AQA
Questions matter

AQA Education

A company limited by guarantee

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

Registered company number 3644723

Registered charity number 1073334

www.aqa.org.uk

AQA Education
Directors' and Trustees' Report including Strategic Report

INTRODUCTION

AQA Education (AQA) is a company limited by guarantee; it does not have share capital and is a registered charity. The directors, who are AQA Trustees and constitute the members of the Charity, present the Directors' and Trustees' Report which includes the Strategic Report and the audited Consolidated Financial Statements for the year ended 31 March 2023.

The Board of Trustees is, for company law purposes, also the Board of Directors and has ultimate responsibility for the Charity's activities. It exercises its powers through the Chief Executive Officer (CEO) who is also a Trustee.

The charitable objectives of the company, as set out in the Articles of Association, amended by special resolution on 2 October 2019, are generally to advance education for the benefit of the public including, without limitation, by the preparation, validation, accreditation, conduct and administration of examinations for the awarding of certificates or any other tests, examinations or other systems of assessing and recording academic or other achievement.

STRUCTURE

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

Mr M Allen (appointed 1 September 2022)
Mr J Dahl
Dr A Hadawi
Mr T Hall (appointed 1 September 2022)
Mr C Hughes (CEO)
Ms E Kitcatt
Mr N Kiyani (term concluded 1 April 2023)
Professor J Knowles (appointed 21 April 2022)
Ms L Martini
Ms A Modan (term concluded 30 September 2022)
Mrs S Moore (term concluded 31 July 2022)
Mr M Nicholson (term concluded June 2023, re-appointed 3 November 2023)
Ms D O'Donoghue
Mr M Ojja (appointed 1 January 2023)
Mr M Orr (appointed 11 May 2023)
Ms V Rhodes (appointed 1 January 2023)
Ms P Smith (appointed 1 January 2023)
Ms I Sutcliffe
Mr M Turner
Mr J van Wijngaarden (Chair)

Trustee vacancies are advertised when there is a particular skills gap within the overall membership of the Board of Trustees and when a term of office comes to an end. New appointments are formally approved by the Board of Trustees. Membership must naturally represent and be able to advise on the education sector, as well as the running of AQA and meeting its charitable objectives.

A number of the trustees also served as chairs of governance and advisory committees during the reporting year, as follows:

Governance committees

Committee Chairs Group	Mr J van Wijngaarden
Finance Committee	Mr N Kiyani (term concluded 1 April 2023)
Finance Committee	Ms P Smith (appointed 1 April 2023)
Audit, Risk and Compliance Committee	Mr M Turner
Awarding Standards Committee	Mr J van Wijngaarden
Nominations Committee	Mr J van Wijngaarden
Remuneration Committee	Ms P Hird (term concluded 1 September 2022)
Remuneration Committee	Mr M Allen (appointed 1 September 2022)
Commercial Oversight Committee	Mr J van Wijngaarden

Advisory committees

Curriculum and Assessment Quality Committee	Ms E Kitcatt
Research Committee	Dr A Ahmed (non-trustee, Acting Chair)
Student Advisory Group	Ms E Kitcatt
Irregularities and Appeals Committee	Dame Joan McVittie (non-trustee)
Higher Education Advisory Group	Mr M Nicholson

All trustees are required to complete a Register of Interests declaration and to declare any potential conflict of interest annually and declare conflicts of interest at the start of each meeting. This also applies to governance and advisory committee members who are not trustees.

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

Governance committees

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

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

- **Audit, Risk and Compliance Committee**: meets at least five times a year and reports to the Board of Trustees on the integrity and regulatory compliance of AQA's annual financial statements; the independence and performance of the external and internal auditors; and the functioning of AQA's internal controls, risk management and regulatory compliance controls. The committee has oversight of, and the role to challenge, the effectiveness of AQA's compliance activity, including review of the annual compliance review plan, receipt of reports and activity relating to the annual Statement of Compliance process.

- **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.

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

- **Remuneration Committee:** meets at least once a year and acts on behalf of the Board of Trustees regarding appropriate remuneration and terms of service for the Chief Executive Officer, other members of the Executive Team and trustees when required.

- **Commercial Oversight Committee:** was established by the Board of Trustees in December 2022. This Committee meets at least four times a year and reports to the Board of Trustees on the effective operation of AQA Commercial Services Limited, an intermediate holding company wholly owned by AQA Education and the subsidiaries that sit within it to further the organisation's charitable and educational aims.

