



THURSDAY



\*A35126WJ\*

A09

03/04/2014

#223

COMPANIES HOUSE

**AQA Education**

**A company limited by guarantee**

**ANNUAL REPORT AND CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2013**

**Registered company number 3644723**

**Registered charity number 1073334**

**[www.aqa.org.uk](http://www.aqa.org.uk)**

# AQA Education

## Registered Office and Advisers

---

### REGISTERED OFFICE AND COMPANY NUMBERS

AQA Education  
Devas Street  
Manchester, M15 6EX

Registered company number 3644723  
Registered charity number 1073334

### PRINCIPAL ADDRESSES

**Guildford**  
Stag Hill House  
Guildford  
Surrey, GU2 7XJ

**Harrogate**  
31-33 Springfield Avenue  
Harrogate, HG1 2HW

**Manchester**  
Devas Street  
Manchester, M15 6EX

### INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
101 Barbirolli Square  
Lower Mosley Street  
Manchester, M2 3PW

### BANKERS

The Royal Bank of Scotland  
6<sup>th</sup> Floor  
1 Spinningfields Square  
Manchester, M3 3AP

### INVESTMENT FUND MANAGERS

Baring Asset Management (London), 155 Bishopsgate, London, EC2M 3XY  
BlackRock Investment Managers Limited, 12 Throgmorton Avenue, London, EC2N 2DL  
Schroder Investment Management Limited, 31 Gresham Street, London, EC2V 7QA  
Goldman Sachs International, 10-15 Newgate Street, London, EC1A 7HD  
Veritas Investment Management LLP, Elizabeth House, 39 York Road, London, SE1 7NQ

**WEBSITE** [www.aqa.org.uk](http://www.aqa.org.uk)

**EMAIL ADDRESS** [mailbox@aqa.org.uk](mailto:mailbox@aqa.org.uk)

# AQA Education

## Corporate Governance

---

### INTRODUCTION

AQA Education, (AQA), is a company limited by guarantee incorporated in England and Wales not having share capital and is a registered charity. The directors, who are also AQA trustees and constitute the members of the Company, present the Directors' Report, incorporating the Trustees' Annual Report, together with the audited Consolidated Financial Statements for the year ended 30 September 2013.

### STRUCTURE, GOVERNANCE AND MANAGEMENT

AQA's directors are members of AQA Council and are as follows

Professor P J Layzell (Chair)  
Mr M C Holly (Vice Chair)  
Mr M Bramwell  
Mrs D P Chambers  
Mr B D Cookson  
Professor J Elwood  
Mr S Fenton  
Mr A N Gatehouse (retired 31/03/2013)  
Mr M J Grant  
Ms F M Greeves OBE  
Mr A Hall  
Mr G Jackson OBE  
Mr J Johnson  
Mrs S M Lupton  
Ms A S Milln  
Mrs S Moore (appointed 01/04/2013)  
Mr A Parker (retired 31/03/2013)  
Mrs E M Quaife  
Mr J C Readman (retired 31/03/2013)  
Dr J E Robinson  
Mr A Rowe  
Mr J Trkulja (appointed 01/04/2013)  
Mr N Walkey

Replacement trustees are sought from the appropriate nominating bodies where positions require filling. In addition, vacancies are advertised where there is a particular skills gap on Council.

A number of the directors also serve on governance and advisory committees. Directors are Chairs of the following committees:

#### Governance committees

Council Business Group	Professor P J Layzell
Finance	Mr M J Grant
Audit	Mr M C Holly
Irregularities and Appeals	Mr B Cookson
Awarding Standards	Professor P J Layzell

#### Advisory committees

Curriculum and Assessment Quality	Ms F M Greeves OBE
Research	Professor J Elwood

# AQA Education

## Corporate Governance

---

The AQA Council conducts a governance review every three years, and given the unprecedented level of change within the industry and the need for effective succession planning, during 2013 there was a fundamental review of governance arrangements. This review will further improve our ability to position AQA to be proactive in contributing actively to educational debate, and responding rapidly to new initiatives. The review also enables the organisation to ensure that its governance arrangements are compatible with modern best practice and that there are clear lines of authority and accountability.

Our current process for recruiting members has historic links to constituent nominating bodies. Sector representation is crucial to maintain the integrity of Council and to ensure that the business focus is balanced with our charitable aims. We will continue to liaise with national education bodies actively and consistently to ensure the skills and interests of the nominees dovetail with the particular skills gap that Council has at a given time.

AQA provides new trustees with an induction session in order to provide information about the organisation and an explanation of the duties of charity trustees. Each year, a training workshop is arranged to update trustees on new and emerging issues and provide a forum for strategic discussions.

AQA's committees provide forums for considering issues relating to administration, finance, services and the specifications AQA offers. This ensures that 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 other professional and technical skills.

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

AQA's Articles of Association provide for a Council and a range of Governance and Advisory committees. All these committees are chaired by trustees and include non-trustee members with the exception of Council Business Group, Finance Committee, Awarding Standards Committee and Council itself which comprises only trustees. Governance committees are these:

- **Council Business Group** meets at least five times per year and acts on behalf of the Council as a clearing house for time-critical decisions. It is also a preliminary review group for strategic analysis and a special study group as required. It also acts as a remuneration committee to decide the Chief Executive's salary.
- **Finance Committee** meets four times per year and is responsible for all matters relating to AQA's financial strategy, operations and investment management.
- **Audit Committee** meets at least four times per year and reports to the Council on the integrity and regulatory compliance of the Financial Statements of AQA, the independence and performance of the external auditor, the functioning of AQA's internal controls and procedures and risk management.
- **Irregularities and Appeals Committee** meets at least twice per year and advises the Council on all matters relating to irregularities and appeals, deciding on appropriate action in all serious alleged cases of teacher and candidate malpractice relating to AQA's examinations and overseeing and contributing to the operation of AQA's appeals procedures.
- **Awarding Standards Committee** meets when necessary prior to the publication of results for each examination series and enables the Council to consider the issues involved when there is an irreconcilable dispute between AQA's Responsible Officer and a Chair of Examiners about the standards being set in a particular examination. In doing so, the Council meets the requirements of the Regulatory Authorities' Conditions of Recognition and Code of Practice.

# AQA Education

## Corporate Governance

---

The Advisory committees are these

- **Curriculum and Assessment Quality Committee** meets three times per year and advises on all educational matters relating to the curriculum and monitors performance against agreed quality assurance measures
- **Research Committee** meets three times per year and advises on all matters relating to research and technical aspects of assessment so as to ensure that AQA maintains its leading place nationally in assessment research

AQA also seeks specialist advice from non-trustee members through a number of **Subject Advisory Communities** which relate to specific areas of the curriculum

The Council, comprising the trustees of AQA, and 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 Chief Executive Officer (CEO) who is also a trustee. The day-to-day business of AQA is carried out by the CEO, Andrew Hall, and a team of specialist managers who make up the Executive Team: Andrew Bird (Chief Operating Officer), Geoff Coombe (General Qualifications Development), Martine Garland (Educational Services Development), Alison Lewis (Operations), Michelle Meadows (Centre for Education Research and Policy), Darryl Nunn (Finance and Corporate Services) and Sadie Visick (Communications and Marketing).

### Group structure

AQA is a leading provider of qualifications and support services for teachers and students and an education charity. In support of our charitable purpose we also offer non-conflicting educational services through three wholly owned subsidiary companies. The accounts of these subsidiaries are consolidated into this set of financial statements. The subsidiaries are as follows:

- Alfiesoft Limited is a UK registered company limited by shares (Company number 04306664) and is wholly owned by AQA. It operates as a provider of a high quality, cloud based assessment platform for primary and secondary schools. The platform includes user-friendly, searchable databases of past test paper questions that have been adapted for on-screen delivery with auto marking and a full reporting suite. The databases are comprised of KS2-3 legacy SATs, up to date National Curriculum tests, KS4 GCSE-style questions and AQA GCSE past-paper questions. Teachers can compile on-screen assessments for benchmarking and progress testing. All products are available through the AlfieCloud.
- Doublestruck Limited is a UK registered company limited by shares (Company number 02373295) and is wholly owned by AQA. It operates as a provider of online databases of past paper questions to primary and secondary schools. These user friendly, searchable databases provide teachers with access to past test paper questions from KS2-3 legacy SATs, up to date National Curriculum tests and AQA GCSEs and A-level. Teachers can create a range of assessment or educational resources, from paper-based topic tests to homework booklets or simply project questions for plenary work. Doublestruck brands are Testbase and Exampro.
- Teachit (UK) Limited is a UK registered company limited by shares (Company number 04194997) and is wholly owned by AQA. It operates as a provider of high quality educational resources created by teachers for teachers at both primary and secondary level. Teachers access these resources online, and free of charge can download thousands of PDF activity sheets, guides, topic packs, etc. For a modest subscription fee, teachers gain access to editable versions and also fun interactive whiteboard activities.

