Realising potential

AQA Education

A company limited by guarantee

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

Registered company number 3644723

Registered charity number 1073334

www.aqa.org.uk

INTRODUCTION

AQA Education (AQA) is a company limited by guarantee; it does not have share capital and is a registered charity. The directors, who are AQA trustees and constitute the members of the charity, present the Directors' Report. It incorporates the Trustees' Annual Report, the Strategic Report, and the audited Consolidated Financial Statements for the year ended 31 March 2018.

STRUCTURE, GOVERNANCE AND MANAGEMENT

AQA's directors are members of the AQA Council of Trustees and during the reporting year were:

Professor P J Layzell	(retired 09/05/2017)
Mr M Bramwell	
Mr S Fenton	(retired 28/02/2018)
Ms F M Greeves OBE	(retired 31/03/2018)
Sir Michael Griffiths	
Mr A Hall	(retired 31/08/2017)
Ms P J Hird (Vice Chair)	(appointed Vice Chair from 10/05/2017)
Mr G Jackson OBE	
Ms E Kitcatt	(appointed 01/04/2017)
Mr N Kiyani	(appointed 05/07/2017)
Mrs S Moore	
Ms L Naqushbandi	(resigned 31/08/2017)
Mr P Nesbitt	
Mr M G Nicholson	
Professor J P Phillips	
Dr J E Robinson	(retired 31/03/2018)
Mr A Rowe	(retired 31/03/2018)
Professor T Salt	(appointed 01/09/2017)
Ms J E Smith	
Professor M E Smith	
Mr J Trkulja	
Mr M Turner	(appointed 05/07/2017)
Mr J van Wijngaarden (Chair)	(appointed Chair from 10/05/2017)
Mr N Walkey	

On 9 May 2017, Professor Paul Layzell retired and Mr Justin van Wijngaarden took up the role of Chair.

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

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

Governance committees

Council Business Group	Mr J van Wijngaarden (from 10/05/2017) Professor P J Layzell (to 9/05/2017)
Finance Committee	Mr N Kiyani (from 01/03/2018) Dr J E Robinson (to 28/02/2018)
Audit Committee	Mr M Turner (from 15/09/2017) Mr J van Wijngaarden (to 14/09/2017)
Irregularities and Appeals Committee	Mr M Bramwell
Awarding Standards Committee	Mr J van Wijngaarden (from 10/05/2017) Professor P J Layzell (to 9/05/2017)
Nominations Committee	Mr J van Wijngaarden (from 10/05/2017) Professor P J Layzell (to 9/05/2017)
Remuneration Committee	Ms P Hird (from 10/05/2017) Professor P J Layzell (to 9/05/2017)

Advisory committees

Curriculum and Assessment Quality Committee	Ms F M Greeves OBE (non-trustee from 01/04/2018)
Research Committee	Professor J Baird (non-trustee)

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

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

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

Governance committees

- **Council Business Group**: meets five times a 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.

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

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

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

Governance committees (continued)

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

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

- **Remuneration Committee:** meets at least once a year and acts on behalf of the Council regarding appropriate remuneration and terms of service for the chief executive officer and other members of the executive team.

Advisory committees

- **Curriculum and Assessment Quality Committee:** meets three times a year and advises the Executive Team on all educational matters relating to the curriculum and monitors performance against agreed quality assurance measures. The Committee is chaired by Ms F M Greeves OBE, a non-trustee from 01/04/2018.

- **Research Committee**: meets three times a 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. The Research Committee is chaired by Professor J Baird, an independent member of the committee.

The Council, comprising AQA's trustees, is for company law purposes also the board of directors, and has ultimate responsibility for the charity's activities. It exercises its powers through the chief executive officer (CEO) who is also a trustee. AQA's day-to-day business is carried out by the CEO, Professor Toby Salt, and a team of senior executives who make up the Executive Team: Patricia Brennan (Strategy and Delivery), Lisa Pearl (People), Alex Scharaschkin (Research and Compliance), David Shaw (Business Solutions), Nick Stevens (Finance and Corporate Services), Ian Stockford (Qualifications and Markets) and Sadie Visick (International and Corporate Affairs).

Group structure

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

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

- DRS Data Services Limited (company number: 005568337), was acquired in August 2016 and is wholly owned by AQA. It operates as a data capture bureau offering printing and scanning services, giving more control over the online marking platform used by AQA's examiners and markers.

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

Commercial partnership

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

PAY POLICY FOR SENIOR STAFF

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

AQA has a Remuneration Committee, established as a governance committee of the Council to advise the latter on the appropriate remuneration and terms of service for the CEO and other members of the Executive Team. They determine annually what increase, if any, should be applied to the CEO's salary, based on specific data provided to them.

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

In March 2018 we published our gender pay report. During the year, we employed more women than men in all quartiles apart from the upper quartile.

INTRODUCTION

The trustees present their Strategic Report for the year ended 31 March 2018.

PUBLIC BENEFIT

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

We have complied with the duty in section 4 of the Charities Act 2011 to have due regard to public benefit guidance published by the Charity Commission.

Ensuring AQA's work delivers its aims

Informed by the advice contained in the Charity Commission's general guidance on public benefit, we keep our educational aims, objectives and activities under continuous review, consider our achievements and the outcomes of our work, and evaluate the successes and benefits. In addition, we consider how future activities will contribute to the agreed aims and objectives and help to equip learners with the knowledge and skills they require for the future.

OBJECTIVES, ACHIEVEMENTS AND PERFORMANCE

Delivering against its purpose

AQA is an independent education charity and the UK's largest provider of academic qualifications for schools and colleges.

Our purpose as an organisation is to advance education by enabling students and teachers to realise their potential. Any money we make through providing qualifications is invested back into education.

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

- we provide a broad range of A-level and GCSE courses and offer qualifications in a number of low-entry subjects which we think are educationally and socially valuable
- our qualifications are designed to enable students of all abilities to demonstrate what they can do
- our vocational and work-based qualifications promote lifelong learning and individual attainment, and widen participation in education
- we offer a range of flexible training programmes and resources to support teachers, from helping them better understand our specifications to developing their teaching skills
- as well as students and teachers, we are focused on developing our people providing opportunities for them to build their skills and progress
- we are investing in a transformation programme that will increase our efficiency and effectiveness so that we make the best use of our charitable funds
- we provide, through the joint venture, with Oxford University Press a range of international GCSE, AS and A-levels to improve education internationally through excellence in teaching, learning and assessment. This will help students around the world reach their potential and progress to the next stage in their lives.

OBJECTIVES, ACHIEVEMENTS AND PERFORMANCE

Delivering against its purpose (continued)
In addition to our core examination activities, we also pursue opportunities to support more teachers and young people, and benefit the overall education system.

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

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

  The participants work in one-to one and group sessions over eight months to plan and deliver a social action project which benefits their local community. This year, 72 students took part, bringing the total number of students supported since it started in 2011 to 345.

- Investing in teachers: we set up a project to sponsor teachers to attend residential leadership courses with the Prince's Teaching Institute. The first cohort will be attending in July 2018.

- Research and sharing our assessment expertise: we fund cutting-edge research through our Centre for Education Research and Practice (CERP). This research benefits teachers and students as it has improved the way we design assessments, and most recently the new qualifications developed in response to government policy changes. We also work with other academics and institutions, for example we are currently sponsoring a Research Fellow at the Oxford University Centre for Educational Assessment where the focus is on the assessment of non-cognitive skills, such as motivation, perseverance and attitudes, as well as exploring some key assumptions of educational assessment.

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

- Explaining assessment: we see it as part of our role to help all our stakeholders, including students, parents, school governors and the general public understand assessment. We have developed engaging content, including animations, which explain the nuts and bolts of assessment from how we design a qualification to how we award grades, as well as content to help explain changes to qualifications. All our content is available through our website and we promote it through a range of channels including social media.

We also believe that to deliver on our charitable purpose, we need to invest in our communities and our people. During the year we supported a number of charitable activities chosen by employees. This support included allowing colleagues time off to carry out charitable activities, including school governor duties, under our policy granting special leave for public duties. We are introducing a match-funding policy to support charitable activities. Under this policy to be implemented next year, we will make charitable donations equal to or up to an amount raised by AQA employees participating in pre-authorised fundraising activity.

OBJECTIVES, ACHIEVEMENTS AND PERFORMANCE
Delivering against our objectives

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

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

The Government recently introduced a number of changes to increase the rigour of A-level, AS-level and GCSE qualifications and the focus on assessment by exam. The main changes are:
- assessment at the end of the course, covering the content from the full two years
- coursework is only used when it is the only valid way to assess essential elements of the subject
- AS-level qualifications are stand-alone and designed to be co-teachable with the A-level
- a new 9–1 grading system for GCSEs, with 9 being the highest, grade 4 a "pass" and grade 5 a "strong pass".