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.

Advisory committees (continued)

- **Research Committee**: meets three times a year and advises the Executive Team on all matters relating to research and technical aspects of assessment so as to ensure that AQA maintains its leading place nationally in assessment research.

- **Student Advisory Group:** meets three times a year and comprises students who have recently taken or are studying for AQA qualifications. The Group provides AQA with students' insights and perspectives on key areas of assessment, such as the use of technology and the design of question papers - helping us to make important decisions about the future of exams.

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

- **Higher Education Advisory Group:** meets three times a year and advises the Executive Team on matters relating to all shared aspects of the educational and practical work that AQA and Higher Education Institutions do to recognise student achievement and support progression.

AQA's day-to-day business is carried out by the CEO, Mr Colin Hughes, and a team of senior directors who make up the Executive Team:

- Mark Bedlow (Chief Operating Officer)
- Tracey Newman (Customer and Sales- resigned January 2023)
- Isabelle Perrett (People)
- Alex Scharaschkin (Assessment Research and Innovation)
- Shabnam Shahani (Strategy and Business Development – resigned July 2023)
- David Shaw (Business Solutions – retired March 2023)
- Nick Stevens (Finance and Corporate Services)
- Michael Turner (Corporate Affairs and Marketing)

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 six *(2022: three)* wholly-owned subsidiary companies: Doublestruck Limited (Doublestruck), AQA Milton Keynes Limited (AQA MK), AlphaPlus Consultancy Ltd (AlphaPlus), Blutick Limited (Blutick), AC3 Solutions Limited (AC3) and Training Qualifications UK Limited (TQUK) which along with AQA and AQA Commercial Services Limited (ACSL) make up the Group and are detailed below.

During the year, the shares of AlphaPlus Consultancy and Doublestruck were transferred from AQA to newly incorporated intermediate holding company AQA Commercial Services, and the shares of Blutick were transferred from AQA to Doublestruck. The transfers were made in exchange for shares in AQA Commercial Services. This has been done as part of a reorganisation of the Group structure, and has been accounted for in the relevant entities financial statements in accordance with merger accounting.

- AQA Commercial Services Limited (company number: 1429239) is a company incorporated in England and Wales and limited by shares and wholly-owned by AQA. It was incorporated on 16 August 2022. It acts as a holding company with trading subsidiaries underneath. The trading subsidiaries of AQA Commercial Services Limited are Doublestruck Limited, AlphaPlus Consultancy Limited, Blutick Limited and Training Qualifications UK Limited.

- Doublestruck Limited (company number: 02373295) is a company incorporated in England and Wales and limited by shares 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.

Group structure (continued)

- AlphaPlus Consultancy Limited (company number: 04801609) is a company incorporated in England and Wales and limited by shares and wholly-owned by AQA. It operates as an education service business that provides advisory, development and digital solutions for standards, assessment and certification.

- Blutick Limited (company number: 11318113) is a company incorporated in England and Wales and limited by shares and wholly-owned by AQA. It was acquired on 8 November 2022. It operates as an AI-driven platform, which supports the teaching, learning and assessment of Key Stage 3, GCSE and A-level Mathematics.

- Training Qualifications UK Limited (TQUK) (company number: 07827508) is a company incorporated in England and Wales and limited by shares and wholly-owned by AQA. It was acquired on 14 December 2022. It operates as an End-Point Assessment Organisation built on innovation and technology that is supporting the UK qualification and assessment sector. TQUK is an Ofqual recognised Awarding Organisation and provides regulated qualifications that sit on the Regulated Qualifications Framework (RQF).

- AQA Milton Keynes Limited (company number: 05568337), is a company incorporated in England and Wales and limited by shares and wholly-owned by AQA. It operates as a data capture bureau offering scanning services, and provides the online marking platform used by examiners and markers.

- AC3 Solutions Limited (company number: 08453864) is a company incorporated in England and Wales and limited by shares and wholly-owned by AQA. It was acquired on 5 December 2022. It provides a project management and reporting tool designed for the Extended Project Qualification (EPQ) submissions.