All three companies are well placed to support high quality, focussed teaching and assessment in schools at all age levels and were all acquired to assist with the delivery of AQA's charitable objectives, without creating any conflict of interest with the delivery of GCSE and A-level assessments.

# AQA Education Strategic Report

---

## **PURPOSE AND AIMS**

AQA is a leading provider of qualifications and support services for teachers and students. We are an education charity and aim to enable every student and teacher to fulfill their potential.

Our work falls into three main areas:

- qualifications – we are a leading provider of GCSE and A-levels,
- support – including online progress tests and results analysis, and
- development – training and professional development for teachers

We also work collaboratively with teachers to create resources that are designed around their day-to-day needs as well as providing them with the tools to efficiently create formative assessment materials for all age ranges.

Through our Centre for Education Research and Practice (CERP) we provide research evidence, which helps inform education policy and practice, thus helping to improve the educational experiences of students.

## **ENSURING OUR WORK DELIVERS OUR AIMS**

Informed by the advice contained in the Charity Commission's general guidance on public benefit, AQA trustees keep our educational aims, objectives and activities under continuous review, consider our achievements and the outcomes of our work and evaluate the successes and benefits. In addition, trustees consider how future activities will contribute to the agreed aims and objectives and help to equip learners with the knowledge and skills they require for the future. The trustees have complied with the duty in section 4 of the Charities Act 2011 to have due regard to public benefit guidance published by the Charity Commission.

## **THE FOCUS OF OUR WORK**

AQA's primary objectives continue to:

- provide high quality qualifications which play a key part in establishing and maintaining educational standards in the UK,
- improve the range of services to our schools and colleges by further enhancing our online services, and by continuing to innovate by applying appropriate technological advances to our range of products and services as well as the assessment process itself,
- develop our support services for teachers and learners, extending this beyond the historic areas of Key Stages 4 and 5, and
- provide expertise and evidence for improving educational services and informing policy.

The strategies employed to achieve AQA's objectives continue to:

- extend the range of e-services available to enhance the efficiency of the examination process and improve the information available to schools and colleges,
- extend our range of CPD courses for all teachers, including those who do not teach AQA specifications and also the primary school sector,
- further develop our Centre for Education Research and Practice, which is playing a major role in educational research and policy development, and
- extend the provision of teacher tools and resources through our three subsidiary companies.

# AQA Education Strategic Report

---

## **PUBLIC BENEFIT**

AQA is a leading provider of qualifications and support services for teachers and students. We are an education charity and aim to enable every student and teacher to fulfill their potential. We also work collaboratively with teachers to create resources that are designed around their day-to-day needs.

- AQA awards just under half of the national GCSE and A-level entry. In total, we mark over 7 million exam scripts each year. Our vocationally-related and work-based qualifications promote lifelong learning and individual attainment and widen participation in education.
- AQA provides a broader range of A-level and GCSE courses than any other awarding body which allows us to maximise the number of potential beneficiaries that we can reach.
- AQA plays a major role in research and education policy development, working in partnership with schools and colleges and other organisations. CERP (our Centre for Education Research and Practice) is a multi-disciplinary research facility that underpins the essential work of our examination awarding and maintenance of standards. It provides valuable and relevant research evidence to inform policy and practice on key issues, both within AQA and the wider education sector.
- Each year we invest in new and revised products, processes and service developments so that we can continue to provide high quality qualifications and support which play a key part in establishing and maintaining educational standards within the UK.
- AQA works closely with teachers, schools, colleges, employers, higher education, Government and the Regulator (Ofqual) to promote the smooth running and continuing development of the UK qualifications system to give every learner the opportunity to realise their potential.
- AQA is a long standing sponsor of the Association of Colleges Beacon Awards and we also sponsor the Unlocking Potential programme, which is run jointly by AQA and the Dame Kelly Holmes Legacy Trust.

## **ACTIVITIES AND ACHIEVEMENTS**

### *Operational performance and qualifications development*

Overall this has been another successful year for AQA and the pace of qualification and examination system reform continues to quicken with the advent of entirely new sets of A-levels and GCSEs.

In January 2013, following an Ofqual consultation on A-level reform, the Secretary of State for Education announced the policy requirements for A-level reform as follows:

- an initial phase of new A-levels in most facilitating subjects to be ready for first teaching in September 2015 with the rest to follow,
- A-levels to be linear with assessment only at the end of the two-year course,
- AS levels to remain, but as standalone qualifications that cover half the content of an A-level course, and
- involvement in the new A-levels from universities in facilitating subjects including annual reviews.

In October 2013, the Department for Education (DfE) and Ofqual launched their consultations on A-level phase one subjects. The DfE consultation looks at proposed subject content and Ofqual's consultation covers regulatory requirements.

In November 2013 Ofqual and the DfE confirmed some of the key features of new GCSEs. The DfE consultation looks at proposed subject content for new GCSEs in English Literature, English Language and Maths, and Ofqual's consultation covers the design details.

# AQA Education Strategic Report

---

A summary of the changes for all new GCSEs is as follows

- a new grading system will be introduced. Students will be awarded a grade from 1 to 9, with 9 being the highest. Students will get a U where performance is below the minimum required to pass the GCSE,
- tiering will only be used in subjects where untiered papers will not allow students at the lower end of the ability range to demonstrate their knowledge and skills, or will not stretch the most able. The tiering model used will be decided on a subject by subject basis,
- all new GCSEs will be fully linear with assessment at the end of the course and content not divided into modules,
- exams will be the default method of assessment, except when they cannot provide valid assessment of the skills required. Again, this will be decided on a subject by subject basis, and
- exams will only be available in the summer, apart from a November series for English Language and Maths. This series is for students who were at least 16 on the preceding 31 August.

Ofqual is considering whether November exams should be available in other subjects for students who were at least sixteen on the preceding 31 August.

Ofqual plans to consult in 2014 on the principles for allowing subjects to be included as GCSEs. Their aim is to make sure everyone is clear about what a GCSE is and what it is not. More information is available on our website and we will continue to provide updates as information is released. AQA's primary focus will be to ensure that the new qualifications can be successfully delivered, are valued by relevant stakeholders and that students and teachers are fully supported through this period of change.

We are regulated by Ofqual, which checks that we are exercising our responsibilities appropriately against the General Conditions of Recognition. Our first compliance submission was made in April 2012 and we have systems in place to monitor the maintenance of compliance as part of our process for submitting an annual declaration of compliance. We submitted our annual ongoing compliance statement in April 2013.

We have achieved and maintained the quality standard ISO9001 for

- our main examination processes,
- support for our schools and colleges, teachers and candidates, including the provision of customer contact operations,
- change management, including project planning and delivery, and
- procurement of resources and third party services.

We also hold ISO27001 on our information and security management systems and BS OHSAS 18001 on our occupational health and safety management system.

## *Teacher Support*

We offer an extensive programme of teacher support meetings covering a broad range of our qualifications including free "preparing to teach" meetings for new specifications. Materials from such training events are published on our website so that all teachers and other interested parties may have access to them.

We have expanded our programme of Continuing Professional Development (CPD) courses for both primary and secondary teachers covering a wide range of topics from subject teaching to leadership.