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

The first of the new GCSE qualifications – English and Maths – which are graded 9-1 were assessed for the first time in 2017, as were some of our new A-levels. The second phase of the reform subjects are assessed in 2018 with the final set of qualifications being assessed for the first time in 2020.

While our UK qualifications are taught in more than 40 countries around the world, we have developed a range that is specifically designed to meet the needs of the international market for our joint venture with Oxford University Press, Oxford International AQA Examinations Limited. These new international GCSEs, AS-levels and A-levels were first launched in the Middle East in 2015 and South East Asia in October 2016. The shared aim of the joint venture is to improve education internationally through excellence in teaching, learning and assessment.

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

2) Being trusted and reliable in assessment design and delivery

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

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

OBJECTIVES, ACHIEVEMENTS AND PERFORMANCE
Delivering against our objectives (continued)

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

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

4) Ensuring sound financial management and a robust asset base

We aim to achieve this by accurately recording and monitoring expenditure, planning how we will meet new challenges and ensuring we achieve good value for money. We also want to maintain resources at a level that ensures we are able to meet our financial commitments and obligations as they fall due, fund unexpected expenditure and safeguard the future of the charity.

We hold regular audit and finance committee meetings to ensure we meet our responsibilities to deliver our financial objectives.

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

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

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

In August 2016, we acquired DRS, one of our e-marking suppliers, to give us more control over our e-marking services and ensure the long-term supply of this capability. We can now operate an end-to-end e-marking process and are moving to 100% e-marking.

6) Ensuring we have great people achieving their potential

During the year, colleagues across AQA came together to develop a new set of our core values and behaviours. We want to ensure we have a culture that enables everyone, and the organisation, to succeed. We recognise that the wellbeing of our people is critical to our success so we have a number of initiatives in place, including training a network of mental health first aiders.

We continued offering a range of development opportunities for colleagues. The thirty colleagues who were put forward for an apprenticeship qualification in the last financial period continued with their training. We're also committed to ensuring women can progress at AQA and reducing the gender pay gap. Work is underway on initiatives to positively influence this and colleagues on our Women in Leadership programme took the gender pay report as an opportunity to open up a dialogue on the reasons behind our pay gap and what AQA can do differently.

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

PLANS FOR FUTURE PERIODS

With over a century of qualifications expertise, we will continue to promote education for the public benefit and support teachers to bring out the best in every student.

We will continue focusing on supporting schools and colleges with the transition to the new GCSE, AS-level and A-level qualifications, with the second phase of reform being well under way. We will also continue supporting and developing our international joint venture with Oxford University Press, Oxford International AQA Examinations Limited and have committed to funding the Unlocking Potential programme for a further two years.

In the early part of the year we will complete our preparations and embed new requirements into our operations for GDPR compliance with the new Data Protection Act coming into force in May 2018.

FINANCIAL REVIEW

These financial statements cover the year to 31 March 2018 (the prior period was 18-months from 1 October 2015 to 31 March 2017). The key highlights from the year are as follows;

- Our income has grown by 2.5%. Our income from educational services of £164,871,000 was earned through AQA, and Doublestruck Limited. This income compares to £160,921,000 earned in the prior 18 month period. Our income from DRS Data Services Limited is shown as Digital Services. We earned £6,457,000 *(2017: £7,417,000)* in Digital Services during the year from third party income.

- AQA's income was primarily earned during the summer exam series in 2017 for which there were two main changes. Firstly, there was a reduction in the overall market for AS-levels as a result of Government reform. The number of student entries for AS-levels in 2017 in England reduced by over 40% compared to 2016. Our market share in AS-levels has remained broadly constant. Secondly, our market share in GCSEs has increased, representing a positive reaction from schools and colleges to our new GCSEs in English and Maths. Our growth in GCSE income has fully compensated for the reduction in AS-level income.

- Our net income before investment gains and losses of £19,059,000 *(2017: net expenditure of £37,062,000)* is pleasing. This represents an operating margin of 11%, and enables us to continue to invest in our products and services. The significant change is due to two reasons. Firstly, the prior year accounting period was for an 18 month period. As AQA's income is primarily earned during the summer exam series, the period included the income and direct costs from just one summer series. However, it also includes on-going operational expenditure for the full 18 months and therefore a significant deficit was expected and was in line with our expectations.

  Secondly, we have reduced our support costs after making a number of significant changes during the prior period to enhance our efficiency. The prior year costs included a reorganisation charge of £7,783,000, compared with £nil in the current year. We will continue to focus on enhancing our efficiency and effectiveness.

- After a strong performance at the start of the year, the performance of our long-term investments in the latter part of the year was disappointing but remained in line with global financial market performance. This is reflected in the Consolidated Statement of Financial Activities as an overall net gain on investments (i.e. the aggregate of the £389,000 unrealised losses and the £657,000 net increase in the realised gains reserve) of £268,000 for the year *(2017: £6,934,000).*

- AQA continues to participate in two defined benefit pension schemes, the AQA Pension Scheme and the Greater Manchester Pension Fund ("GMPF"). AQA also has some unfunded pension obligations. The net balance sheet liability at 31 March 2018 for the aggregated scheme is detailed as follows:

	31 March 2018 £000	31 March 2017 £000
Fair value of scheme assets	255,025	249,713
Present value of defined benefit obligation	(260,515)	(261,681)
Net pension liability	(5,490)	(11,968)

FINANCIAL REVIEW (continued)

The net pension liability is made up as follows:

	31 March 2018 £000	31 March 2017 £000
GMPF pension liability	(19,235)	(20,043)
Unfunded pension liability	(4,018)	(4,241)
AQA Pension Scheme asset	17,763	12,316
Net pension liability	(5,490)	(11,968)

- After taking all of these into account, AQA's Charity Funds increased by £23,071,000 *(2017: decreased £30,986,000)* to £59,314,000 *(2017: £36,243,000)*.

- The Group has healthy liquidity with £15,053,000 *(2017: £60,012,000)* in cash fund investments and £80,066,000 *(2017: £18,260,000)* in cash at bank and in hand. When placing cash, our first priority is security, followed by liquidity and finally the investment return. This high level of short term cash and investments was received from schools and colleges as payment for the upcoming summer 2018 exam series. These funds will be used to fund the delivery of the summer 2018 exams.

- Our financial prospects for 2018/19 are good. Our income for the summer 2018 exam series is forecast to grow compared to the summer of 2017. This reflects two main changes. Firstly, there has been a further reduction in the overall market for AS-levels as a result of Government reform. The number of student entries for AS-levels in 2018 in England has reduced by a further 59 per cent compared to 2017. Our market share in AS-levels has remained broadly constant. Secondly, this is offset by the continued growth in our market share in GCSEs. Following the strong performance of our Maths and English GCSEs in 2017, the positive customer reaction to the second wave of our new GCSEs has been welcome. In summer 2018, our market share was 55.2% with year on year improvement of 6.4% for GCSE. At A-level, our market share declined 0.4% against an overall market decline of 2%. The overall AS-level market continues to decline with a 52.5% drop in volume for the full market, with AQA's market share being 31.3%, a decline of 7.6%.

FUNDRAISING

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

ENVIRONMENTAL POLICY

We accept our environmental responsibilities and recognise our obligations to contribute to the resolution of global and local environmental issues by reducing our impacts on the environment and by taking a leading role in promoting environmental best practice. During the year, 'Wellbeing Warriors' at all sites continued to initiate ideas for improvements and to promote the environmental message throughout the organisation. Achievements over the past years are:

- Since 2012 we have saved 252 tonnes of CO_2 through the installation of LED lights and other energy efficient technologies
- Since 2014 we have recovered/recycled 1,415 tonnes of waste through new waste management
- Since 2014 we have saved 2,800,000 litres of water by using tap aerators
- Since 2015 we have saved over 20 tonnes of paper towel waste by using energy efficient hand driers.

RISK MANAGEMENT

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

RISK MANAGEMENT (continued)

There is a transparent process for escalating risks through this governance structure. Employee training is in place to promote the effectiveness of our risk management framework.

Our internal auditors carry out independent audits of our risk management activity as part of our agreed internal audit plan. Additionally a senior manager, with responsibility for risk process, works with AQA managers to manage risk across the organisation.

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

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

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

- **Strategic change**: we must ensure that we are able to adapt and remain fit for purpose as an essential provider of qualifications and related educational services. In this context, we have robust planning and change management structures in place.

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

- **Robust IT systems:** we continually invest in our IT-based operating systems to maximise value for money. We are managing the risks typically associated with an organisation updating systems. We have governance in place to monitor the transition and ensure the expected benefits are delivered as planned.