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

Commercial partnership

In May 2015, AQA formed a 50/50 joint venture company with Oxford University Press, Oxford International AQA Examinations Limited. The company offers a suite of international GCSE, AS and A-level qualifications to schools outside the UK that teach a British curriculum. The qualifications are designed and delivered by AQA and externally validated to ensure they are comparable to UK qualifications. The equity method of accounting is used as the accounting treatment for the joint venture (Note 3 to the financial statements).

EMPLOYMENT PRACTICES AND PAY

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

We have a Remuneration Committee, established as a governance committee of the Board of Trustees, to advise the latter on the appropriate remuneration and terms of service for the CEO and the Executive Team, and trustees when required. Specifically, this Committee determines annually what increase, if any, should be applied to the CEO's remuneration and agrees the Executive Team's remuneration, based on specific data provided to the Committee.

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

Gender and ethnicity pay gaps

In March 2023, we published our 2022 gender pay gap report, which shows that our median pay gap in 2022 had reduced from 16.3% to 10.1%. Our mean gender pay gap increased from 9.8% in 2021 to 10.8% in 2022. The full report can be found on https://www.aqa.org.uk/about-us/who-we-are/our-standards. 52% of our core workforce are female. Representation of female colleagues in senior leadership roles has increased from 39% to 43% April 2022 to April 2023.

Our Ethnicity pay gap continues to be an area of focus, and we are working on both recruitment and retention of colleagues from ethnic minority backgrounds. 14.5% of our core workforce came from ethnic minority backgrounds by April 2023, up from 10.9% in April 22.

EMPLOYMENT PRACTICES AND PAY (Continued)

Improving diversity through recruitment

Many of the recruitment team underwent training this year in advert copywriting, and how to make adverts as simple and clear as possible, removing barriers to those who might not otherwise apply.

Recognising the specific challenges in recruiting women into technology roles, we have been trialling a job board focused on women in technology, and in spring 2023, we will start using another job board focused on diverse talent.

Focusing on the top levels of our organisation and ensuring a representative Board of Trustees, we have been partnering with a search firm who specialise in identifying non-traditional backgrounds, and diverse talent for Trustee level positions. This has led to some great success over recent years, with a number of appointments made to the Board of Trustees and our various Committees who reflect the broad base of teachers and students we represent.

Culture

In early 2022 we launched our refreshed AQA values, as part of our strategic aim to build a forward and outward looking culture. Our values underpin our overall aim to never let a learner down.

Customers front and centre - Our customers are teachers: we want them always to choose us. Whatever our role, we all go the extra mile to meet their needs.

Step up - We think for ourselves. We use sound judgement and hold ourselves to account. We listen to understand and speak our mind with courtesy and care.

Shape tomorrow - We look up, out and ahead. We use our independent voice to influence. We question what we do and take considered risks to improve and innovate.

Work and learn together - We build supportive, diverse teams. We enjoy working and learning together. We delight in our shared purpose and celebrate success.

Results matter - We decide and deliver at pace. We make courageous decisions about what we will and won't do. We know when to aim for perfection, and when good is good enough.

We have launched activities to embed our values across the organisation, through our performance management framework, and through ongoing publication of stories about role models who live our values. We recognise that the ambition to evolve AQA's culture to one of trust, performance and growth will take time and is a multifaceted initiative, which includes the significant investment we are making in upgrading our office spaces, and in supporting colleagues through smart working approaches.

PUBLIC BENEFIT

The Board of Trustees has due regard of the Charities Act 2011 and the Charity Commission guidance on public benefit, in particular the requirement that public benefit can no longer be presumed but must be demonstrated. We are confident in our role as a charity delivering services to the public and meeting the Charity Commission's public benefit requirements now and into the future, with specific attention to ensuring that our services benefit society through advancing education, increasing social mobility and promoting learning. Further details are provided in the Strategic Report. We have complied with the duty in section 4 of the Charities Act 2011 to have due regard to public benefit guidance published by the Charity Commission.

Ensuring AQA's work delivers its aims

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

STRATEGIC REPORT
OBJECTIVES, ACHIEVEMENTS AND PERFORMANCE

Delivering against our purpose

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

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

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

- We provide a broad range of GCSE, AS, and A-level 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 no matter what their background, ability or impairment, to demonstrate what they can do.
- Our qualifications promote lifelong learning and individual attainment and widen participation in education.
- Our investments in widening our impact, specifically acquiring TQUK which we intend to support to grow, enable a wider impact for more students.
- We provide, through the joint venture with Oxford University Press, a range of international GCSE, AS and A-levels to improve education internationally through excellence in teaching, learning and assessment. These qualifications are modelled on our GCSE and A-level qualifications, but are specifically designed for students living outside of the UK who may not have English as a first language. This allows them to succeed fairly on the basis of their subject knowledge.
- We offer a range of flexible training programmes and resources to support teachers, from helping them better understand our specifications to developing their teaching skills.
- As well as students and teachers, we are focused on developing our people, providing opportunities for them to build their skills and to progress.

