft	6,625,473	501,780	7,127,253
Current asset investments	4,000,000	(4,000,000)	-
	10,625,473	(3,498,220)	7,127,253

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Notes to the Accounts

1. 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*

Examination income represents fees received in relation to examinations and is included in the Statement of Financial Activities (SOFA) in the period in which the examinations take place. Other income includes sales of publications and non-examination income.

(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, computer 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 expenses, a proportion of overhead expenses and senior committee expenses.

(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. Accounting Policies (continued)

(e) *Systems Development*

The costs of developing new systems and related computer software are charged to the Statement of Financial Activities 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 Statement of Financial Activities in the period to which they relate.

Contributions to the defined benefit schemes are charged to the Statement of Financial Activities 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 Statement of Financial Activities 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 Statement of Financial Activities 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
Computer 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.

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Notes to the Accounts

1. 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 13 and realised gains/losses are calculated as the difference between historic cost and market value. This departure from the Statement of Recommended Practice is considered appropriate and is the way investment gains/losses are reported by AQA's investment managers.

(k) *Deferred Income and Expenditure*

Examination fees received in advance are deferred and recognised in the period the examinations 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.

2. AQA Council

None of the Directors, who constitute the members of the AQA Council, including the Chairman, are paid any remuneration for services to AQA. Travelling and subsistence expenses amounting to £29,959 (2002 - £22,242), were reimbursed to 24 (2002 - 32) Directors.

	2003 £	2002 £
3. Analysis of Examination Fees		
United Kingdom	124,313,752	114,471,793
Overseas	298,115	240,989
	<hr/>	<hr/>
	124,611,867	114,712,782
	<hr/>	<hr/>

As the Overseas Income is not material, no segmental analysis as required by the Statement of Standard Accounting Practice 25 (SSAP25), is given.

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Notes to the Accounts

	2003 £	2002 £
4. Investment Income		
Interest – UK listed securities	238,385	217,371
Interest – UK deposits	1,560,432	1,993,559
Dividends – UK unlisted funds	175,676	295,569
	<u>1,974,493</u>	<u>2,506,499</u>
5. Costs of Generating Funds		
Investment managers' fees	<u>71,903</u>	<u>82,629</u>
6. Costs of Activities in Furtherance of the Charity's Objects		
Examiner costs and teacher release	67,715,639	63,074,049
Printing, postage and carriage	9,546,561	10,899,418
Other examination costs	7,117	307,680
Temporary staff costs	1,302,274	1,335,800
	<u>78,571,591</u>	<u>75,616,947</u>
7. Support Costs		
Staff costs	36,343,004	34,373,289
Premises costs	4,243,594	4,757,950
Computer costs, teacher support and marketing	7,599,957	8,481,402
Depreciation	2,173,639	2,161,982
Printing and other costs	2,339,842	1,866,402
	<u>52,700,036</u>	<u>51,641,025</u>

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Notes to the Accounts

	2003 £	2002 £
8. Management and Administration		
Staff costs	2,055,129	1,981,388
Legal and professional	296,546	484,785
Overheads	228,212	263,633
Senior committee expenses	79,871	78,187
	<hr/>	<hr/>
	2,659,758	2,807,993
	<hr/>	<hr/>
9. Taxation		
AQA is an exempt charity and therefore claims exemption from corporation tax.		
10. Net Outgoing Resources		
	2003 £	2002 £
Net outgoing resources are arrived at after charging:		
Auditor's remuneration:		
audit fee	62,862	59,337
other fees	16,609	9,400
Operating lease rentals:		
land and buildings	516,175	1,216,865
plant and machinery	322,312	322,340
Depreciation	2,173,639	2,161,982
Staff Costs (see note 11)	39,700,407	37,690,477
	<hr/>	<hr/>
11. Staff Costs		
Wages and salaries	32,402,361	30,360,095
Social Security costs	2,285,160	2,094,042
Pension costs	2,980,683	3,393,046
	<hr/>	<hr/>
Other staff related costs	37,668,204	35,847,183
	2,032,203	1,843,294
	<hr/>	<hr/>
	39,700,407	37,690,477
	<hr/>	<hr/>

AQA

Notes to the Accounts

11. Staff Costs (continued)

Other staff related costs include training and recruitment. No emoluments have been paid to the Directors (who are also Trustees) during the year.