In order to make all our development programmes as accessible as possible, we now provide more flexible access to training by offering in-school and online delivery, in addition to our face-to-face events. In-school delivery offers our standard workshops and courses, or tailor-made programmes, both of which can be delivered to groups of staff at their school, college, consortium or local authority. Online delivery provides web-based access to live virtual training events which are shorter in duration and are often held at 'twilight' (with the added benefit of reduced travel).

Through our subsidiary companies, Alfiesoft, Doublestruck and Teachit, we provide educational support to schools and colleges. This support includes user-friendly, searchable databases of past test papers for use in primary and secondary assessment and progress testing and also access to high quality educational resources (under a Freemium model) prepared by teachers for teachers at both primary and secondary level.



# AQA Education Strategic Report

---

## *Centre for Education Research and Practice (CERP)*

CERP is a multi-disciplinary research facility that underpins the essential work of our examination awarding and maintenance of standards. It provides valuable and relevant research evidence to inform policy and practice on key issues, both within AQA and the wider education sector. It builds on our research department's international reputation and expertise and is an accessible source of high quality, credible research for policy-makers, practitioners and the research and education communities. Research papers, thought pieces and analyses are made freely available via the CERP website [www.cerp.org.uk](http://www.cerp.org.uk)

## **PLANS FOR FUTURE PERIODS**

We will continue to promote education for the public benefit, drawing upon our long experience of setting and marking public examinations such as A-levels, GCSEs and other qualifications.

We will re-design and launch an entire new suite of GCSEs and A-levels as part of the Government's education reforms and we will continue to develop our plans accordingly, including introducing new vocational products.

We will continue to improve the range of services to our schools and colleges by further enhancing our on-line services and continue to innovate by applying appropriate technological advances to our range of products and services as well as the assessment process itself. We will also build upon our support services for teachers and learners and continue to develop our Centre for Education Research and Policy to provide expertise and evidence for improving educational services and informing policy.

We shall continue to deploy our expertise to help inform the government reform agenda and shape the public debate about curriculum, qualifications and the wider examination system.

We shall support schools and colleges with the transition to new and revised qualifications and continue to prioritise the quality of our assessments and related services to schools and colleges.

## **RISK MANAGEMENT**

Operational risk management processes operate in all departments. Strategic risks are reviewed on a regular basis by our Executive Team and Council and operational risks by our senior management. There is a transparent process for escalating risks to these groups for review. Regular reports on the effectiveness of our risk management plans and strategies are provided to the Audit Committee.

Employee training takes place as appropriate to promote the effectiveness of AQA's risk management processes.

The Internal Audit Unit (IAU) carries out independent audits of the organisation's risk management activity as part of its audit plans. A senior manager with responsibility for risk process, and separate from the IAU, works with AQA managers to develop further our risk management and review processes across the organisation.

The Audit Committee, comprising four trustees and two independent members, reviews AQA's internal controls and procedures (financial and non-financial) and considers the results of AQA's risk reviews. It reports directly to Council.

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

- **Operational delivery** The security of the examination process and the successful delivery of timely and accurate results to students are essential for AQA's ongoing success. We have rigorous processes and contingency plans in place to ensure the delivery of results and strive continually to improve our processes and performance in the light of experience.
- **Strategic change** We must ensure that AQA is able to adapt and remain fit for purpose as an essential provider of qualifications and related educational services. In this context we have robust planning and change management structures and mechanisms in place.

# AQA Education Strategic Report

---

## FINANCIAL RESULTS

These financial statements include the results of our three subsidiary undertakings Alfiesoft Limited, Doublestruck Limited and Teachit (UK) Limited. The income and expenditure relating to these subsidiaries is shown in the Consolidated Statement of Financial Activities under charitable activities to reflect their provision of educational services in support of our charitable aims.

Net Outgoing Resources before Other Recognised Gains for the year amounted to £2,378,000 (2012 *Net Incoming Resources* £4,262,000). After accounting for the net realised gains on investments of £5,584,000 (2012 £231,000) Net Incoming Resources for the year were £3,206,000 (2012 £4,493,000). This performance was generated on Total Incoming Resources of £152,814,000 (2012 £155,327,000). The financial results for the year include £568,000 impairment for the purchased goodwill of Teachit (UK) Limited. The impairment is based on an estimated value in use and is calculated using projected discounted net cash flows.

The performance of our long term investments in 2012/13 has been strong and is reflected in the Consolidated Statement of Financial Activities as an overall net gain on investments (i.e. the aggregate of the £5,584,000 realised gains and the £3,167,000 net reduction in the unrealised gains reserve) of £2,417,000 for the year (2012 *overall net gains* £2,827,000).

The Consolidated Statement of Financial Activities shows an actuarial gain on defined benefit pension schemes of £9,290,000 (2012 *loss* £8,837,000).

After taking all of these into account, AQA's Unrestricted Funds increased by £9,329,000 (2012 *decrease* £1,748,000) to £90,468,000 (2012 £81,139,000).

The Balance Sheets at 30 September 2013 show healthy liquidity with £45,884,000 in cash fund investments and £2,951,000 in cash at bank and in hand. When placing cash, our first priority is security, followed by liquidity and finally the investment return. On the face of the Balance Sheets this year we can see that The AQA pension Scheme is showing a defined benefit pension asset of £1,300,000. The aggregate of the defined benefit pension schemes liability is shown separately and amounts to £15,391,000. These assets and liabilities are measured by using permitted methodologies for FRS17. The principal causes of this increase are an increase in the discount rate assumption used to compute the liabilities, good asset returns and additional payments of £2.5m to The AQA Pension Scheme as part of the agreed deficit reduction plan.

This Strategic Report was approved by the Council on 25 February 2014 and signed on its behalf by

Professor P J Layzell

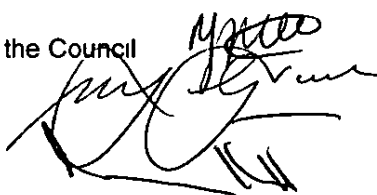
Chair of the Council

Mr M J Grant

Director

Mr A Hall

Director



# AQA Education Directors' Report

---

## RESERVES POLICY

AQA excludes the FRS17 pension scheme deficits from the target level of reserves as it believes that it can meet contributions from projected future income without significantly impacting upon planned levels of charitable activity. The target level of total reserves is between £86m and £102m, and the actual amount at 30 September 2013 on this basis is £104,559,000 and places AQA in a healthy financial position to meet future challenges and invest in the future of education. The target level of reserves reflects the principal financial key performance indicator.

The trustees have designated a number of funds which are a sub-set of the unrestricted funds set up at the trustees' discretion. These funds have been designated in line with AQA's strategy and to improve communications on the usage of reserves. These funds include amounts set aside for fixed assets, property maintenance and development, product development, exam entry profile changes, improvement projects, cash flow cycle and general unrestricted funds and are set out in note 17 to the financial statements.

Trustees review the reserves policy periodically to ensure relevance to current circumstances. The length of time between reviews will normally be one year but no longer than three years. The last review was carried out in 2011/12 and included an independent review by a firm of accountants.

The target level of reserves enables AQA to improve its primary purpose of advancing education for the benefit of the public by making significant investments in strategic areas including the development and launch of revised or entirely new qualifications and the enhancement of systems that improve the way examinations are delivered for the benefit of learners and teachers in schools and colleges. These significant developments require AQA to incur expenditure over a period of years in advance of any revenue stream such developments will generate, and AQA must therefore hold enough reserves to cover major qualifications investment. The target level of reserves will also enable AQA to invest in potential future reforms to the examination system, continue to develop its IT systems, invest in its fixed assets, provide for The AQA Pension Scheme defined benefit deficit reduction plan, fund the cash flow cycle and provide short term contingency for any significant loss of income or significant unexpected additional costs.

## GOING CONCERN

These financial statements are prepared on the going concern basis as the group has adequate resources to continue in operational existence for the foreseeable future.