In summer 2022, although the pandemic was largely over, we still faced some challenges delivering against our purpose. We delivered our first full summer exam series in two years with schools, colleges and examiners all needing extra support. We continued to provide schools and colleges with that additional support and guidance directed by the Department for Education and Ofqual, and delivered fair and accurate results.

As well as our core assessment activities, we continued to explore opportunities to support more teachers and young people in order to benefit the overall education system. These activities also help us to deliver on our public benefit.

Investing in students

- AQA Unlocking Potential is a life-changing mentoring programme for young people aged 11 to 19, funded by AQA and run in partnership with the Dame Kelly Holmes Trust. This intensive mentoring programme aims to help students develop skills and increase their confidence, motivation and self-belief, and to achieve their full potential. The participants are nominated by teachers or youth workers who think that they would benefit from an inspirational helping hand as they have either faced challenging personal circumstances or have low self-esteem.

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

  The participants work in one-to-one and group sessions over eight months to plan and deliver a social action project which benefits their local community. In September 2022, we renewed our partnership with the Dame Kelly Holmes Trust for four more years and increased our investment, raising the number of young people on the programme from 80 to 120, across 30 schools. The programme is now in its eleventh full year and has engaged over 700 students since it began in 2011.

OBJECTIVES, ACHIEVEMENTS AND PERFORMANCE (continued)

Delivering against our purpose (continued)

Investing in students (continued)

- Our Student Advisory Group (SAG) gives young people who are still in school or college a voice in the exam system. The Group, made up of around 15 selected students, meets three to four times a year, and provides us with students' insights and perspectives on key areas of assessment. These include the use of technology and the design of question papers - helping us to make important decisions about the future of exams, and advise the Executive Team and our Board of Trustees. They have been an invaluable source of wisdom and insight, with members taking part in focus group work with AQA colleagues (such as On-Screen Examination programme trials) and outside of AQA (members met with the Shadow Minister for Schools, and the Student Chair gave evidence at the All-party Parliamentary Group on 21st Century Skills).

Investing in teachers

- As part of our commitment to improving social mobility through education, in 2018 we set up a project to sponsor a group of teachers from areas with low student attainment, to attend residential leadership courses with the Prince's Teaching Institute (PTI). The PTI aims to enhance the impact of teachers within the classroom through professional development, which broadens and deepens their subject knowledge, and, in turn, inspires young people whatever their ability. We share the PTI's belief that passionate, motivated teachers are key to making education excellent. While we planned to support another cohort of 12 teachers in 2022/2023, unfortunately this did not take place and we have decided not to carry this on into 2023/2024 and to look at other ways to invest in teachers.

- As part of our commitment to invest in teachers we offer free Continuous Professional Development activities. In September 2023, we launched our dedicated Assessment Training along with an expansion to our popular community activities, such as virtual community sessions and curriculum connect sessions, which are also free to attend.

Investing in research and sharing our assessment expertise

- We fund cutting-edge research through AQA Research. By collaborating with other academics and institutions we can increase our impact. For example, research making a case as to why Artificial Intelligence/Machine Learning methods have to meet higher standards before they can be safely used in high-stakes exams has been published in the European Journal of Education. This expertise has also helped underpin guidance to centres on ChatGPT and generative AI. Collaborative AI research as well as funding of applications are also underway with King's College London.

- Our researchers are contributing expertise to on-screen assessment developments. During April and May 2022, AQA researchers carried out surveys and focus groups with students and teachers participating in on-screen pilots to explore students' perspectives on taking an on-screen exam and teachers' perspectives about the experience of delivering them. These involved Year 10 students (aged 14-15) taking assessments in GCSE English Language, GCSE Mathematics and GCSE Sciences.

- Our research is also providing valuable evidence around equality, diversity and inclusion in our qualifications. For example, building on previous research exploring student and teacher views on the GCSE history curriculum by working with Royal Holloway University and cultural partners on a joint bid for funding from the Arts and Humanities Research Council. This will enable collaborative research and co-production of video and multimedia resources to support more inclusive teaching of UK history.