	2003	2002
Average number of employees: all of whom are directly or indirectly employed in the administration of examinations		
Examinations	1266	1,251
Support and administration	298	290
	1,564	1,541
Higher paid employees fell within the following annual bands		
£50,001 to £60,000	18	18
£70,001 to £80,000	6	6
£110,001 to £120,000	1	1

12. Retirement Benefits

(a) Defined Benefit Schemes – 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. 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 NEAB Pension Scheme was merged into the AQA Pension Scheme with effect from 1 October 2002. Up to that date, the two schemes were entirely separate. The most recent full actuarial valuation for the AQA Scheme is at 30 September 2000 prior to the NEAB Scheme merger so both the AQA scheme and NEAB Scheme valuations at that date are shown separately below.

	<u>AQA SCHEME</u>	<u>NEAB SCHEME</u>
Date of valuation	30 September 2000	30 September 2000
Method used	Projected unit	Attained age
Main financial assumptions:		
Rate of increase in pensionable salaries	5.0%	3.6%
Rate of future investments return	7.0%	5.5%
Rate of increase in pensions in payment	3.0%	2.6%
Price inflation rate	3.0%	2.6%
Valuation rate of interest	7.0%	5.5%
Market value of schemes' assets	£26,480,892	£13,710,000
Funding level	109%	127%
Date of next valuation	30 September 2003	30 September 2003

AQA

Notes to the Accounts

12. Retirement Benefits (continued)

(b) Defined Benefit Scheme – 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 identified. The contributions payable are held in a trust separately from AQA.

The main results and assumptions of the valuation of the total GMPF scheme are as follows:

Date of valuation	31 March 2001
Method used	Projected unit
Main financial assumptions:	
Rate of increase in pensionable salaries	4.3%
Rate of future investments return	- equities 6.25%
	- bonds 5.25%
Rate of increase in pensions in payment	2.8%
Price inflation rate	2.8%
Market value of schemes' assets (£000)	£6,261,000
Funding level	105%
Date of next valuation	31 March 2004

During the year AQA paid contributions of 14.1% of pensionable salaries. Surpluses and deficits are spread over employee's future service lives.

(c) 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.

(d) Defined Contribution Scheme

AQA also contributes to a defined contribution scheme with which it is not directly associated.

(e) FRS17 Disclosures

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 Accounting Standard Board guidance requires the impact of FRS17 to be separately disclosed in the notes to the accounts.

There are two defined benefit pension schemes that AQA participates in that require additional disclosure under FRS17; the Assessment and Qualifications Alliance Pension Scheme (AQA) and the Greater Manchester Pension Fund (GMPF).

AQA

Notes to the Accounts

12. Retirement Benefits (continued)

(e) FRS17 Disclosures (continued)

Under the transitional arrangements of FRS17, no provision has been made by AQA for the deficit of the schemes at 30 September 2003. If provision were made, the following FRS17 notes include illustrations of the entries that would be made.

(f) FRS17 – The AQA Scheme as at 30 September 2003

The following information is based upon the most recent full actuarial valuation (30 September 2000) and updated by qualified independent actuaries to 30 September 2003 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.