## INVESTMENT POWERS AND POLICY

Trustees are empowered to invest AQA's funds not immediately required for its day-to-day activities as they see fit and in accordance with the law. Long term investments are managed by three fund managers and are diversified to reduce risk. The investment performance target during the year was a total return target to be achieved over a rolling five year period. Over the rolling five year period to 30 September 2013 the fund managers underperformed against the target, largely due to the effects of the 2008 economic crisis and global economic slowdown. Whilst 2012/13 saw good performance recovery in our long term investments, the uncertain global economic outlook and market volatility continue to dampen long term investment performance. The Finance Committee receives quarterly reports and analysis on the fund managers' performance from L J Athene who are AQA's professional investment advisers. AQA takes professional investment advice on all its investment decisions.

## CHARITABLE ASSETS

The directors are of the opinion that the charity's assets are available and adequate to fulfil the obligations of the charity.

## POLICY FOR EQUALITY AND PEOPLE WITH DISABILITIES

AQA has an Equal Opportunities Policy in place and welcomes applications for employment from appropriately qualified individuals regardless of race, gender, religion/belief, sexual orientation or disability.

# AQA Education Directors' Report

---

## COMMUNICATION WITH EMPLOYEES

AQA seeks to engage its employees in helping to inform our strategy and contribute to how we operate. Corporate information is shared via the intranet, in-house newsletters and departmental meetings. A programme of strategy and performance update meetings and Q&A sessions with the Executive Team runs three times a year. An Information and Consultation Forum meets regularly as a means of involving all staff in matters relating to the development of AQA's activities. Employee surveys are undertaken to provide feedback on the experience of working for AQA, and action plans arising from these are put in place to address issues raised. Formal negotiations with staff are held through a Joint Unions Committee.

## ENVIRONMENTAL POLICY

AQA accepts its environmental responsibilities and recognises its obligations to contribute to the resolution of global and local environmental issues by reducing its impacts on the environment and by taking a leading role in promoting environmental best practice. During the year teams of "Environmental Champions" at all sites continued to harness new ideas for improvements and to promote the environmental message throughout the organisation.

## ADDITIONAL INFORMATION

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

## APPOINTMENT OF AUDITORS

A resolution for the reappointment of PricewaterhouseCoopers LLP will be proposed at the annual general meeting for the ensuing year.

This report was approved by the Council on 25 February 2014 and signed on its behalf by

Professor P J Layzell

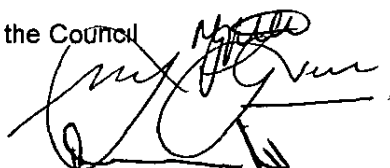
Chair of the Council

Mr M J Grant

Director

Mr A Hall

Director



# AQA Education

## Statement of Trustees' Responsibilities

---

The trustees (who are also directors of AQA Education for the purposes of company law) are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group for that period. In preparing these financial statements, the trustees are required to

- select suitable accounting policies and then apply them consistently,
- observe the methods and principles in the Charities SORP,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

In so far as the trustees are aware

- there is no relevant audit information of which the charitable company's auditor is unaware, and
- the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

# AQA Education

## Independent Auditors' Report

---

### **INDEPENDENT AUDITORS' REPORT**

We have audited the financial statements of AQA Education for the year ended 30 September 2013 which comprise the Consolidated Statement of Financial Activities, the Group and Parent Charitable Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

#### **Respective responsibilities of trustees and auditors**

As explained more fully in the Trustees' Responsibilities Statement, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the charity's members and trustees as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and charitable company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the trustees, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 30 September 2013 and of the group's incoming resources and application of resources, including its income and expenditure and group's cash flows, for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

# AQA Education Independent Auditors' Report

---

## **INDEPENDENT AUDITORS' REPORT (continued)**

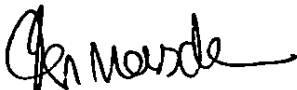
### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements

### **Matters on which we are required to report by exception**

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

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



Ian Marsden (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Manchester

25 February 2014

AQA Education  
**Consolidated Statement of Financial Activities**  
for the year ended 30 September 2013

	Notes	Group 2013 £000	Group 2012 £000
<b>Incoming Resources</b>			
Incoming resources from generated funds			
Investment income	3	1,088	740
Incoming resources from charitable activities			
Educational services	4	147,894	152,151
Subsidiary undertakings - trading income	4 & 11	3,832	2,436
<b>Total Incoming Resources</b>		<b>152,814</b>	<b>155,327</b>
<b>Resources Expended</b>			
Cost of generating funds			
Investment management costs		46	68
Charitable activities			
Educational services	5	151,108	148,175
Subsidiary undertakings - trading costs	5 & 11	3,067	2,308
Governance costs		403	514
Impairment of purchased goodwill	9	568	-
<b>Total Resources Expended</b>		<b>155,192</b>	<b>151,065</b>
<b>Net (Outgoing)/Incoming Resources before Other Recognised Gains and Losses</b>		<b>(2,378)</b>	<b>4,262</b>
<b>Other Recognised Gains and Losses</b>			
Net realised gains on investments	12	5,584	231
<b>Net Incoming Resources</b>	7	<b>3,206</b>	<b>4,493</b>
Net movement on unrealised gains reserve	12	(3,167)	2,596
Actuarial gain/(deficit) on defined benefit pension schemes	21	9,290	(8,837)
<b>Net Movement in Funds</b>		<b>9,329</b>	<b>(1,748)</b>
Fund balances brought forward at 1 October		81,139	82,887
Fund balances carried forward at 30 September	17	90,468	81,139

The Consolidated Statement of Financial Activities incorporates the Summary Income and Expenditure Account. All income is derived from continuing operations. Net Incoming Resources represents the surplus for the year for Companies Act purposes and includes a profit of £765,000 relating to subsidiary undertakings.

The notes on pages 20 to 39 form part of these Financial Statements.



AQA Education  
**Balance Sheets**  
as at 30 September 2013

	Notes	Group 2013 £000	Company 2013 £000	Group 2012 £000	Company 2012 £000
<b>Intangible Fixed Assets</b>					
Goodwill	9	4,212	-	5,625	-
<b>Tangible Fixed Assets</b>	10	15,086	14,895	15,422	15,226
<b>Fixed Asset Investments</b>					
Investment in subsidiary undertakings	11	-	5,550	-	7,434
Other fixed asset investments	12	51,542	51,542	48,481	48,481
<b>Total Fixed Assets</b>		<b>70,840</b>	<b>71,987</b>	<b>69,528</b>	<b>71,141</b>
<b>Current Assets</b>					
Stocks		91	63	107	89
Debtors	13	10,703	12,090	9,142	9,922
Investments	14	45,884	45,884	47,245	47,245
Cash at bank and in hand		2,951	2,449	2,203	1,582
<b>Total Current Assets</b>		<b>59,629</b>	<b>60,486</b>	<b>58,697</b>	<b>58,838</b>
<b>Creditors: Amounts falling due within one year</b>	15	<b>22,323</b>	<b>22,973</b>	<b>20,224</b>	<b>20,339</b>
<b>Net Current Assets</b>		<b>37,306</b>	<b>37,513</b>	<b>38,473</b>	<b>38,499</b>
<b>Total Assets less Current Liabilities</b>		<b>108,146</b>	<b>109,500</b>	<b>108,001</b>	<b>109,640</b>
<b>Provisions for Liabilities and Charges</b>	16	<b>3,587</b>	<b>3,587</b>	<b>1,168</b>	<b>1,168</b>
<b>Net Assets Excluding Pension Asset and Liability</b>		<b>104,559</b>	<b>105,913</b>	<b>106,833</b>	<b>108,472</b>
Defined benefit pension scheme asset	21	1,300	1,300	-	-
<b>Net Assets Including Pension Asset</b>		<b>105,859</b>	<b>107,213</b>	<b>106,833</b>	<b>108,472</b>
Defined benefit pension scheme liability	21	15,391	15,391	25,694	25,694
<b>Net Assets Including Pension Asset and Liability</b>		<b>90,468</b>	<b>91,822</b>	<b>81,139</b>	<b>82,778</b>
<b>The Funds for the Charity:</b>					
<b>Unrestricted Income Funds</b>					
Designated funds		73,898	75,044	62,047	63,660
General unrestricted funds		28,414	28,622	39,372	39,398
Revaluation reserve		2,247	2,247	5,414	5,414
<b>Total unrestricted funds before pension liability</b>		<b>104,559</b>	<b>105,913</b>	<b>106,833</b>	<b>108,472</b>
Net pension liability		14,091	14,091	25,694	25,694
<b>Total Charity Funds</b>	17	<b>90,468</b>	<b>91,822</b>	<b>81,139</b>	<b>82,778</b>

AQA Education  
**Balance Sheets**  
as at 30 September 2013

---

The notes on pages 20 to 39 form part of these Financial Statements. The company registration number is 3644723. The financial statements on pages 16 to 39 were approved and authorised for issue by the Council on 25 February 2014 and signed on its behalf by

Professor P J Layzell


Chair of the Council

Mr M Grant

Director

Mr A Hall

Director

The image shows three handwritten signatures in black ink. The top signature is for the Chair of the Council, Professor P J Layzell. Below it are two signatures for Directors, Mr M Grant and Mr A Hall. The signatures are written over the printed names and titles.