FINANCIAL RISK MANAGEMENT

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

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

Exposure to price, credit, liquidity and cash flow risk
Business price risk is the risk of exam entries falling due to a change in pricing. The risk is considered to be low based on our customer base.

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

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

FINANCIAL RISK MANAGEMENT (continued)
Exposure to price, credit, liquidity and cash flow risk

Price risk arises on financial instruments because of changes in equity prices. Listed investments with a fair value of £37,194,000 are exposed to price risk but this exposure is within the group's risk appetite.

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

Significant events

We continued developing operational systems software which has resulted in an asset of £12,415,000 being recognised on the balance sheet.

This Strategic Report was approved by the Council on 25 September 2018 and signed on its behalf by

Mr J van Wijngaarden — Chair of the Council

Mr N Kiyani — Director

Professor Toby Salt — Director

Directors' Report

INTRODUCTION

The Trustees (who are also directors of AQA Education for the purposes of company law) present their report for the year ended 31 March 2018.

RESERVES POLICY

We exclude section 28 of FRS 102 pension scheme deficits from the target level of reserves as we believe that we can meet contributions from projected future income without significantly impacting on planned levels of charitable activity. We hold reserves in order to fund future enhancements to our operations and qualifications, and to provide a contingency for unexpected costs or loss of income. We have defined our reserves, for the purposes of this policy, as the longer-term investments held by AQA. All other net assets held at the year end are required for working capital or for the ongoing delivery of our operations. Our reserves at the year end under this definition were £37,194,000, which is above the minimum level of £30,000,000 set by the Trustees. The target level of reserves is the principal financial performance indicator.

We 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 during 2017.

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

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

FINANCIAL RISK MANAGEMENT

Refer to the Strategic Report for the disclosure made on financial risk management.

RESEARCH AND DEVELOPMENT

Details of research and development are set out in the Strategic Report.

INVESTMENT POWERS AND POLICY

The directors 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 part of a total return target to be achieved over a rolling five year period. The Finance Committee receives regular reports and analyses on the fund managers' performance from L J Athene (Cazenove Capital Management from 1 April 2018) who are AQA's professional investment advisers. AQA takes professional investment advice on all of its investment decisions.

CHARITABLE ASSETS

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

POLICY FOR EQUALITY AND PEOPLE WITH DISABILITIES

We have an Equal Opportunities Policy in place and welcome applications for employment from appropriately qualified individuals regardless of race, gender, religion/belief, sexual orientation or disability. Where existing employees become disabled, our policy is to provide continued employment, training and occupational assistance where needed.

EVENTS AFTER THE REPORTING DATE

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

ADDITIONAL INFORMATION

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

APPOINTMENT OF AUDITORS

A resolution for the appointment of BDO UK LLP will be proposed at the annual general meeting for the ensuing year.

This report was approved by the Council on 25 September 2018 and signed on its behalf by

Mr J van Wijngaarden — Chair of the Council

Mr N Kiyani — Director

Professor T Salt — Director

Statement of Trustees' Responsibilities

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

Company law requires the Trustees to prepare financial statements for each financial year. Under that law the Trustees have prepared the financial statements in accordance with United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice). Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable company and group for that year. In preparing these financial statements, the Trustees are required to:

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

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

Statement of disclosure of information to auditors

In so far as the Trustees are aware:

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

Auditors' Report

Independent auditors' report to the members of AQA Education

Report on the audit of the financial statements

Opinion

In our opinion, AQA Education's group financial statements and parent charitable company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the parent charitable company's affairs as at 31 March 2018 and of the group's incoming resources and application of resources, including its income and expenditure, and of the group's cash flows, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Consolidated Financial Statements for the year ended 31 March 2018 (the "Annual Report"), which comprise:

- the group and parent charitable company Statements of Financial Position as at 31 March 2018;
- the Consolidated Statement of Financial Activities and the Consolidated Summary Income and Expenditure account for the year then ended;
- the Consolidated Statement of Cash Flows for the year then ended; and
- the Notes to the Financial Statements; which include a summary of significant accounting policies and other explanatory information.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and parent charitable company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

Report on the audit of the financial statements (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit the information given in the Directors' Report and the Strategic Report, for the financial year for which the financial statements are prepared is consistent with the financial statements; and the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the group and parent charitable company and their environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Responsibilities for the financial statements and the audit

Responsibilities of the trustees for the financial statements

As explained more fully in the *Statement* of Trustees' Responsibilities set out on page 15, the trustees are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The trustees are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of this report

This report, including the opinions, has been prepared for and only for the charity's members 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.

Report on the audit of the financial statements (continued)

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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
- certain disclosures of trustees' remuneration specified by law are not made; or
- the parent charitable company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

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

25 September 2018

AQA Education

Consolidated Statement of Financial Activities

year ended 31 March 2018

	Note	Unrestricted funds Year ended 2018 £000	18 month period ended 2017 £000
Income:			
Income from charitable activities:			
Educational services	4	164,871	160,921
Income from other trading activities:			
Digital services	4	6,457	7,417
Investment income	5	776	753
Total income		172,104	169,091
Expenditure:			
Expenditure on charitable activities:			
Educational services		137,466	194,912
Expenditure on other trading activities:			
Digital services		13,825	9,592
Expenditure on raising funds:			
Investment management costs	5	142	332
Share of loss in joint venture	13	1,258	1,317
Total expenditure	6	152,691	206,153
Net income/(expenditure) before investment gains/(losses)		19,413	(37,062)
Gains/(losses) on investment assets			
Net realised gains on investments	14	657	3,575
Net movement on unrealised (losses) /gains reserve	14	(389)	3,359
Net income/(expenditure) before transfers		19,681	(30,128)
Other recognised gains/(losses)			
Actuarial gains/(losses) on defined benefit pension schemes		3,408	(858)
Net income/(expenditure) and net movement in funds for the year		23,089	(30,986)
Reconciliation of funds			
Total Funds brought forward		36,243	67,229
Total Funds carried forward	21	59,332	36,243

The Consolidated Statement of Financial Activities incorporates the Summary Income and Expenditure Account. All income is derived from continuing operations. Net movement in funds represents the surplus for the year for Companies Act 2006 purposes and includes a profit of £2,428,000 relating to subsidiary undertakings (*2017: £330,000*).

The notes on pages 23 to 63 form part of these financial statements.

AQA Education
Statement of Financial Position
as at 31 March 2018

	Note	Group 2018	Charity 2018	Group 2017	Charity 2017
Fixed Assets	Note	£000	£000	£000	£000
Intangible assets	11	21,415	12,415	11,807	6,557
Tangible assets	12	12,014	9,241	12,093	9,948
Investment in subsidiary undertakings	13	-	13,134	-	10,059
Other fixed asset investments	14	37,194	37,194	36,850	36,850
Total Fixed Assets		70,623	71,984	60,750	63,414
Current Assets					
Stocks and work in progress	15	2,295	1,317	3,752	1,900
Debtors	16	64,902	68,582	63,367	64,643
Investments	17	15,053	15,053	60,012	60,012
Cash at bank and in hand		80,066	77,319	18,260	14,344
Total Current Assets		162,316	162,271	145,391	140,899
Liabilities					
Creditors: Amounts falling due within one year	18	(165,244)	(163,353)	(153,918)	(152,301)
Net Current Liabilities		(2,928)	(1,082)	(8,527)	(11,402)
Total Assets less Current Liabilities		67,695	70,902	52,223	52,012
Provisions for Liabilities and Charges	20	(2,873)	(2,397)	(4,012)	(3,845)
Net Assets Excluding Pension Asset and Liability		64,822	68,505	48,211	48,167
Defined benefit pension scheme asset	26	17,763	17,763	12,316	12,316
Defined benefit pension scheme liability	26	(23,253)	(23,253)	(24,284)	(24,284)
Total Net Assets		59,332	63,015	36,243	36,199
The Funds for the Charity:					
Unrestricted Income Funds					
Designated funds		21,511	19,405	21,200	15,600
General unrestricted funds		35,572	41,361	18,883	24,439
Investment revaluation reserve		7,739	7,739	8,128	8,128
Total unrestricted funds before pension liability		64,822	68,505	48,211	48,167
Net pension liability		(5,490)	(5,490)	(11,968)	(11,968)
Total Charity Funds	21	59,332	63,015	36,243	36,199

AQA Education
Statement of Financial Position
as at 31 March 2018

The notes on pages 23 to 63 form part of these financial statements. The company registration number is 3644723.
The financial statements on pages 19 to 64 were approved and authorised for issue by the Council on 25 September 2018 and signed on its behalf by:

Mr J van Wijngaarden **Chair of the Council**

Mr N Kiyani **Director**

Professor T Salt **Director**

AQA Education

Consolidated Statement of Cash Flows

for the year ended 31 March 2018

	Note	Group Year ended 2018 £000	Group 18 month period ended 2017 £000
Cash flows from operating activities:			
Net cash generated from operating activities	22	34,109	42,074
Taxation received		144	469
Net cash generated from operating activities		34,253	42,543
Cash flows from investing activities:			
Net Investment income		776	753
Purchase of tangible fixed assets		(1,740)	(1,103)
Proceeds from sale of tangible fixed assets		-	4,927
Purchase of intangible fixed assets		(12,532)	(6,874)
Purchase of fixed assets investments		(2,222)	(5,543)
Sale /(purchase) of current investments		44,959	(29,310)
Proceeds from sale of investments		2,357	18,221
Investment in joint venture		(1,285)	(1,000)
(Increase)/decrease in cash held with fund managers		(211)	114
Redundancy payments already provided		(1,551)	-
Cost of subsidiary undertakings net of cash acquired with subsidiary undertakings		-	(6,500)
Net cash generated from / (used in) investing activities		28,551	(26,315)
Cash flows from financing activities:			
Repayment of borrowings		(998)	(113)
Net cash used in financing activities		(998)	(113)
Increase in cash and cash equivalents in the year		61,806	16,115
Cash and cash equivalents at the beginning of the year/period		18,260	2,145
Cash and cash equivalents at the end of the year/period		80,066	18,260

The notes on pages 23 to 63 form part of these financial statements.

1 General information

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

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

2 Statement of compliance

These financial statements have been prepared in accordance with the Statement of Recommended Practice "Accounting and Reporting by Charities" (Charities SORP (FRS 102)) applicable to charities preparing their financial statements in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015), Companies Act 2006 and the Charities Act 2011.

AQA meets the definition of a public benefit entity under FRS 102.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value.

The charity has adapted the Companies Act 2006 formats to reflect the Charities SORP and the special nature of the charity's activities.

Financial year

AQA's financial year end is 31 March. This report therefore provides audited figures for the year to 31 March 2018 (the prior period is 18 months from 1 October 2015 to 31 March 2017).

(b) Going concern

The charity's business activities, its current financial position and factors likely to affect its future development are set out in the Strategic Report. The charity has in place healthy liquidity which provides adequate resources to finance committed reinvestment and educational programmes, along with the charity's day to day operations. The charity also has a long-term business plan which shows that it is able to service any of its debt facilities.

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

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

3 Summary of significant accounting policies (continued)

(c) Basis of consolidation

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

(i) Subsidiaries

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

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

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

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

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

(ii) Joint ventures

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

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

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

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

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

3 Summary of significant accounting policies (continued)

(c) Basis of consolidation (continued)

(ii) Joint ventures (continued)

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

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

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

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

A separate Statement of Financial Activities for the charity has not been presented because AQA has taken advantage of the exemption afforded by section 408 of the Companies Act 2006.

The net income/(expenditure) and net movement in funds for the year for the charity were £26,816,000 *(2017: £(33,831,000))* and total funds at the year end were £63,015,000 *(2017: £36,199,000)*.

(d) Income recognition

All income is recognised once AQA has entitlement to the income, any performance conditions attached to the item(s) of income have been met, it is probable that the income will be received and the amount of income receivable can be measured reliably.

All income is recognised on a receivables basis. Examination income is included in the consolidated statement of financial activities, within educational services, and is recognised in the year in which the examinations take place.

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the charity; this is normally upon notification of the interest paid or payable by the bank.

(e) Fund accounting

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

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

(f) Expenditure recognition and irrecoverable VAT

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

3 Summary of significant accounting policies (continued)

(f) Expenditure recognition and irrecoverable VAT (continued)

(i) Charitable activities

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

(ii) Governance and support costs

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

Allocation of support and governance costs

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

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

(iii) Other trading activities

These costs relate to services provided by the subsidiary undertaking, DRS Data Services Limited. It includes direct cost as well as overhead costs.

(g) Deferred income and expenditure

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

(h) Employee benefits

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

i) Short-term benefits

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

3 Summary of significant accounting policies (continued)

(h) Employee benefits (continued)

ii) Defined contribution pension plans

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

iii) Defined benefit pension plans

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

The defined benefit section of The AQA Pension Scheme, GMPF and the unfunded augmented pension liabilities are accounted for as defined benefit schemes under section 28 of FRS 102. The defined benefit section of The AQA Pension Scheme was closed to new entrants from July 2006 and to future accruals from January 2011. AQA has also contributed to two further defined benefit schemes, namely the Teachers' Pension Scheme and the University Superannuation Scheme. These are multi-employer defined benefit schemes where it is not possible to separately identify the assets and liabilities for each participating employer. Accordingly, contributions are treated as defined contribution schemes for accounting purposes.

The liability recognised in the statement of financial position in respect of the defined benefit plan is the present value of the defined benefit obligation at the reporting date less the fair value of the plan assets at the reporting date.

The defined benefit obligation is calculated using the projected unit credit method. Annually the Group engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Group's policy for similarly held assets. This includes the use of appropriate valuation techniques.

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

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

(i) Business combination and goodwill

Business combinations are accounted for by applying the purchase method

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

3 Summary of significant accounting policies (continued)

(i) Business combination and goodwill (continued)

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

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

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

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

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

(j) Intangible assets

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

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

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

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

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

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

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

3 Summary of significant accounting policies (continued)

(j) Intangible assets (continued)

Specification development

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

Systems development

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

Research expenditure

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

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

(k) Tangible fixed assets and depreciation

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

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

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

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

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

3 Summary of significant accounting policies (continued)

(k) Tangible fixed assets and depreciation (continued)

For the purposes of the SORP, all tangible fixed assets are considered to be functional assets of the charity. Tangible assets costing more than £10,000 per individual item or group of related items are capitalised in the year of acquisition.

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

(l) Leased assets

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

i) Operating lease

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

ii) Lease incentive

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

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

(m) Impairment of non- financial asset

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

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

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

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

3 Summary of significant accounting policies (continued)

(n) Stocks

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

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

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

(o) Cash and cash equivalents

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

(p) Provisions

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

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

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

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

(q) Financial instruments

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

(i) Financial assets

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

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

3 Summary of significant accounting policies (continued)

(q) Financial instruments (continued)

(i) Financial assets (continued)

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

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

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

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

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

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

(ii) Financial liabilities

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

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

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

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

3 Summary of significant accounting policies (continued)

(q) Financial instruments (continued)

(ii) Financial liabilities (continued)

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

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

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

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

i) Estimated impairment of goodwill

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

ii) Retirement benefit obligations

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

Note 26 details the actuarial assumptions used in determining the carrying amount at 31 March 2018.

iii) Provisions

Provision is made for reorganisation costs and dilapidations. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows and the discount rates used to establish net present value of the obligations require management's judgement.

(s) Future amendments to FRS 102

There are no amendments to FRS 102 or FRC abstracts that have a significant effect on the current year, prior period or future periods.

4 Income from charitable and other trading activities

	Unrestricted funds	
	Year ended 2018 £000	18 month period ended 2017 £000
Educational Services - United Kingdom fee income	164,124	158,603
Educational Services – Overseas fee income	747	2,318
Total income from charitable activities	164,871	160,921
Digital Services – United Kingdom income	3,314	5,609
Digital Services – Overseas income	3,143	1,808
Total income from other trading activities	6,457	7,417

5 Investment income and management costs

	Unrestricted funds	
	Year ended 2018 £000	18 month period ended 2017 £000
Interest – UK deposits	53	393
Dividends – UK listed funds	281	360
	334	753
Net credit to other finance income on defined pension scheme assets and liabilities (note 26)	442	-
Total Investment Income	776	753
Brokers' fees	142	332
Total Investment management costs	142	332
Net Investment income	634	421

6 Total of expenditure

	Year ended March 2018			18 month period ended 2017
	Educational services	Digital services	Total	Total
	£000	£000	£000	£000
Operational costs:				
Examiner costs	60,150	-	60,150	65,194
Printing postage and other examination costs	7,714	-	7,714	11,458
Premises costs	3,222	515	3,737	4,765
Direct staff costs	34,285	7,301	41,586	52,961
Finance charge – Operating lease rentals	1,221	334	1,555	1,818
Depreciation	1,103	407	1,510	2,009
Amortisation of intangibles	2,895	10	2,905	927
Loss/(profit) on disposal of tangible fixed assets	36	-	36	(2,812)
Reorganisation costs	-	-	-	7,783
Overheads	5,831	2,218	8,049	27,856
Research and development costs	-	1,798	1,798	1,913
Investment management costs	142	-	142	332
Net finance cost relating to defined benefit pension scheme	1,233	-	1,233	743
Governance costs (see note 9)	401	91	492	590
Support costs (see note 9)	19,375	1,151	20,526	29,299
Share of loss in joint venture	1,258	-	1,258	1,317
Total expenditure	138,866	13,825	152,691	206,153