Financial Assumptions

	2003	2002	2001
	% per annum	% per annum	% per annum
Inflation	2.50	2.25	2.50
Pension increase rate in payment	2.50	2.25	2.50
Salary increases	4.00	3.75	4.00
Discount rate	5.30	5.40	6.00
Average expected return on assets	7.10	6.90	

Assets in the schemes and the expected rate of return

	2003		2002		2001	
	Expected return % per annum	Value £000	Expected return % per annum	Value £000	Expected return % per annum	Value £000
Equities	8.00	23,900	7.75	20,600	7.00	24,700
Bonds	5.00	9,000	5.00	5,300	6.00	5,800
Property	6.50	1,600	6.50	1,100	6.50	1,100
Cash and other	4.00	100	3.75	2,400	4.50	1,800
		<hr/>		<hr/>		<hr/>
Total market value		34,600		29,400		33,400
		<hr/>		<hr/>		<hr/>
Present value of schemes' liabilities		(48,000)		(40,300)		(40,300)
		<hr/>		<hr/>		<hr/>
Net pension liability		(13,400)		(10,900)		(10,900)
		<hr/>		<hr/>		<hr/>

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Notes to the Accounts

12. Retirement Benefits (continued)

Charge to the Statement of Financial Activities before Net Outgoing Resources

	2003 £000	2002 £000
Current service cost	2,700	2,000
Past service cost	-	200
	<hr/>	<hr/>
Total amount to be charged as resources expended	2,700	2,200
	<hr/>	<hr/>

Analysis of the net return on pension schemes

	2003 £000	2002 £000
Expected return on pension scheme assets	2,100	2,600
Interest on pension scheme liabilities	(2,200)	(2,400)
	<hr/>	<hr/>
Net return included in incoming resources	(100)	200
	<hr/>	<hr/>

Charge to the Statement of Financial Activities after Net Outgoing Resources

	2003 £000	2002 £000
Actual return less expected return on pension scheme assets	1,900	(7,600)
Experience gains and losses on the schemes liabilities	-	400
Changes in assumptions underlying the present value of scheme liabilities	(2,900)	(2,700)
	<hr/>	<hr/>
Actuarial loss recognised in Statement of Financial Activities	(1,000)	(9,900)
	<hr/>	<hr/>

AQA

Notes to the Accounts

12. Retirement Benefits (continued)

Movements in deficit during the year

	2003 £000	2002 £000
Deficit in schemes at beginning of the year	(10,900)	(300)
Movement in year:		
Current service cost	(2,700)	(2,000)
Employer contributions	1,300	1,300
Past service costs	-	(200)
Other finance income	(100)	200
Actuarial losses	(1,000)	(9,900)
	<hr/>	<hr/>
Deficit in schemes at the end of the year	<u>(13,400)</u>	<u>(10,900)</u>

History of experience gains and losses

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

AQA

Notes to the Accounts

12. Retirement Benefits (continued)

(g) FRS17 – Greater Manchester Pension Fund (GMPF)

The following information is based upon a full actuarial valuation of the fund as at 31 March 2001 updated to 30 September 2003 by a qualified independent actuary for the purposes of the FRS17 disclosures.

Financial assumptions

	2003 % per annum	2002 % per annum
Inflation	2.6	2.3
Salary increases	4.1	3.8
Pension increases	2.6	2.3
Discount rate	6.2	5.9

Total GMPF scheme assets and the expected rates of return

	2003		2002	
	Long Term Return % per annum	Fund Value £000	Long Term Return % per annum	Fund Value £000
Equities	8.0	3,838,000	8.0	3,179,000
Bonds	5.0	944,000	5.5	849,000
Property	6.0	559,000	6.0	527,000
Cash	3.5	353,000	4.0	323,000
		<hr/>		<hr/>
Total		5,694,00		4,878,000
		<hr/>		<hr/>

AQA's net pension liability

AQA's identifiable share of the net pension liability is:

	2003 £000	2002 £000
Estimated employer assets	21,217	17,254
Present value of scheme liabilities	(22,654)	(20,630)
	<hr/>	<hr/>
Net pension liability	(1,437)	(3,376)
	<hr/>	<hr/>