AQA Education  
**Consolidated Cash Flow Statement**  
for the year ended 30 September 2013

**Reconciliation of net (outgoing)/incoming resources to net cash inflow from operating activities**

	£000	Group 2013 £000	£000	Group 2012 £000
Net (outgoing)/incoming resources before other recognised gains		(2,378)		4,262
Net investment income		(1,088)		(740)
Depreciation		1,701		1,627
Profit on disposal of tangible fixed assets		(109)		9
Amortisation of goodwill		845		559
Impairment of purchased goodwill		568		-
Decrease/(increase) in stocks		15		(6)
Decrease in debtors		495		517
Increase/(decrease) in creditors		45		(70)
Increase/(decrease) in provisions		2,419		(1,008)
(Decrease)/increase in defined benefit pension schemes liability		(11,603)		6,155
Actuarial gain/(loss) on defined benefit pension schemes		9,290		(8,837)
<b>Net cash inflow from operating activities</b>		<b>200</b>		<b>2,468</b>
<b>Cash flow statement</b>				
Net cash inflow from operating activities		200		2,468
Returns on investments and servicing of finance				
Net investment income (note 3)		1,088		1,145
Capital expenditure and financial investments				
Capital expenditure	(1,366)		(1,693)	
Fixed asset sales proceeds	109		-	
Cost of subsidiary undertakings	-		(1,913)	
Investment purchases	(47,105)		(4,915)	
Investment sale proceeds	46,789		2,582	
Decrease in invested cash	(328)		1,611	
		(1,901)		(4,328)
		(613)		(715)
Management of liquid resources				
Decrease/( Increase) in current asset investments		1,361		(720)
<b>Increase/(decrease) in cash in the year</b>		<b>748</b>		<b>(1,435)</b>
<b>Reconciliation of net cash flow to movement in net funds</b>				
Increase/(decrease) in cash in the year		748		(1,435)
Net funds at 1 October 2012		2,203		3,635
Net funds acquired		-		3
<b>Net funds at 30 September 2013</b>		<b>2,951</b>		<b>2,203</b>
<b>Reconciliation in movement of net funds</b>	1 October 2012	Cash inflow	30 September 2013	
	£000	£000	£000	
Cash	2,203	748	2,951	

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

AQA Education  
**Notes to the Financial Statements**  
for the year ended 30 September 2013

---

**1 Principal Accounting Policies**

**(a) Basis of Preparation**

These Financial Statements 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 the United Kingdom. In addition the Financial Statements have been prepared in accordance with the Statement of Recommended Practice on Accounting and Reporting by Charities issued in 2005 (SORP 2005) and comply with the Companies Act 2006 and the Charities Act 2011. The Financial Statements have been prepared under the going concern basis.

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

The principal accounting policies, which have been applied consistently throughout the year, are set out below.

**(b) Basis of Consolidation**

The consolidated Statement of Financial Activities (SOFA), consolidated Balance Sheet and consolidated Cash Flow Statement include the financial statements of AQA Education (the Charity) and its subsidiary undertakings Doublestruck Limited, Teachit (UK) Limited and Alfiesoft Limited.

Acquisitions of the subsidiaries are dealt with by the purchase method which recognises the fair value of the assets and liabilities at acquisition date. Goodwill represents the excess of acquisition costs over the fair value of the group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. Goodwill is amortised over eight years on a straight line basis. The trustees believe that the carrying value of the investments is supported by the underlying net assets position and by business plans.

Intra-group balances and transactions are eliminated in preparing the consolidated financial statements. Two of the subsidiaries have year ends of 31 August 2013 and one has 30 September 2013. For the 31 August year ends the results are consolidated on that year end basis as the trustees do not believe the effect of this difference in year ends to be material to the financial statements of the group.

No separate SOFA has been presented for the charity alone as permitted by Section 408 of the Companies Act 2006 and paragraph 397 of the SORP.

The Net Incoming Resources for the year for the Charity were £2,921,000 (2012 £5,491,000) and total unrestricted funds were £91,822,000 (2012 £82,778,000).

**(c) Income**

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

**(d) Resources Expended**

Expenditure is classified using the headings in SORP 2005. The direct costs of providing educational services are categorised as charitable activities. Support costs are the indirect costs incurred in supporting the charitable activities. Governance costs comprise the expenditure associated with the general running of the charity and compliance with constitutional and statutory requirements.

AQA Education  
**Notes to the Financial Statements**  
for the year ended 30 September 2013

---

**1 Principal Accounting Policies (continued)**

(e) *Deferred Income and Expenditure*

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

(f) *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.

(g) *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.

(h) *Research Expenditure*

Research expenditure is charged to the SOFA in the period in which the expenditure is incurred.

(i) *Pension Schemes*

The two principal defined benefit schemes for AQA's staff are The AQA Pension Scheme and the Greater Manchester Pension Fund (GMPF). AQA also has unfunded pension liabilities which represent augmented pensions for members of staff who are no longer employees of AQA. The defined benefit section of The AQA Pension Scheme, GMPF and the unfunded augmented pension liabilities are accounted for as defined benefit schemes under FRS17. The defined benefit section of The AQA Pension Scheme was closed to new entrants from July 2006 and to future accruals from January 2011. AQA has also contributed to two further defined benefit schemes, namely the Teachers' Pension Scheme and the University Superannuation Scheme. These are multi-employer defined benefit schemes where it is not possible to separately identify the assets and liabilities for each participating employer. Accordingly, contributions are treated as defined contribution schemes for accounting purposes.

Under FRS17, the defined benefit pension scheme assets are measured using estimated bid market values for the GMPF scheme and actual bid values for The AQA Pension Scheme. Pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. Any increase in the present value of the liabilities of the defined benefit pension schemes expected to arise from employee service in the period is charged against Net Incoming Resources. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities arising from the passage of time are included in Net Investment Income. Actuarial gains and losses are recognised in the SOFA.

Contributions to defined contribution pension schemes are charged to the SOFA in the year they are paid.

(j) *Value Added Tax*

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

AQA Education  
**Notes to the Financial Statements**  
for the year ended 30 September 2013

---

**1 Principal Accounting Policies (continued)**

(k) *Operating Leases*

Charges in respect of operating leases are recognised in the SOFA over the lives of the leasing agreements as incurred on a straight line basis

(l) *Tangible Fixed Assets and Depreciation*

Tangible fixed assets are stated at historic purchase cost, net of accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. The useful economic lives and residual value of fixed assets have been reviewed at the end of the accounting period. The trustees have not deemed it practical given the cost involved to quantify the difference between the carrying value and market value of interests in land and buildings. The charge for depreciation is calculated so as to write off the cost, less estimated realisable value, of each asset on a straight line basis over its expected useful life, as follows

Freehold land and buildings	40 years
Leasehold land and buildings	
Leasehold land	125 years (period of lease)
Leasehold land and buildings	5 - 50 years
Furniture, equipment and vehicles	
Office fixtures & fittings and equipment	5 - 8 years
Motor vehicles	4 years
IT equipment	3 years

For the purposes of SORP 2005, 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.

Tangible fixed assets are stated at historic purchase cost, net of accumulated depreciation.

(m) *Investments in Subsidiary Undertakings*

These are included at cost less any provision for impairment.

(n) *Fixed Asset Investments*

Investment income is included in the Financial Statements 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 12 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.