OBJECTIVES, ACHIEVEMENTS AND PERFORMANCE (continued)

Investing in research and sharing our assessment expertise (continued)

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

Investing in our communities and our people

- We are committed to investing in our communities and our people. During the year we supported a number of community activities chosen by employees. This support includes allowing colleagues up to five days' time off to carry out charitable activities, including school governor duties.

- We have a match-funding policy to support employee charitable activities; this means we make charitable donations equal to or up to an amount raised by AQA employees participating in pre-authorised fundraising activity, we view this an important benefit to attract and retain talented people. In December 2022, as we were unable to provide our usual Christmas lunch for Manchester colleagues, we donated the money we would have spent on this to foodbanks local to the AQA Group offices.

Delivering against our strategic objectives

We started working towards our new strategy in 2021. The objectives we set and what we did to achieve them in 2022/2023 are shown below.

1. **To be AQA in all we do**

A distinct and compelling brand that those inside and outside the organisation can recognise as reflecting accurately who we are and aspire to be, what we do, and how and why we do it.

Culture is a key enabler of our future goals and continues as an area to focus on. In support of the corporate values rolled out last year, new smart working guidelines were developed and implemented, along with revised approaches to strengthen employee voice and employee networks. Both offer a unique opportunity to gather feedback from colleagues on a range of subjects, which are key to shaping the employee experience and building the desired culture internally.

To make sure that customers really understand who we are and what we stand for we undertook a full review of our corporate brand identity. We made sure it was reflective of a more future focused and agile organisation, and supportive of our journey to become the UK's pre-eminent educational assessment organisation. This resulted in a redeveloped corporate brand, centred around the strapline "Questions Matter". This new branding began to roll out in spring 2023.

Part of this work includes our environmental sustainability mission - we are committed to being a socially responsible employer and reducing our carbon footprint. We recognise we have our part to play in tackling global climate change, and we have pledged to reduce our greenhouse gas emissions IMR (intensity measurement ratio - tonnes of CO_2e per £m revenue) by at least 60% by 2025/26. We have already achieved significant reductions, which we have outlined in the Environmental Policy section of this report. In addition, work continues with the DfE and other Awarding Organisations to increase our plastic recycling of secure question paper packaging from centres.

We have also looked at how we can improve our equality, diversity and inclusion both within AQA for recruitment and talent, but also for our qualifications. Over the past year, we have carried out a comprehensive review of equality, diversity and inclusion across all our qualifications to look at how they can best represent the diversity of knowledge and human experience we value as well as reflecting all the different communities of students we serve. We are continuing to work with stakeholders and have established an equality, diversity and inclusion expert group to consider representation in the curriculum and assessment and to ensure that decisions are informed by people who represent the full diversity of society.

OBJECTIVES, ACHIEVEMENTS AND PERFORMANCE (continued)

1. **To be AQA in all we do (continued)**

Within the organisation, the focus has been on re-establishing the employee networks, and tracking different diversity metrics across the employee lifecycle. We're pleased to see female representation both across the organisation (53%) and within our leadership population (43%) have grown, with our gender pay gap reduced from 16% to 10%. We are now hoping to make similar progress in our ethnic minority representation (now at 14%), as well as broadening our conversations about diversity to include intersectionality and wider forms (eg generational, and neurodiversity).

2. **To shape the future**

We are at the centre of debate and policy making on matters of assessment and related topics. We must use our knowledge, expertise and research to influence policy direction. By doing this we ensure the best decisions are made in service of students and teachers.

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 of students and teachers. For example, researchers have produced assessment design principles – outlining 'best practice' for the types of items we produce and for mark schemes. This is particularly important when it comes to recruiting and training new associates. Our research focused on optionality, mark schemes, question writing and equality, diversity and inclusion.

Research has also focused on embedding accessibility in our questions and papers during assessment design, guided by a recent Ofqual consultation and focused initially on four groups of learners: those with visual impairment, those with hearing impairment, those with specific learning difficulties, and those on the autism spectrum.

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. This year's Ofqual Educational Assessment seminar was a great opportunity to share some of our exciting research, with colleagues presenting on accessibility and access arrangements, findings from on-screen exams pilots and how AI might impact exam systems and marking.