AQA

Notes to the Accounts

12. Retirement Benefits (continued)

Charge to the Statement of Financial Activities before Net Outgoing Resources

	2003 £000	2002 £000
Current service cost	944	763
Past service cost	30	-
Total amount to be charged as resources expended	<u>974</u>	<u>763</u>

Analysis of net return on pension scheme

	2003 £000	2002 £000
Expected return on pension scheme assets	1,262	1,120
Interest on pension scheme liabilities	(1,242)	(1,162)
Net return included in incoming resources	<u>20</u>	<u>(42)</u>

Charge to the Statement of Financial Activities after Net Outgoing Resources

	2003 £000	2002 £000
Actual return less expected return on pension scheme assets	1,438	(2,820)
Experience gains and losses arising on the scheme liabilities	(1,051)	360
Actuarial gain/(loss) recognised in the Statement of Financial Activities	<u>387</u>	<u>(2,460)</u>

Movement in deficit during the year

	2003 £000	2002 £000
Deficit at beginning of the year	(3,376)	(1,162)
Current service cost	(944)	(763)
Employer contributions	1,115	1,051
Past service costs	(30)	-
Net return on assets	20	(42)
Actuarial gains/(losses)	387	(2,460)
Deficit at the end of year	<u>(2,828)</u>	<u>(3,376)</u>

AQA

Notes to the Accounts

12. Retirement Benefits (continued)

History of experience gains and losses

	2003	2002
Difference between the expected and actual return on assets (£000)	1,438	(2,820)
Percentage of assets	6.8%	(16.3%)
Experience gains on liabilities (£000)	(1,051)	360
Percentage of the present value of liabilities	4.4%	1.7%
Actuarial losses recognised in SOFA (£000)	387	(2,460)
Percentage of the present value of liabilities	1.6%	(11.9%)

(h) Pension costs

The total pension costs during the year are as follows:

	2003 £	2002 £
Scheme:		
AQA	1,302,522	850,588
NEAB	-	166,002
GMPF	1,096,730	1,041,635
Defined contribution	-	836
Other	279,121	325,261
	<hr/>	<hr/>
	2,678,373	2,384,322
Pension provision (note 16)	302,310	1,008,724
	<hr/>	<hr/>
	2,980,683	3,393,046
	<hr/>	<hr/>

AQA

Notes to the Accounts

13. Fixed Assets

(a) *Tangible Assets*

	Freehold Land & Buildings £	Leasehold Land & Buildings £	Computer Equipment £	Furniture, Equipment and Vehicles £	Total £
<u>COST</u>					
1 October 2002	3,190,586	14,507,548	11,525,530	5,804,321	35,027,985
Additions	445,615	240,398	1,443,244	419,136	2,548,393
Disposals	-	-	-	(11,860)	(11,860)
Transfers	(22,262)	22,262	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
30 September 2003	3,613,939	14,770,208	12,968,774	6,211,597	37,564,518
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<u>DEPRECIATION</u>					
1 October 2002	514,862	2,353,536	9,717,064	3,767,894	16,353,356
Charge for the period	91,446	289,936	1,272,856	519,401	2,173,639
On disposals	-	-	-	(11,860)	(11,860)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
30 September 2003	606,308	2,643,472	10,989,920	4,275,435	18,515,135
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<u>NET BOOK VALUE</u>					
30 September 2003	3,007,631	12,126,736	1,978,854	1,936,162	19,049,383
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
30 September 2002	2,675,724	12,154,012	1,808,466	2,036,427	18,674,629
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