AQA Education  
**Notes to the Financial Statements**  
for the year ended 30 September 2013

**1 Principal Accounting Policies (continued)**

(o) *Stocks*

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

(p) *Current Asset Investments*

Current Asset Investments are held at closing market value at the balance sheet date.

(q) *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.

(r) *Related Party Transactions*

The company has applied the FRS8 exemption from disclosing transactions with companies within the same group.

(s) *Designated Funds*

Within the total unrestricted reserves the trustees have designated a number of funds which are a sub-set of the unrestricted funds set up at the trustees' discretion. These funds include amounts set aside for fixed assets, property maintenance and development, product development, exam entry profile changes, improvement projects, cash flow cycle and general unrestricted funds.

**2 AQA Council**

None of the trustees, who constitute the members of the AQA Council, including the Chair, is paid any remuneration for services as trustees to AQA. Travelling and subsistence expenses amounting to £27,000 (2012 £24,000), were reimbursed to 21 (2012 19) trustees.

**3 Investment Income**

	2013 £000	2012 £000
Interest – UK deposits	3	11
Dividends – UK listed funds	955	1,134
	<u>958</u>	<u>1,145</u>
Net credit/(charge) to other finance income on defined benefit pension scheme assets and liabilities	130	(405)
	<u>1,088</u>	<u>740</u>

AQA Education  
**Notes to the Financial Statements**  
for the year ended 30 September 2013

**4 Incoming Resources from Charitable Activities**

	2013 £000	2012 £000
Educational Services - United Kingdom fee income	150,798	153,522
Educational Services – Overseas fee income	928	1,065
	<u>151,726</u>	<u>154,587</u>

As the overseas income is immaterial, no segmental analysis as required by Statement of Standard Accounting Practice 25 Segmental Reporting, is given

**5 Charitable Activities**

	2013 £000	2012 £000
Educational services	137,353	133,770
Support costs – staff	11,817	10,763
Support costs - other	5,005	5,950
	<u>154,175</u>	<u>150,483</u>

**6 Taxation**

AQA is a charity and therefore claims exemption from corporation tax. The subsidiary undertakings are non-charitable companies incorporated in England and Wales and are subject to corporation tax.

**7 Net Incoming Resources**

	2013 £000	2012 £000
Net Incoming Resources for the year is arrived at after charging/(crediting)		
Auditors' remuneration		
audit fees and expenses	113	109
non-audit consultancy fees	-	367
Operating lease rentals		
land and buildings	1,103	1,169
plant and machinery	457	538
Depreciation owned assets	1,369	1,296
Depreciation leasehold assets	332	332
(Profit)/Loss on disposal of tangible fixed assets	(109)	9
Amortisation of goodwill (note 9)	845	559
Impairment of purchased goodwill	568	-
Staff costs (note 8)	59,173	54,698
Provisions		
leasehold dilapidations	42	32
reorganisation costs charged/(released)	2,377	(650)
reorganisation costs (utilised)	-	(389)



AQA Education  
**Notes to the Financial Statements**  
for the year ended 30 September 2013

	2013 £000	2012 £000
<b>8 Staff Costs</b>		
Wages and salaries	46,146	42,858
Social Security costs	3,783	3,564
Pension costs (note 21)	5,373	4,545
	<u>55,302</u>	<u>50,967</u>
Other staff related costs	3,871	3,731
	<u>59,173</u>	<u>54,698</u>

Wages and salaries costs include costs of agency staff

	2013 Number	2012 Number
Average monthly number of employees and agency staff (all of whom are directly or indirectly employed in the administration of examinations)		
By activity		
Educational services	1,042	949
Support and administration	429	444
	<u>1,471</u>	<u>1,393</u>

Higher paid employees fell within the following annual bands

£60,001 to £70,000	5	3
£70,001 to £80,000	16	14
£80,001 to £90,000	3	2
£90,001 to £100,000	1	-
£100,001 to £110,000	5	6
£110,001 to £120,000	1	-
£130,001 to £140,000	-	1
£150,001 to £160,000	1	-
£180,001 to £190,000	-	1
£190,001 to £200,000	1	-

Higher paid employee costs exclude severance related costs Contributions were made to defined benefit pension schemes for 15 (2012 16) higher paid employees Contributions amounting to £106,000 (2012 £58,000) were made to defined contribution schemes for 17 (2012 10) higher paid employees

AQA Education  
**Notes to the Financial Statements**  
for the year ended 30 September 2013

---

**9 Intangible Fixed Assets**

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

The net book value of goodwill at 30 September 2013 includes £568,000 impairment for the purchased goodwill of Teachit (UK) Limited (2012 £nil). The impairment is based on an estimated value in use and is calculated using projected discounted net cash flows.

	Goodwill £000
<b>COST</b>	
1 October 2012 and 30 September 2013	6,397
	<hr/>
<b>ACCUMULATED AMORTISATION</b>	
1 October 2012	772
Amortisation charge for the year	845
Impairment charge for the year	568
	<hr/>
30 September 2013	2,185
	<hr/>
<b>NET BOOK VALUE</b>	
30 September 2013	4,212
	<hr/>
30 September 2012	5,625
	<hr/>

AQA Education  
**Notes to the Financial Statements**  
for the year ended 30 September 2013

**10 Tangible Fixed Assets**

**Group**

	Freehold Land & Buildings £000	Leasehold Land & Buildings £000	IT Equipment £000	Furniture, Equipment and Vehicles £000	Total £000
<b>COST</b>					
1 October 2012	3,637	15,573	14,364	7,037	40,611
Additions	-	-	690	676	1,366
Disposals	-	-	(2,402)	-	(2,402)
30 September 2013	3,637	15,573	12,652	7,713	39,575
<b>ACCUMULATED DEPRECIATION</b>					
1 October 2012	1,317	6,141	12,768	4,964	25,190
Charge for the year	90	332	841	438	1,701
On disposals	-	-	(2,402)	-	(2,402)
30 September 2013	1,407	6,473	11,207	5,402	24,489
<b>NET BOOK VALUE</b>					
30 September 2013	2,230	9,100	1,445	2,311	15,086
30 September 2012	2,320	9,432	1,596	2,073	15,421

AQA Education  
**Notes to the Financial Statements**  
for the year ended 30 September 2013

**10 Tangible Fixed Assets (continued)**

**Company**

	Freehold Land & Buildings £000	Leasehold Land & Buildings £000	IT Equipment £000	Furniture, Equipment and Vehicles £000	Total £000
<b>COST</b>					
1 October 2012	3,637	15,573	14,184	7,031	40,425
Additions	-	-	618	667	1,285
Disposals	-	-	(2,402)	-	(2,402)
30 September 2013	3,637	15,573	12,400	7,698	39,308
<b>ACCUMULATED DEPRECIATION</b>					
1 October 2012	1,317	6,141	12,779	4,962	25,199
Charge for the year	90	332	757	437	1,616
On disposals	-	-	(2,402)	-	(2,402)
30 September 2013	1,407	6,473	11,134	5,399	24,413
<b>NET BOOK VALUE</b>					
30 September 2013	2,230	9,100	1,266	2,299	14,895
30 September 2012	2,320	9,432	1,405	2,069	15,226

**11 Investment in Subsidiary Undertakings**

AQA holds 100% of the share capital of Alfiesoft Limited, Doublestruck Limited and Teachit (UK) Limited. These subsidiaries are incorporated in England and Wales. The activities of the subsidiaries relate to the provision of educational resources.

Included in the acquisition cost for Alfiesoft Limited is an accrual for an estimation of the most likely pay out of the contingent consideration element. This relates to potential amounts of further consideration payable to the former shareholder of Alfiesoft Limited contingent on the company achieving substantial sales and profit growth over a 3 year period. These amounts, if ultimately paid, will be funded entirely out of additional profits generated in that 3 year period.

The aggregate net cost of investment shown in the parent company for all three subsidiaries at 30 September 2013 is £5,550,000 (2012 £7,434,000) and is stated after providing for an impairment provision of £2,035,000 (2012 £nil) against the cost of investment in Teachit (UK) Limited. This provision was made in the year ended 30 September 2013.