7 Summary analysis of expenditure and related income for charitable activities

	Year ended 2018 Total	18 month period ended 2017 Total
	£000	£000
Income from charitable activities:		
Fees and charges	164,871	160,921
Total income	164,871	160,921
Expenditure on charitable activities:		
Staff costs	53,660	77,962
Operational costs	83,806	116,950
Total expenditure	137,466	194,912
Total surplus/(deficit) from charitable activities	27,405	(33,991)

8 Taxation

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

9 Analysis of governance and support costs

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

	Support costs	Governance function	Year ended 2018 Total	18 month period ended 2017 Total	**Basis of allocation**
	£000	£000	£000	£000	
Employment costs	20,526	14	20,540	29,333	Staff time
Trustee expenses	-	20	20	46	Invoiced events
Internal audit services	-	205	205	696	Governance
External auditor – audit services:					Governance
Audit of consolidated and charity financial statements	-	109	109	104	Governance
Audit of the subsidiary financial statements	-	28	28	32	Governance
Advisory	-	116	116	374	Governance
Total	20,526	492	21,018	30,585	

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

	Year ended 2018 £000	18 month period ended 2017 £000
Wages and salaries	45,384	63,080
Social Security costs	4,088	5,507
Pension costs		
- Defined benefit pension costs	5,560	8,323
- Defined contribution pension costs	3,511	4,950
	58,543	81,860
Other staff related costs	3,596	5,505
	62,139	87,365

Termination payments of £1,551,000 (*2017: £4,074,000*) were made in the year, due to a change in the staffing structure.

	Year ended 2018 Number	18 month period ended 2017 Number
Average monthly number of employees and temporary staff (all of whom are directly or indirectly employed in the administration of examinations).		
By activity:		
Educational services	687	660
Support and administration	439	387
Digital services	235	215
	1,361	1,262

No *(2017: seven)* charity trustees received payment of £250 *(2017: £250)* each for professional or other services supplied to the charity. Having received Charity Commission permission, £nil *(2017: £20,000)* was paid to Royal Holloway, University of London, as a contribution towards the release of Professor Layzell as Chair of the Trustees of AQA for the period to 9 May 2017. From 10 May 2017, £13,750 was paid to Mr van Wijngaarden in his role as Chair of the Trustees. Charity Commission permission was obtained prior to the payment to Mr van Wijngaarden. In addition £1,165 *(2017: £900)* was paid to Mr A Rowe and £475 *(2017: £nil)* to Mr Trkulja for marking of examination papers. The Trustees have been reimbursed for all expenses incurred by them in connection with their attendance at meetings of the Council, other committees or general meeting of the charity of otherwise in connection with their discharge of their duties as Trustees. Travelling and subsistence expenses amounting to £20,000 *(2017: £46,000)*, were reimbursed to 18 *(2017: 24)* trustees.

The key management personnel of the parent charity comprise the Leadership Team alongside the Trustees of the charity. The total remuneration of the key management personnel of the Trust over the full year was £1,294,000 *(2017: £1,826,000)*.

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

The key management personnel of the group comprise those of the charity and the key management personnel of its two wholly owned subsidiaries. The remuneration of the key management personnel of the two subsidiaries totalled £677,000 *(2017: £1,110,000)*. The employee benefits of key management personnel for the group were therefore £1,971,000 *(2017: £2,936,000)*.

79 employees (2017: 94 employees) within the group earned over £60,000 in the year excluding pension contributions within the following bands:

Group

	Year ended 2018 Number	Period ended 2017 Number
Higher paid employees fell within the following annual bands:		
£60,001 to £70,000	25	41
£70,001 to £80,000	19	22
£80,001 to £90,000	9	7
£90,001 to £100,000	6	6
£100,001 to £110,000	7	4
£110,001 to £120,000	2	5
£120,001 to £130,000	4	3
£130,001 to £140,000	5	-
£140,001 to £150,000	-	1
£150,001 to £160,000	1	2
£160,001 to £170,000	-	1
£170,001 to £180,000	-	1
£180,001 to £190,000	1	-
£270,001 to £280,000	-	1

Contributions were made to defined benefit pension schemes for 13 (*2017: 21*) higher paid employees. Contributions amounting to £529,000 (*2017: £633,000*) were made to defined contribution schemes for 59 (*2017: 71*) higher paid employees.

11 Intangible assets

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

Group	Goodwill	Software	Development expenditure	Total
	£000	£000	£000	£000
COST				
At 1 October 2015	6,475	-	-	6,475
On acquisition	-	1,401	3,916	5,317
Additions	3,635	6,573	301	10,509
Written off	(2,434)	-	-	(2,434)
At 31 March 2017	7,676	7,974	4,217	19,867
ACCUMULATED AMORTISATION				
At 1 October 2015	4,262	-	-	4,262
On acquisition	-	1,389	3,916	5,305
Amortisation charge for the period	920	7	-	927
Impairment released	(2,434)	-	-	(2,434)
At 31 March 2017	2,748	1,396	3,916	8,060
NET BOOK VALUE				
At 31 March 2017	4,928	6,578	301	11,807
At 30 September 2015	2,213	-	-	2,213

The previously impaired goodwill written off in the period relates to Teachit (UK) Limited, which was liquidated during the period.

11 Intangible assets (continued)

Group	Goodwill £000	Software £000	Development expenditure £000	Total £000
COST				
At 1 April 2017	7,676	7,974	4,217	19,867
Write back to P&L due to change of capitalisation limit		(422)	(258)	(680)
Additions	-	7,814	4,718	12,532
At 31 March 2018	7,676	15,366	8,677	31,719
ACCUMULATED AMORTISATION				
At 1 April 2017	2,748	1,396	3,916	8,060
Write back to P&L due to change of capitalisation limit	-	(402)	(259)	(661)
Amortisation charge for the year	950	1,955	-	2,905
At 31 March 2018	3,698	2,949	3,657	10,304
NET BOOK VALUE				
At 31 March 2018	3,978	12,417	5,020	21,415
At 31 March 2017	4,928	6,578	301	11,807

Charity	Software £000	Total £000
COST		
At 1 April2017	6,557	6,557
Additions	7,803	7,803
At 31 March 2018	14,360	14,360
ACCUMULATED AMORTISATION		
At 1 April 2017	-	-
Amortisation charge for the year	1,945	1,945
At 31 March 2018	1,945	1,945
NET BOOK VALUE		
At 31 March 2018	12,415	12,415
At 31 March 2017	6,557	6,557

11 Intangible assets (continued)

Charity	Software £000	Total £000
COST		
At 1 October 2015	-	-
Additions	6,557	6,557
At 31 March 2017	6,557	6,557
ACCUMULATED AMORTISATION		
At 1 October 2015	-	-
Amortisation charge for the period	-	-
At 31 March 2017	-	-
NET BOOK VALUE		
At 31 March 2017	6,557	6,557
At 30 September 2015	-	-

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

12 Tangible fixed assets

Group	Freehold Land & Buildings £000	Leasehold Land & Buildings £000	IT Equipment £000	Furniture, Equipment and Vehicles £000	Total £000
COST					
At 1 October 2015	3,637	15,263	1,243	3,665	23,808
On acquisition	2,087	-	1,095	6,433	9,615
Additions	-	-	815	288	1,103
Disposals	(3,637)	-	(41)	(520)	(4,198)
At 31 March 2017	2,087	15,263	3,112	9,866	30,328
ACCUMULATED DEPRECIATION					
At 1 October 2015	1,589	6,632	700	1,870	10,791
On acquisition	591	-	1,048	5,879	7,518
Charge for the period	146	504	624	735	2,009
On disposals	(1,710)	-	(33)	(340)	(2,083)
At 31 March 2017	616	7,136	2,339	8,144	18,235
NET BOOK VALUE					
At 31 March 2017	1,471	8,127	773	1,722	12,093
At 30 September 2015	2,048	8,631	543	1,795	13,017

12 Tangible fixed assets (continued)

Group	Freehold Land & Buildings £000	Leasehold Land & Buildings £000	IT Equipment £000	Furniture, Equipment and Vehicles £000	Total £000
COST					
At 1 April 2017	2,087	15,263	3,112	9,866	30,328
Write back to P&L due to change of capitalisation limit	-	-	(843)	(2,110)	(2,953)
Additions	-	-	437	1,303	1,740
Disposals	-	(38)	(37)	(429)	(504)
At 31 March 2018	2,087	15,225	2,669	8,630	28,611
ACCUMULATED DEPRECIATION					
At 1 April 2017	616	7,136	2,339	8,144	18,235
Write back to P&L due to change of capitalisation limit	-	-	(739)	(1,890)	(2,629)
Charge for the year	48	317	430	664	1,459
On disposals	-	(2)	(37)	(429)	(468)
At 31 March 2018	664	7,451	1,993	6,489	16,597
NET BOOK VALUE					
At 31 March 2018	1,423	7,774	676	2,141	12,014
At 31 March 2017	1,471	8,127	773	1,722	12,093