In 2022 we continued to play a big role in the rapidly changing policy environment. This was done through agile and fast-paced responses to government consultations and by bringing together senior stakeholders from schools, politics, think tanks, and elsewhere in education.

We have also built on the early success of AQi, an exciting online hub for insight, data and new thinking on the future of assessment and qualifications, which we launched in 2021. AQi's mission is to inform, stimulate and provide a platform for debate, bringing together different points of view on policy and practice, through blogs, reports and debates.

Recent AQi blogs have sought to raise the profile of policy issues which too often go under the radar. We have published insights on the link between social exclusion and poor attainment in boys; how Art and Design can break down barriers for children and young people with Special Educational Needs and Disabilities (SEND). The last of these blogs was written by a young person, showcasing another focus for us this year which has been student voice. More on this is covered in the section on the Student Advisory Group. We were also pleased that our take on the ChatGPT debate featured in The Times online.

3. **To be closer to our customers**

We work intimately alongside teachers and schools (as well as government and other stakeholders) to ensure we provide what they want and need, today and in the future.

Our first step in achieving this was to set up 'Customer and Sales', to bring together all customer facing teams into one business area. We have spent time making sure that we have the right structure and right people in place to deliver against this strategic objective.

OBJECTIVES, ACHIEVEMENTS AND PERFORMANCE (continued)

3. To be closer to our customers (continued)

We have streamlined the strategic aims that we started work on in the financial year and have begun delivering against them. These are:

- *supporting the customer*, developing our support offer so that we can effectively align this to better suit customer needs.
- to *make AQA easy to do business with*, to differentiate ourselves with servicing through developing an Omni-Channel experience. This will benefit our customer and associate experience, and strategically allow us to grow and support our diversification.

The Customer and Sales contact technology project will deliver several immediate improvements to customer servicing for summer 2023 with cross-over benefits for our associates.

Our Products Growth Board supports the work that the Product Management team do to ensure the continuing commercial success of our qualifications. This means ensuring the qualifications and supporting services meet customer needs and expectations, deliver the right outcomes for students, are attractive when compared to our main competitors and remain regulatory compliant. The Product Growth Strategy sets out our ambitions in terms of defending and growing our market share by ensuring we continuously improve and develop our existing and new products and services. The Product Growth Board provides a decision-making forum that focuses on commercial understanding and ensures we take the right commercial actions on where to prioritise and invest, when seeking to achieve our overarching ambitions which helps to fund loss making subjects.

4. To diversify close to our core

We develop a wider range of assessments, and explore alternative markets for our assessment platforms and expertise, while staying close to our core.

This activity is to make sure we continue to deliver on our charitable purpose as it allows us to serve the full range of students, it also offers additional financial sustainability and additional revenue streams that can be reinvested into charitable activities.

A major step towards this was in January 2022, with the acquisition of AlphaPlus, a trusted and respected team of assessment specialists who will bring a wealth of expertise and experience to AQA. AlphaPlus will greatly extend the range and scale of what AQA can offer, both in the UK and around the world.

In November 2022 we acquired the AI platform Blutick which supports the teaching, learning and assessment of Key Stage 3, GCSE and A-level Maths. Blutick is an innovative teaching and learning app with online mock tests for mathematics students in the UK. The AI-driven app features functionality that guides students through mathematical concepts, reviewing and correcting their workings and responses to maths questions in real-time. Students are also supported with access to worked examples and video tutorials, as well as exam practice material. Key features include live student monitoring, auto marked tests and line-by-line analysis of typed answers. The app is designed to reduce teacher workload and deliver meaningful reports on student progress and attainment.

In December 2022 we took a major step into vocational qualifications through the acquisition of Training Qualifications UK (TQUK). TQUK, an award-winning Awarding and End-Point Assessment Organisation, gaining Ofqual recognition in 2013 and has worked tirelessly to develop market-leading End-Point Assessment and Awarding offers. Focused on providing a dynamic range of vocational services from levels 1-6, including apprenticeships and work-based learning, TQUK provides a first-class service to training providers, colleges and centres worldwide. This acquisition enables us to extend our activity to work and life skills to broaden our assessment expertise and to meet the needs of a broader range of centres and students.