The aggregate amount of the subsidiaries' assets, liabilities and funds included in these consolidated financial statements are as follows: assets £2,734,000 (2012 £2,109,000), liabilities £2,950,000 (2012 £2,139,000) and funds (£216,000) (2012 (£30,000)).

AQA Education  
**Notes to the Financial Statements**  
for the year ended 30 September 2013

**12 Other Fixed Asset Investments**

**Investments**

	Group & Company 2013 £000	Group & Company 2012 £000
Market value at 1 October 2012	48,481	44,932
Additions at cost	47,105	4,915
Disposals at market value (i.e. sales proceeds)	(46,789)	(2,582)
Net movements in cash	328	(1,611)
Net investment gains	2,417	2,827
	<hr/>	<hr/>
Market value at 30 September 2013	51,542	48,481
Cost at 30 September 2013	49,295	43,067
	<hr/>	<hr/>
Balance on net unrealised gain reserve	2,247	5,414
	<hr/>	<hr/>
<b>Analysis of net investment (losses)/gains</b>		
Movement on unrealised gains	(3,167)	2,596
Realised gains based on historic cost of investments disposed of during the year	5,584	231
	<hr/>	<hr/>
Net investment gains	2,417	2,827
	<hr/>	<hr/>

AQA Education  
**Notes to the Financial Statements**  
for the year ended 30 September 2013

**12 Other Fixed Asset Investments (continued)**

**Analysis of market value of investments held**

	Group & Company 2013 £000	% of total	Group & Company 2012 £000	% of total
UK Equities and UK Property Unit Trusts				
Schroders Charly Equity Fund Income Units	-	-	4,342	9.0
Opus Alternative Investment Fund	115	0.2	2,218	4.6
BlackRock Institutional Jersey Fund Dynamic Diversified Growth Fund	15,331	29.8	20,764	42.8
BLK Global Income Fund	6,502	12.6	-	-
Barings Dynamic Asset Allocation Fund Class 1	23,645	45.9	-	-
Other including Veritas	1,395	2.7	3,806	7.9
UK Fixed Interest – listed				
Schroders All Maturities Corporate Bond Fund Income Account	-	-	3,177	6.6
Other	473	0.9	5,808	12.0
International Equities				
Schroders Institutional Selection Fund QEP Global Quality	-	-	2,614	5.4
Other	2,587	5.0	4,587	9.3
Cash held with fund managers	1,494	2.9	1,165	2.4
	<u>51,542</u>	<u>100.0</u>	<u>48,481</u>	<u>100.0</u>

AQA Education  
**Notes to the Financial Statements**  
for the year ended 30 September 2013

**13 Debtors**

	Group 2013 £000	Company 2013 £000	Group 2012 £000	Company 2012 £000
Trade debtors	3,453	3,153	2,709	2,460
Amounts owed by group undertakings	-	1,811	-	952
Other debtors	161	37	112	47
Prepayments and accrued income	7,089	7,089	6,321	6,463
	<u>10,703</u>	<u>12,090</u>	<u>9,142</u>	<u>9,922</u>

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

**14 Investments**

Investments totalling £45,884,000 (2012 £47,245,000) shown under current assets for the group and company are represented by shares in the BlackRock Institutional Sterling Liquidity Fund and the Goldman Sachs Sterling Liquid Reserves Fund.

**15 Creditors: Amounts falling due within one year**

	Group 2013 £000	Company 2013 £000	Group 2012 £000	Company 2012 £000
Trade creditors	673	511	2,051	1,889
Amounts owed to group undertakings	-	1,500	-	1,000
Taxation and social security costs	7,147	7,057	7,183	7,123
Other creditors	823	819	401	393
Accruals and deferred income	13,680	13,086	10,589	9,934
	<u>22,323</u>	<u>22,973</u>	<u>20,224</u>	<u>20,339</u>

Amounts due to group undertakings are unsecured. Loans are repayable on demand with twelve months' notice and interest is payable at a commercial rate.

AQA Education  
**Notes to the Financial Statements**  
for the year ended 30 September 2013

**16 Provisions for Liabilities and Charges**

Group and company	Reorganisation £000	Leasehold Dilapidations £000	Total £000
Balance at 1 October 2012	86	1,082	1,168
Provided in the year	2,377	42	2,419
	<hr/>	<hr/>	<hr/>
Balance at 30 September 2013	2,463	1,124	3,587
	<hr/>	<hr/>	<hr/>

The provision for leasehold dilapidations relates to estimated contractual future costs of making good leasehold properties when they are vacated. The provision falls due after more than one year.

The provision for reorganisation relates to estimated costs of changes to staffing structures. Provisions are not discounted.

**17 Unrestricted funds**

Group	1 October 2012 £000	Net Income/ (expenditure) £000	Investment and actuarial (losses)/gains £000	Transfers £000	30 September 2013 £000
<b>Designated funds</b>					
Fixed assets	21,047	(1,749)	-	-	19,298
Property maintenance and development	2,000	(1,583)	-	1,583	2,000
Product development	7,000	(1,729)	-	1,729	7,000
Exam entry profile changes	9,000	-	-	-	9,000
Improvement projects	10,000	(9,772)	-	7,772	8,000
Cash flow cycle	13,000	-	-	15,600	28,600
<b>Total designated funds</b>	<hr/> 62,047	<hr/> (14,833)	<hr/> -	<hr/> 26,684	<hr/> 73,898
General unrestricted funds	39,372	18,039	-	(28,997)	28,414
Investment revaluation reserve	5,414	-	(3,167)	-	2,247
<b>Unrestricted funds before Pension Liability</b>	<hr/> 106,833	<hr/> 3,206	<hr/> (3,167)	<hr/> (2,313)	<hr/> 104,559
Net pension liability	(25,694)	-	9,290	2,313	(14,091)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total funds</b>	<hr/> 81,139	<hr/> 3,206	<hr/> 6,123	<hr/> -	<hr/> 90,468
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>



AQA Education  
**Notes to the Financial Statements**  
for the year ended 30 September 2013

**17 Unrestricted funds (continued)**

Company	1 October 2012	Net Income/ (expenditure)	Investment and actuarial (losses)/gains	Transfers	30 September 2013
	£000	£000	£000	£000	£000
<b>Designated funds</b>					
Fixed assets	22,660	(2,216)	-	-	20,444
Property maintenance and development	2,000	(1,483)	-	1,483	2,000
Product development	7,000	(1,729)	-	1,729	7,000
Exam entry profile changes	9,000	-	-	-	9,000
Improvement projects	10,000	(9,772)	-	7,772	8,000
Cash flow cycle	13,000	-	-	15,600	28,600
<b>Total designated funds</b>	<b>63,660</b>	<b>(15,200)</b>	<b>-</b>	<b>26,584</b>	<b>75,044</b>
General unrestricted funds	39,398	18,121	-	(28,897)	28,622
Investment revaluation reserve	5,414	-	(3,167)	-	2,247
<b>Unrestricted funds before Pension Liability</b>	<b>108,472</b>	<b>2,921</b>	<b>(3,167)</b>	<b>(2,313)</b>	<b>105,913</b>
Pension liability	(25,694)	-	9,290	2,313	(14,091)
<b>Total funds</b>	<b>82,778</b>	<b>2,921</b>	<b>6,123</b>	<b>-</b>	<b>91,822</b>

The trustees have designated a number of funds which are a sub-set of the unrestricted funds set up at the trustees' discretion. These funds have been designated in line with AQA's strategy and to improve communications on the usage of reserves. The designated funds are:

**Fixed assets:** This fund is maintained at a sum equal to the net book value of funds invested in fixed assets excluding the managed funds in the long term investments.

**Property maintenance and development:** This fund is maintained in order to provide for the maintenance and development of the properties for the next year.

**Product development:** The life cycle of our range of core products, such as A-levels and GCSEs, means that from time to time we need to make significant investments in the development and launch of revised or entirely new qualifications. This fund provides for such strategic investments over the next five years and reflects the high level of government led qualification reform.

**Exam entry profile changes:** This fund is established to fund any significant timing effects of changes to the exam entry profile caused by structural changes in a number of qualifications.