Charity	Freehold Land & Buildings £000	Leasehold Land & Buildings £000	IT Equipment £000	Furniture, Equipment and Vehicles £000	Total £000
COST					
At 1 October 2015	3,637	15,263	1,153	3,650	23,703
Additions	-	-	699	12	711
Disposals	(3,637)	-	-	(52)	(3,689)
At 31 March 2017	-	15,263	1,852	3,610	20,725
ACCUMULATED DEPRECIATION					
At 1 October 2015	1,589	6,632	628	1,864	10,713
Charge for the period	121	504	582	609	1,816
On disposals	(1,710)			(42)	(1,752)
At 31 March 2017	-	7,136	1,210	2,431	10,777
NET BOOK VALUE					
At 31 March 2017	-	8,127	642	1,179	9,948
At 30 September 2015	2,048	8,631	525	1,786	12,990

12 Tangible fixed assets (continued)

Charity	Leasehold Land & Buildings £000	IT Equipment £000	Furniture, Equipment and Vehicles £000	Total £000
COST				
At 1 April 2017	15,263	1,852	3,610	20,725
Additions	-	415	-	415
Disposals	(38)	(22)	(8)	(68)
At 31 March 2018	15,225	2,245	3,602	21,072
ACCUMULATED DEPRECIATION				
At 1 April 2017	7,136	1,210	2,431	10,777
Charge for the year	317	413	356	1,086
On disposals	(2)	(22)	(8)	(32)
At 31 March 2018	7,451	1,601	2,779	11,831
NET BOOK VALUE				
At 31 March 2018	7,774	644	823	9,241
At 31 March 2017	8,127	642	1,179	9,948

Charity	Freehold Land & Buildings £000	Leasehold Land & Buildings £000	IT Equipment £000	Furniture, Equipment and Vehicles £000	Total £000
COST					
At 1 October 2015	3,637	15,263	1,153	3,650	23,703
Additions	-	-	699	12	711
Disposals	(3,637)	-	-	(52)	(3,689)
At 31 March 2017	-	15,263	1,852	3,610	20,725
ACCUMULATED DEPRECIATION					
At 1 October 2015	1,589	6,632	628	1,864	10,713
Charge for the period	121	504	582	609	1,816
On disposals	(1,710)			(42)	(1,752)
At 31 March 2017	-	7,136	1,210	2,431	10,777
NET BOOK VALUE					
At 31 March 2017	-	8,127	642	1,179	9,948
At 30 September 2015	2,048	8,631	525	1,786	12,990

12 Tangible fixed assets (continued)

Analysis of leasehold land and buildings as at 31 March 2018

Group	Freehold Land & Buildings	Leasehold Land & Buildings		Total
		Short	Long	
	£000	£000	£000	£000
Cost	2,087	-	15,225	17,312
Depreciation	(664)	-	(7,451)	(8,115)
Net book value	1,423	-	7,774	9,197

Charity	Leasehold Land & Buildings		Total
	Short	Long	
	£000	£000	£000
Cost	-	15,225	15,225
Depreciation	-	(7,451)	(7,451)
Net book value	-	7,774	7,774

Analysis of leasehold land and buildings as at 31 March 2017

Group	Freehold Land & Buildings	Leasehold Land & Buildings		Total
		Short	Long	
	£000	£000	£000	£000
Cost	2,087	10,930	4,333	17,350
Depreciation	(616)	(4,494)	(2,642)	(7,752)
Net book value	1,471	6,436	1,691	9,598

Charity	Freehold Land & Buildings	Leasehold Land & Buildings		Total
		Short	Long	
	£000	£000	£000	£000
Cost	-	10,930	4,333	15,263
Depreciation	-	(4,494)	(2,642)	(7,136)
Net book value	-	6,436	1,691	8,127

13 Investment in subsidiary undertakings

(a) Investment in subsidiary undertakings

AQA holds 100% of the share capital of Doublestruck Limited (Doublestruck) and DRS Data Services Limited (DRS). These subsidiaries are incorporated in England and Wales. The activities of the subsidiaries relate to the provision of educational resources and digital services. The registered address of Doublestruck is Devas Street, Manchester, M15 6EX and 1 Danbury Court, Linford Wood, Milton Keynes, Buckinghamshire, MK14 6LR for DRS.

During the prior period, the trade and net assets of Alfiesoft Limited were transferred into Doublestruck with that company being liquidated during the current year.

The aggregate net cost of investment shown in the parent company for the subsidiaries at 31 March 2018 is £13,134,000 *(2017:* £13,134,000) before an impairment charge of £nil *(2017: £3,075,000)*. The increase in carrying value is due to the reversal of an impairment charge.

The aggregate amount of the subsidiaries' assets, liabilities and funds included in these consolidated financial statements are as follows: assets £15,134,000 *(2017: £13,940,000)*, liabilities £9,205,000 *(2017: £8,767,000)* and funds £5,453,000 *(2017: £6,177,000)*.

(b) Investment in jointly controlled entities

	2018	2017
	£000	£000
At 1 April 2017	(511)	(194)
Funding payments	1,285	1,000
Share of loss	(1,258)	(1,317)
At 31 March 2018	(484)	(511)

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

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

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

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

At 31 March 2018, AQA was committed to funding the jointly controlled entity.

14 Other fixed asset investments

Investments

	Group & Charity 2018 £000	Group & Charity 2017 £000
Market value at 1 April 2017	36,850	42,708
Additions at cost	2,222	5,543
Disposals at market value (i.e. sales proceeds)	(2,357)	(18,221)
Net movements in cash	211	(114)
Net investment gains	268	6,934
Market value at 31 March 2018	37,194	36,850
Cost at 31 March 2018	29,456	28,723
Balance on net unrealised gain reserve	7,738	8,127

Analysis of net investment gains

Movement on unrealised (losses)/gains	(389)	3,359
Realised gains based on historic cost of investments disposed of during the year	657	3,575
Net investment gains	268	6,934

14 Other fixed asset investments (continued)

Analysis of market value of investments held

	Group & Charity 2018 £000	% of total	Group & Charity 2017 £000	% of total
UK Equities and UK Property Unit Trusts				
BlackRock Institutional Jersey Fund Dynamic Diversified Growth Fund	8,732	23.5	8,414	22.9
BLK Global Income Fund	3,182	8.6	3,365	9.1
Trojan Fund (Trojan Investment Funds) - S Accumulation shares	11,790	31.7	12,061	32.7
Other	1,690	4.5	2,018	5.5
UK Fixed Interest – listed				
BGF Global High Yield Bond Fund	679	1.8	654	1.8
BSF Emerging markets Flexi Dynamic Bond Fund	683	1.8	659	1.8
Other	1,413	3.8	1,448	3.9
International fixed interest	-	-	210	0.6
International Equities				
Other	7,951	21.4	7,158	19.4
Cash held with fund managers	1,074	2.9	863	2.3
	37,194	100.0	36,850	100.0

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

15 Stocks and work in progress

	Group 2018 £000	Charity 2018 £000	Group 2017 £000	Charity 2017 £000
Raw materials	606	-	548	-
Work in progress	57	-	347	-
Finished goods	1,632	1,317	2,857	1,900
	2,295	1,317	3,752	1,900

The balances above are shown net of a provision amounting to £1,180,000 (*2017: £1,765,000*).

The cost of inventories recognised as an expense and included in cost of sales for the year to 31 March 2018 amounted to £2,884,000 (*2017: £4,735,000*), comprising of £2,884,000 *(2017: £3,962,000)* of materials and £nil *(2017: £773,000)* of inventory provision.

16 Debtors

	Group 2018 £000	Charity 2018 £000	Group 2017 £000	Charity 2017 £000
Trade debtors	60,339	60,349	58,539	56,838
Amount recoverable on contracts	86	-	254	-
Amounts owed by group undertakings	-	6,029	-	4,269
Other debtors	950	580	1,043	396
Prepayments and accrued income	3,527	1,624	3,531	3,140
	64,902	68,582	63,367	64,643

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

17 Current investments

Investments totalling £15,053,000 *(2017: £60,012,000)* shown under current assets for the group and charity are represented by shares in the BlackRock Institutional Sterling Liquidity Fund and Goldman Sachs Sterling Liquid Reserves Fund. The decrease in current investments is due to cash being placed in deposit accounts with High Street banks in the current year rather than Investment funds.