In April 2023 we acquired GradeMaker the leading high stakes assessment authoring and item banking platform. AQA has already been using GradeMaker for four years to author assessment items and exam papers securely and reliably across a wide range of subjects. GradeMaker Pro is now used to develop more than two thirds of all GCSE and A-

OBJECTIVES, ACHIEVEMENTS AND PERFORMANCE (continued)

4. To diversify close to our core (continued)

Level exam papers developed by AQA and continued investment will enable greater adoption across more subjects, as well as enable the authoring of on-screen exams and assessment.

While our UK qualifications are taught in 47 countries around the world, we have developed a range of qualifications that are specifically designed to meet the needs of the international market for our joint venture with Oxford University Press, OxfordAQA. These international GCSEs, AS and A-levels are available to students in more than 15 countries across the Middle East, South East Asia, and East Asia, with expansion to new regions/countries progressing such as Europe and Pakistan. The shared aim of the joint venture is to improve education internationally through excellence in teaching, learning and assessment.

5. To lead digital change

We use digital tools to produce high quality assessments and to be efficient, reliable and consistent. These tools apply in our design and delivery of both print and onscreen formats for exams and formative tests. Our digital expertise continues to evolve. We are continuing to work with schools, the regulator and government to ensure the transition to digital assessment positively benefits teachers and learners whilst maintaining standards.

Since we began online exam and assessment trials in 2021, over 8,000 students from 175 schools and colleges have completed online exams and adaptive formative assessments. These have been completed in multiple subjects including English, Maths, Chemistry, Biology, Computer Science and French. Our adaptive assessments are designed to cater for students of all abilities and to test mathematical capability as well as performance.

We are also continuing with a full programme of research on our trials to inform the regulator and wider stakeholders as we work towards making digital assessment at scale a reality.

6. To be effective at all times

Develop and adopt best practices, in quality, people, technology, ways of working, building on enabling actions under previous strategies. This puts the organisation and our people in the best possible position to deliver for our customers.

Our strategy is founded on our ability to deliver results to students, reliably and consistently, right first time and on time. We have an on-going programme of adopting the best working practices and technology with highly trained people to ensure we have a fully integrated end-to-end process for the delivery of high stakes summative assessments. Of particular importance is the need to improve the experience AQA provides to its associates who play a critical role at every stage of our assessment delivery process. Our ambition is that AQA is easy to do business with and that having AQA on a CV is widely recognised as a marque of assessment expertise and professionalism.

A key piece of work to help us deliver against this is the Future Workplace programme, which is to make sure that AQA is a resilient and productive organisation through the implementation of people, space and digital improvements which also promote health, wellbeing and work life balance.

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 to make progress in all aspects of our strategy, as set out above.

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

We will also continue supporting and developing our international joint venture with Oxford University Press, Oxford International AQA Examinations Limited.
We have committed to continue funding the Unlocking Potential programme until at least 2026, and we have increased the number of places on the programme from 80 to 120 per annum.

SECTION 172(1) REPORTING

Section 172 of the Companies Act 2006 requires a director of a charitable company limited by guarantee to act in the way they consider, in good faith, would be most likely to promote the success of the Charity. In doing this, section 172 requires a director to think ahead to numerous factors including:

- The likely consequences of any decision in the long term.
- The interests of the Charity's employees.
- The need to foster the Charity's business relationships with suppliers, customers and associates.
- The impact of the Charity's operations on the community and the environment.
- The desirability of the Charity maintaining a reputation for high standards of business conduct.
- The need to act fairly.

The directors give careful consideration to the factors set out above. The stakeholders we consider are our customers, the students we support, the people who work with us, those people and organisations that help us deliver our key service, and our regulators. The Board of Trustees recognises that building strong relationships with our stakeholders will help us to deliver our strategy in line with our purpose and our values.

Stakeholder engagement
The Board of Trustees is committed to effective engagement with all of its stakeholders. For the majority of instances, they delegate this responsibility to the CEO and the Executive Team as part of the Charity's day-to-day business. Depending on the nature of the issue in question, the relevance of each stakeholder group may differ and, as such, as part of its engagement with stakeholders the Executive Team seeks to understand the priorities of each group.

The Board of Trustees receives updates from the Executive Team on issues concerning staff, customers, associates, students, suppliers, Ofqual, Government and the wider community. Some of the ways in which the Executive Team has engaged with stakeholders over the year are shown below.