**Improvement projects:** This fund provides for the enhancement of systems that improve the way examinations are delivered for the benefit of learners and teachers in schools and colleges over the next year.

**Cash flow cycle:** This provides for a level of funds in the annual cash flow cycle to fund operations without the need for borrowings.

**General unrestricted funds:** This fund, which represents AQA's working reserve, ensures that we are able to continue with our obligations in the event of a shortfall in income or a sudden upturn in our expenditure.

AQA Education  
**Notes to the Financial Statements**  
for the year ended 30 September 2013

**18 Reconciliation of Movements in Funds**

	Group 2013 £000	Company 2013 £000	Group 2012 £000	Company 2012 £000
Opening funds at 1 October	81,139	82,778	82,887	83,528
Net movement in fund balances in the financial year	9,329	9,044	(1,748)	(750)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Closing funds at 30 September	90,468	91,822	81,139	82,778
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**19 Operating Lease Commitments**

At 30 September AQA was committed to making the following payments during the year in respect of operating leases

**Land and Buildings**

	Group 2013 £000	Company 2013 £000	Group 2012 £000	Company 2012 £000
Leases which expire				
within 1 year	53	53	61	55
within 2 to 5 years	752	653	679	640
after 5 years	327	326	408	408
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	1,132	1,032	1,148	1,103
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**Other**

	Group 2013 £000	Company 2013 £000	Group 2012 £000	Company 2012 £000
Leases which expire				
within 1 year	101	101	136	136
within 2 to 5 years	262	262	216	216
after 5 years	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	363	363	352	352
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**20 Capital Commitments**

There were £nil capital commitments contracted for at 30 September 2013 but not provided for (2012 £nil)

# AQA Education

## Notes to the Financial Statements

for the year ended 30 September 2013

### 21 Retirement Benefits

The two principal defined benefit pension schemes for AQA's staff are The AQA Pension Scheme and the Greater Manchester Pension Fund (GMPF). In accordance with FRS17, unfunded pension liabilities are included in the defined benefit pension schemes liability.

AQA has opted to aggregate the FRS17 disclosure notes for the AQA scheme, GMPF and unfunded pension liabilities. The total pension costs for the year are:

	2013 £000	2012 £000
The AQA Pension Scheme	1,000	800
GMPF	1,495	1,299
Other	2,878	2,446
	<u>5,373</u>	<u>4,545</u>

The defined benefit pension scheme asset for the group and company is made up as follows:

	2013 £000	2012 £000
The AQA Pension Scheme	1,300	-
	<u>1,300</u>	<u>-</u>

The defined benefit pension schemes liability for the group and company is made up as follows:

	2013 £000	2012 £000
The AQA Pension Scheme	-	11,200
GMPF	11,191	10,594
Unfunded pension liabilities	4,200	3,900
	<u>15,391</u>	<u>25,694</u>

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

# AQA Education

## Notes to the Financial Statements

for the year ended 30 September 2013

### 21 Retirement Benefits (continued)

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

The principal causes of the decrease in the total defined benefit pension schemes liability are an increase in the discount rate assumption for FRS17 purposes and an increase in the expected return on assets.

#### Principal Actuarial Assumptions

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

	2013 % per annum	2012 % per annum
Price increases	2.70 – 3.50	2.10 – 2.90
Pension increases - in payment	2.60 – 3.30	2.10 – 2.90
Pension increases - deferred	2.50 – 2.70	2.10
Salary increases	3.50 – 4.50	3.70 – 3.90
Discount rate	4.50	4.30
Expected return on assets		
Equities	6.30 – 6.50	5.60 – 6.30
Property	4.70 – 5.10	3.80 – 4.90
Bonds	3.80 – 3.90	3.50
Cash	3.00 – 3.50	2.40 – 2.90

The FRS17 valuations assume that mortality in retirement will be in line with standard tables. The tables used are a) ClubVITA with longevity improvements based on CMIB's medium cohort with 1% p.a. minimum improvements from 2010 and b) S1PMA/S1PFA base mortality tables based on a long term trend in improvements of 1.5%. The average expectation of life on retirement in normal health is assumed to be 21.3 – 22.9 years at age 65 for a male currently aged 65 and 24.0 – 25.5 years at age 65 for a female currently aged 65.

The GMPF assets at 30 September 2013 are calculated by rolling forward the 31 March 2010 formal valuation using approximate methods. The calculation takes account of investment returns (estimated where necessary), the effect of contributions paid into, and estimated benefits paid from the Fund by the Employer and its employees. The Employer's asset values have been adjusted to take account of the FRS17 requirement to use the bid value of assets.

AQA Education  
**Notes to the Financial Statements**  
for the year ended 30 September 2013

**21 Retirement Benefits (continued)**

**Balance Sheet Disclosures**

The amounts recognised in the group and company balance sheets are as follows

	<b>Net Pension Asset</b>		<b>Net Pension Liabilities</b>		<b>Total</b>	
	2013	2012	2013	2012	2013	2012
	£000	£000	£000	£000	£000	£000
Fair value of scheme assets	116,600	-	56,102	153,368	172,702	153,368
Present value of funded liabilities	(115,300)	-	(71,493)	(179,062)	(186,793)	(179,062)
Net pension asset/(liability)	1,300	-	(15,391)	(25,694)	(14,091)	(25,694)

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

	2013	2012
	%	%
Equities	61.7	58.8
Property	9.0	7.6
Bonds	27.5	30.6
Cash and other	1.8	3.0
Total	100.0	100.0

**SOFA Disclosures**

**Amounts recognised in the SOFA before Net (Outgoing)/Incoming Resources**

	2013	2012
	£000	£000
Current service cost	2,246	1,999
Interest on obligation	7,542	7,915
Expected return on scheme assets	(7,672)	(7,510)
Past service cost	249	100
Total	2,365	2,504
Actual return on scheme assets	19,062	16,795

AQA Education  
**Notes to the Financial Statements**  
for the year ended 30 September 2013

---

**21 Retirement Benefits (continued)**

**Changes in the present value of the defined benefit obligation**

	2013 £000	2012 £000
Opening defined benefit obligation	179,062	155,230
Current service cost	2,246	1,999
Past service costs	249	100
Interest cost	7,542	7,915
Contributions by members	664	683
Actuarial losses	7,078	17,927
Experience (gains)/losses	(4,978)	188
Benefits paid	(5,070)	(4,980)
	<hr/>	<hr/>
Closing defined benefit obligation	186,793	179,062
	<hr/>	<hr/>

AQA expects to contribute £3,346,000 to its defined benefit schemes in 2013/14

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

	2013 £000	2012 £000
Opening fair value of scheme assets	153,368	136,096
Expected return on assets	7,672	7,510
Contributions by members	664	683
Contributions by employer	4,678	4,781
Actuarial gains	11,390	9,278
Benefits paid	(5,070)	(4,980)
	<hr/>	<hr/>
Closing fair value of scheme assets	172,702	153,368
	<hr/>	<hr/>

AQA Education  
**Notes to the Financial Statements**  
for the year ended 30 September 2013

**21 Retirement Benefits (continued)**

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

	2013 £000	2012 £000	2011 £000	2010 £000	2009 £000
Fair value of scheme assets	172,702	153,368	136,096	127,863	114,473
Present value of defined benefit obligation	(186,793)	(179,062)	(155,230)	(163,233)	(154,988)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net pension liability	(14,091)	(25,694)	(19,134)	(35,370)	(40,515)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Experience gains/(losses) on assets	11,390	9,278	(9,605)	4,095	802
Experience gains/(losses) on liabilities	4,978	(188)	1,300	2,558	2,600

**Other Defined Benefit Pension Schemes**

**Multi-employer Defined Benefit Schemes**

AQA participated in two (2012 two) 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.

**Defined Contribution Schemes**

During the year, the total amount charged to the Statement of Financial Activities in relation to defined contribution schemes (including the defined benefit schemes accounted for as defined contribution schemes under FRS17) amounted to £2,709,000 (2012 £2,411,000). The amount charged includes contributions to the AQA defined contribution scheme. No contributions were payable to the schemes at the year end (2012 £nil).