18 Creditors: amounts falling due within one year

	Group 2018 £000	Charity 2018 £000	Group 2017 £000	Charity 2017 £000
Borrowings	-	-	998	-
Trade creditors	8,045	7,238	6,389	5,297
Amounts owed to group undertakings	-	1,202	-	2,696
Taxation and social security costs	1,585	1,182	1,505	1,091
Other creditors	208	78	217	133
Accruals and deferred income	155,406	153,653	144,809	143,084
	165,244	163,353	153,918	152,301

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

The movement on deferred income during the year was:

	Group 2018 £000	Charity 2018 £000	Group 2017 £000	Charity 2017 £000
Balance at 1 April 2017	139,609	139,202	1,237	915
Amount deferred in the year	160,395	160,353	268,937	268,823
Amount released in the year	(149,393)	(149,296)	(130,565)	(130,536)
Balance at 31 March 2018	150,611	150,259	139,609	139,202

19 Financial instruments

The Group and the Charity has the following financial instruments:

	Note	Group 2018 £000	Charity 2018 £000	Group 2017 £000	Charity 2017 £000
Financial assets measured at fair value through statement of financial activities:					
Investment in securities					
- UK Equities and UK Property Unit Trusts	14	25,394	25,394	25,858	25,858
- UK and International Fixed Interest	14	2,775	2,775	2,971	2,971
- International Equities	14	7,951	7,951	7,158	7,158
- Cash held with fund managers	14	1,074	1,074	863	863
Short-term deposits	17	15,053	15,053	60,012	60,012
		52,247	52,247	96,862	96,862
Financial assets that are debt instruments measured at amortised cost:					
Trade debtors	16	60,339	60,349	58,539	56,838
Amounts owed by group undertakings	16	-	6,029	-	4,269
Other debtors	16	950	580	1,043	396
Cash at bank and in hand		80,066	77,319	18,260	14,344
		141,355	144,277	77,842	75,847

19 Financial instruments (continued)

	Note	Group 2018 £000	Charity 2018 £000	Group 2017 £000	Charity 2017 £000
Financial liabilities measured at amortised cost:					
Borrowings	18	-	-	998	-
Trade creditors	18	8,045	7,238	6,389	5,297
Amounts owed to group undertakings	18	-	1,202	-	2,696
Other creditors	18	208	78	217	133
Accruals and deferred income	18	155,406	153,653	144,809	143,084
		163,659	162,171	152,413	151,210

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

20 Provisions for liabilities and charges

Group	Reorganisation £000	Leasehold Dilapidations £000	Share of Loss in JV £000	Total £000
Balance at 1 October 2015	1,352	1,863	194	3,409
On acquisition	-	150	-	150
Provided in the period	7,783	67	317	8,167
Utilised in the period	(7,399)	(315)	-	(7,714)
Balance at 31 March 2017	1,736	1,765	511	4,012

Group	Reorganisation £000	Leasehold Dilapidations £000	Share of Loss in JV £000	Total £000
Balance at 1 April 2017	1,736	1,765	511	4,012
Provided in the year	-	439	-	439
Utilised in the year	(1,551)	-	(27)	(1,578)
Balance at 31 March 2018	185	2,204	484	2,873

20 Provisions for liabilities and charges (continued)

Charity	Reorganisation	Leasehold Dilapidations	Share of Loss in JV	Total
	£000	£000	£000	£000
Balance at 1 October 2015	1,352	1,863	194	3,409
Provided in the period	7,783	50	317	8,150
Utilised in the period	(7,399)	(315)	-	(7,714)
Balance at 31 March 2017	1,736	1,598	511	3,845

Charity	Reorganisation	Leasehold Dilapidations	Share of Loss in JV	Total
	£000	£000	£000	£000
Balance at 1 April 2017	1,736	1,598	511	3,845
Provided in the year	-	130	-	130
Utilised in the year	(1,551)	-	(27)	(1,578)
Balance at 31 March 2018	185	1,728	484	2,397

Reorganisation provision

The provision relates to estimated costs of changes to staffing structures. In the prior period, a number of employees were made redundant, utilising the provision brought forward. The year end provision will be utilised during the following year as the changes in staffing structures take effect.

The provision is a non-contingent liability.

Leasehold dilapidations

As part of the property leasing arrangements there is an obligation to repair damages and make good leasehold properties when they are vacated. The provision is expected to be utilised between 2018 and 2108 as the leases terminate.

Share of loss in JV

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

21 Total charity funds

Analysis of movements in unrestricted funds

Group	1 April 2017	Net (expenditure)/ income	Investment and actuarial (losses)/gains	Transfers	31 March 2018
	£000	£000	£000	£000	£000
Designated funds					
Fixed assets	19,400	(9,768)	-	-	9,632
Property maintenance and development	1,800	404	-	-	2,204
Transformation fund	-	-	-	9,675	9,675
Total designated funds	21,200	(9,364)	-	9,675	21,511
General unrestricted funds	18,883	29,434	-	(12,745)	35,572
Investment revaluation reserve	8,128	-	(389)	-	7,739
Unrestricted funds before pension liability	48,211	20,070	(389)	(3,070)	64,822
Net pension liability	(11,968)	-	3,408	3,070	(5,490)
Total charity funds	36,243	20,070	3,019	-	59,332

Analysis of net assets between funds

Group	Unrestricted (general)	Unrestricted (designated)	Total funds
Intangible assets	21,415	-	21,415
Tangible assets	12,014	-	12,014
Investments	27,519	9,675	37,194
Current assets	152,684	9,632	162,316
Liabilities	(165,244)	-	(165,244)
Provisions	(669)	(2,204)	(2,873)
Pension liability	(5,490)	-	(5,490)
Total net assets	42,229	17,103	59,332

21 Total charity funds (continued)

Analysis of movements in unrestricted funds

Charity	1 April 2017	Net (expenditure)/ income	Investment and actuarial (losses)/gains	Transfers	31 March 2018
	£000	£000	£000	£000	£000
Designated funds					
Fixed assets	14,000	(6,000)	-	-	8,000
Property maintenance and development	1,600	130	-	-	1,730
Transformation fund	-	-	-	9,675	9,675
Total designated funds	15,600	(5,870)	-	9,675	19,405
General unrestricted funds	24,439	29,667	-	(12,745)	41,361
Investment revaluation reserve	8,128	-	(389)	-	7,739
Unrestricted funds before pension liability	48,167	23,797	(389)	(3,070)	68,505
Net pension liability	(11,968)	-	3,408	3,070	(5,490)
Total charity funds	36,199	23,797	3,019	-	63,015

Analysis of net assets between funds

Charity	Unrestricted (general)	Unrestricted (designated)	Total funds
Intangible assets	12,415	-	12,415
Tangible assets	9,241	-	9,241
Investment in subsidiary undertakings	13,134	-	13,134
Investments	27,519	9,675	37,194
Current assets	154,271	8,000	162,271
Liabilities	(163,353)	-	(163,353)
Provisions	(667)	(1,730)	(2,397)
Pension liability	(5,490)	-	(5,490)
Total net assets	47,070	15,945	63,015

21 Total charity funds (continued)

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

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

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

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

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.

Investment revaluation reserve: These reserves relate to unrealised gains and losses arising the Charity's fixed asset investments.

Analysis of movements in unrestricted funds

Group	1 October 2015	Net Income/ (expenditure)	Investment and actuarial gains/(losses)	Transfers	31 March 2017
	£000	£000	£000	£000	£000
Designated funds					
Fixed assets	15,230	10,518	-	(6,348)	19,400
Property maintenance and development	5,000	(1,230)	-	(1,970)	1,800
Product development	15,000	-	-	(15,000)	-
Exam entry profile changes	3,000	-	-	(3,000)	-
Cash flow cycle	8,000	-	-	(8,000)	-
Total designated funds	46,230	9,288	-	(34,318)	21,200
General unrestricted funds	10,198	3,371	-	5,314	18,883
General contingency	21,000	-	-	(21,000)	-
Investment revaluation reserve	4,769	-	3,359	-	8,128
Unrestricted funds before pension liability	82,197	12,659	3,359	(50,004)	48,211
Net pension liability	(14,968)	-	(47,004)	50,004	(11,968)
Total charity funds	67,229	12,659	(43,645)	-	36,243

21 Total charity funds (continued)

Analysis of net assets between funds

Group	Unrestricted (general)	Unrestricted (designated)	Total funds
Intangible assets	11,807	-	11,807
Tangible assets	12,093	-	12,093
Investments	36,850	-	36,850
Current assets	125,991	19,400	145,391
Liabilities	(153,918)	-	(153,918)
Provisions	(2,212)	(1,800)	(4,012)
Pension liability	(11,968)	-	(11,968)
Total net assets	18,643	17,600	36,243