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Notes to the Accounts

13. Fixed Assets (continued)

(b) Investments

	2003 £	2002 £
Market value at 1 October 2002	27,348,511	32,388,800
Additions at cost	10,176,723	5,617,622
Disposals at market value (i.e. sales proceeds)	(15,337,936)	(4,665,631)
Net investment gains/(losses)	2,894,993	(5,992,280)
	<hr/>	<hr/>
Market value at 30 September 2003	25,082,291	27,348,511
	<hr/>	<hr/>
Cost at 30 September 2003	(25,491,311)	(31,484,703)
	<hr/>	<hr/>
Analysis of net investment losses		
Net movement in unrealised gains/(losses)	3,727,171	(5,155,135)
Realised (losses) based on historic cost of investments disposed of during the year	(832,178)	(837,145)
	<hr/>	<hr/>
	2,894,993	(5,992,280)
	<hr/>	<hr/>

		Value at 30 September 2003 £	% of total	Value at 30 September 2002 £	% of total
UK Equities	The Charity Equity Fund				
	Accumulation Units	10,799,391	43.1	9,064,733	33.2
	Other	5,847,020	23.3	5,252,581	19.2
UK Fixed Interest – listed	Government Securities				
	Treasury 8% Stock	-	-	3,162,843	11.6
	Treasury 7.5% Stock	2,368,535	9.4	2,435,274	8.9
	Other	1,526,118	6.1	1,434,862	5.2
International	Schroder Institutional				
	Overseas Equity Fund	3,354,894	13.4	2,706,346	9.9
	Other	1,186,333	4.7	3,291,872	12.0
		<hr/>		<hr/>	
		25,082,291	100.0	27,348,511	100.0
		<hr/>		<hr/>	

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

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Notes to the Accounts

14. Debtors

	2003 £	2002 £
Trade debtors	16,138,084	13,629,988
Other debtors	51,332	218,819
Prepayments and accrued income	1,994,301	776,074
	<u>18,183,717</u>	<u>14,624,881</u>

15. Creditors: Amounts falling due within one year

Bank overdrafts	1,369,630	1,227,224
Other trade creditors	719,944	352,656
Other taxes and social security costs	10,833,702	10,045,994
Other creditors	62,135	143,664
Accruals and deferred income	4,190,813	4,590,253
	<u>17,176,224</u>	<u>16,359,791</u>

16. Provisions

	Leasehold Dilapidations £	Augmented Pension £	Total £
At 1 October 2002	200,000	2,415,229	2,615,229
Provided	-	302,310	302,310
Utilised	(200,000)	(469,401)	(669,401)
	<u>-</u>	<u>2,248,138</u>	<u>2,248,138</u>
At 30 September 2003	-	2,248,138	2,248,138

The provision for augmented pensions represents amounts provided in respect of the cost of augmented 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

17. Unrestricted Fund

	Accumulated Fund £
Balance at 1 October 2002	53,699,763
Net outgoing resources	(5,867,725)
Net unrealised gain on investments	3,727,171
	<hr/>
Balance at 30 September 2003	51,559,209
	<hr/> <hr/>

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

18. Reconciliation of movements in funds

	2003 £	2002 £
Opening funds	53,699,763	71,345,788
Net movement in funds in the financial year	(2,140,554)	(17,646,025)
	<hr/>	<hr/>
Closing funds	51,559,209	53,699,763
	<hr/> <hr/>	<hr/> <hr/>

19. Operating Lease Commitments

At 30 September 2003 AQA was committed to making the following payments during the year commencing on 1 October 2003 in respect of operating leases.

	Land and Buildings		Other	
	2003 £	2002 £	2003 £	2002 £
Leases which expire:				
within 1 year	145,706	36,232	185,603	194,891
within 1 to 2 years	-	-	-	-
within 2 to 5 years	58,162	149,362	320,456	194,716
after 5 years	436,309	122,611	-	-

20. Contingencies

During the year the security of some of AQA's examination question papers was compromised due to circumstances beyond AQA's control, with the result that new question papers had to be written and distributed to centres. Consequently, it is estimated that AQA has incurred additional expenses in respect of examiners' fees, printing and staff costs of approximately £606,000. A claim for these expenses has been submitted to AQA's insurers but no amount has been recognised in these accounts, as the claim has not yet been agreed.