Analysis of movements in unrestricted funds

Charity	1 October 2015	Net Income/ (expenditure)	Investment and actuarial gains/(losses)	Transfers	31 March 2017
	£000	£000	£000	£000	£000
Designated funds					
Fixed assets	18,054	8,510	-	(12,564)	14,000
Property maintenance and development	5,000	(1,230)	-	(2,170)	1,600
Product development	15,000	-	-	(15,000)	-
Exam entry profile changes	3,000	-	-	(3,000)	-
Cash flow cycle	8,000	-	-	(8,000)	-
Total designated funds	49,054	7,280	-	(40,734)	15,600
General unrestricted funds	10,175	2,534	-	11,730	24,439
General contingency	21,000	-	-	(21,000)	-
Investment revaluation reserve	4,769	-	3,359	-	8,128
Unrestricted funds before pension liability	84,998	9,814	3,359	(50,004)	48,167
Net pension liability	(14,968)	-	(47,004)	50,004	(11,968)
Total charity funds	70,030	9,814	(43,645)	-	36,199

21 Total charity funds (continued)

Analysis of net assets between funds

Charity	Unrestricted (general)	Unrestricted (designated)	Total funds
Intangible assets	6,557	-	6,557
Tangible assets	9,948	-	9,948
Investment in subsidiary undertakings	10,059	-	10,059
Investments	36,850	-	36,850
Current assets	126,899	14,000	140,899
Liabilities	(152,301)	-	(152,301)
Provisions	(2,245)	(1,600)	(3,845)
Pension liability	(11,968)	-	(11,968)
Total net assets	23,799	12,400	36,199

22 Net cash generated from operating activities

Reconciliation of net income to net cash inflow from operating activities

	Group	
	Year ended 2018 £000	18 month period ended 2017 £000
Net incoming/ (outgoing) resources before other recognised gains	19,413	(37,062)
Net investment income excluding net finance income on defined benefit pension schemes	(776)	(753)
Depreciation	1,459	2,009
Loss/(profit) on disposal of tangible fixed assets	37	(2,811)
Amortisation of intangibles	2,905	927
Write back to SOFA of tangible fixed assets	343	-
Decrease/(increase) in stocks	1,455	(768)
(Increase) in debtors	(1,678)	(45,305)
Increase in creditors	12,324	128,293
Decrease in provisions	1,698	1,402
Post-employment benefits less payments	(3,071)	(3,858)
Net cash generated in operating activities	34,109	42,074

23 Operating lease commitments

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

	Group 2018 £000	Charity 2018 £000	Group 2017 £000	Charity 2017 £000
Not later than one year	1,426	1,088	1,096	829
Later than one year and not later than five years	4,483	3,536	3,201	2,427
Later than five years	14,152	14,152	12,005	12,005
	20,061	18,776	16,302	15,261

24 Capital commitments

There were £9,632,000 capital commitments contracted for at 31 March 2018 but not provided for *(2017: £19,400,000).*

25 Related party transactions

The charity has taken advantage of the exemption conferred by paragraph 33.1A of FRS 102, 'related party transactions', that transactions with wholly controlled subsidiaries do not need to be disclosed.

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

The amounts recharged to the joint venture in the year were £469,000 (*2017: £533,000*). The amount due to AQA at the year end was £16,000 (*2017: £29,000*).

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

26 Retirement benefits

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

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

	2018	2017
	£000	£000
Total AQA pension costs	5,560	8,323

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

	2018	2017
	£000	£000
The AQA Pension Scheme	17,763	12,316

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

	2018	2017
	£000	£000
GMPF	19,235	20,043
Unfunded pension liabilities	4,018	4,241
	23,253	24,284

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

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

26 Retirement benefits (continued)

Principal actuarial assumptions

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

	2018 % per annum	2017 % per annum
Price increases	2.25 – 3.25	2.30 – 3.30
Pension increases - in payment	1.95 – 3.10	2.00 – 3.15
Pension increases - deferred	2.25	2.30
Salary increases	2.75	2.80
Discount rate	2.60	2.60

The figures presented in these disclosures are based on the mortality assumptions adopted for the latest funding valuation with additional margins for prudence removed. For the AQA scheme the tables used are 97% of S2PxA (92% S2PxA) tables for males (females); future improvements are in line with the CMI 2017 projections subject to a long term trend rate of 1.5%. For the GMPF liabilities the tables used are Club Vita curves updated to 2014 using the Club Vita methodology; future improvements are in line with CMI 2013 projections subject to a long term trend rate of 1.25%. For the unfunded arrangements the same tables as the AQA liabilities are used but these are adjusted to reflect the assumed higher life expectancy of these members, specifically 67% of S2PxA (62% S2PxA) tables for males (females); future improvements are in line with the CMI 2016 projections subject to a long term trend rate of 1.5%. Example life expectancies are 21.5 – 25.3 years (24.1 – 27.8 years) from age 65 for a male (female) currently aged 65 and 22.3 – 27.0 years (26.2 – 29.5 years) from age 65 for a male (female) currently aged 45.

Statement of financial position disclosures

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

	Net Pension Asset		**Net Pension Liabilities**		**Total**	
	2018	2017	2018	2017	2018	2017
	£000	£000	£000	£000	£000	£000
Fair value of scheme assets	174,734	171,385	80,291	78,328	255,025	249,713
Present value of liabilities	(156,971)	(159,069)	(103,544)	(102,612)	(260,515)	(261,681)
Net pension asset/(liability)	17,763	12,316	(23,253)	(24,284)	(5,490)	(11,968)

26 Retirement benefits (continued)

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

	2018	2017
	%	%
Equities	40.2	45.4
Property	10.2	10.2
Bonds	33.0	29.2
Hedge Funds	10.9	11.7
Cash and other	5.7	3.5
Total	100.0	100.0

Statement of financial activities disclosures

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

	Year ended March 2018	Period ended 2017
	£000	£000
Current service cost	1,534	1,900
Past service cost	503	1,125
Scheme administration expenses	895	697
Net interest on asset/liability	(87)	743
Total	2,845	4,465
Actual return on scheme assets	355	46,146

26 Retirement benefits (continued)

Changes in the present value of the defined benefit obligation

	2018 £000	2017 £000
Opening defined benefit obligation	261,681	208,565
Current service cost	1,534	1,900
Past service costs	503	1,125
Interest cost	6,386	12,135
Contributions by members	344	677
Actuarial (gains)/losses	(3,408)	47,004
Benefits paid	(6,525)	(9,725)
Closing defined benefit obligation	260,515	261,681

Changes in the fair value of the scheme assets

	2018 £000	2017 £000
Opening fair value of scheme assets	249,713	193,597
Expected return on assets	355	46,146
Interest income	6,473	11,392
Contributions by members	344	677
Contributions by employer	5,560	8,323
Scheme administration expenses	(895)	(697)
Benefits paid	(6,525)	(9,725)
Closing fair value of scheme assets	255,025	249,713

26 Retirement Benefits (continued)

Amounts for the current and previous four years

	31 March 2018 £000	31 March 2017 £000	30 September 2015 £000	30 September 2014 £000	30 September 2013 £000
Fair value of scheme assets	255,025	249,713	193,597	186,770	172,702
Present value of defined benefit obligation	(260,515)	(261,681)	(208,565)	(207,415)	(186,793)
Net pension liability	(5,490)	(11,968)	(14,968)	(20,645)	(14,091)
Experience (losses)/gains on assets	-	-	(2,603)	4,395	11,390
Experience (losses)/gains on liabilities	-	-	-	(2,467)	4,978

Other defined benefit pension schemes

Multi-employer defined benefit schemes

AQA participated in two *(2017: two)* multi-employer defined benefit schemes where it is not possible to separately identify the assets and liabilities for each participating employer. Accordingly, under section 28 of FRS 102, these schemes are treated as defined contribution schemes for accounting purposes.

Defined contribution schemes

During the year, the total amount charged to the consolidated statement of financial activities in relation to defined contribution schemes (including the defined benefit schemes accounted for as defined contribution schemes under section 28 of FRS 102) amounted to £2,782,000 *(2017: £4,950,000)*. The amount charged includes contributions to the AQA defined contribution scheme. No contributions were payable to the schemes at the year end *(2017: £nil)*.

Legal and administrative details

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Registered company number: 3644723
Registered charity number: 1073334

Bankers and principal advisers

Bankers

NatWest Bank
135 Bishopgate
London
EC2M 3UR

Independent Investment Advisors

LJ Athene Investment Advisors Ltd (to 31 March 2018)
9 Clifford Street
London
W1S 2FT

Cazenove Capital Management (from 1 April 2018)
12 Moorgate
London
EC2R 6DA

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Hardman Square
Manchester
M3 3EB