Customers
Customers (schools and colleges) are at the heart of everything that AQA does. Summer 2022 saw a return to the delivery of a normal exam series following exams being cancelled during the pandemic. Having not delivered an exam series in over two years, we received record volumes of contact from customers from early summer right through to the autumn term. Teams across AQA worked incredibly hard and supported more customers than ever before to deliver a successful exam series in 2022.

As part of our commitment to being closer to our customers we introduced a new value - 'Customers front and centre' to drive customer centricity across all teams in AQA ensuring customers remain at the centre of everything we do. In addition to this we introduced a Customer segment within AQA's induction programme to ensure all new starters understand the importance of our customers when joining AQA.

Understanding our customers to ensure we can better serve, support and meet our customers' needs remains a priority for AQA. To ensure we are continuously listening, learning and acting on customer feedback we recruited a VOC (voice of the customer) Insight Lead and Customer Experience Graduates into our customer experience team.

To further reinforce our customer understanding we delivered focus groups with customers and employees. We conducted an annual customer satisfaction survey to understand their experience of the summer 2022 exam series. As a result of this activity a number of improvement projects have been initiated from learnings gathered from the summer 2022 exam series which will directly improve our customers' experience in 2023 and beyond.

SECTION 172(1) REPORTING (continued)

Associates
Associates are critical to our business delivery model; they are academics, teachers, lecturers and subject matter experts. Without their expertise, we simply could not do what we do.

Associates provide a broad range of services, including:
- assessment authoring
- examining and moderation
- customer support.

In response to feedback received from our associate community, a programme has been established to review how we engage with associates to help improve their experience. In autumn 2022, we delivered three regional Associate Conferences to share our proposed improvement plans and to hear from our associates directly.

Using this insight, we have implemented two initiatives:
- a summer 2023 improvement plan
- a strategic programme, focusing on summer 2024 and beyond.

These initiatives seek to continuously improve the associate experience, ensuring AQA is easy to do business with and that our associate community feel valued and appropriately engaged.

Students
Students are not technically AQA's customers as they do not purchase our products; however, we do recognise that they are the end-users and therefore they have an important interest in the organisation. We have had a successful student engagement strategy in place for several years, which continues to grow and allows AQA to engage with this community.

The two main aims of the strategy are to: make sure we do our best to respond proactively and reactively to reduce unhelpful stress and anxiety where possible; and to ensure accurate and timely information is available to students on a variety of platforms including social media. It sits alongside the social media strategy, and it complements AQA's aims of acting in the best interests of students and helping teachers support their students.

We set up our Student Advisory Group in 2019 and it has grown into a successful and important part of our student engagement. The students have worked with and advised AQA and the Board of Trustees on several different projects and provide useful insight into the school and college experience. Members help trustees and staff understand the realities of the school and college experience and how the organisation can make meaningful change to products and services.

Suppliers
The Executive Team recognises the key role suppliers play in ensuring AQA delivers a reliable service. Suppliers also help AQA to continually improve the products and services we offer. We have met and worked with key suppliers throughout the year. This gives us an opportunity to share our plans, gives suppliers an opportunity to share ideas for improvement, and also enables us both to hear directly from each other to discuss current challenges and to nurture our ongoing relationship. Our aim is to ensure that our relationships are mutually beneficial. The goodwill this generates helps to ensure that AQA receives priority treatment, be it service, quality, innovation or other commercial benefit.

To ensure continued performance, we review supplier performance against KPIs and agree on priorities and action to be taken when performance falls below expectations. We have obligations to fulfil and we encourage feedback from our key suppliers by both formal and informal channels. Details on our payment practices and performance are found at GOV.UK (https://check-payment-practices.service.gov.uk/company/03644723/reports).

SECTION 172(1) REPORTING (continued)

Employees
The Executive Team engages with colleagues across the whole of AQA and within their own business areas. A variety of channels are used, including the hub intranet, newsletters and emails as well as colleague briefings and Q&A sessions. Monthly briefings feature our strategic objectives, and the progress helps colleagues keep up to date with key activity. Monthly Executive connect sessions take place across all offices which enable colleagues to ask leaders questions and to also connect with colleagues from other teams. Executive roadshows have also been introduced which bring colleagues together across all sites to hear updates from the Executive. The Executive Team also meets regularly with the senior leadership group to ensure they are up to date and also able to share feedback with the Executive Team.

Joint Council for Qualifications (JCQ)
JCQ is the membership organisation for AQA and other large UK qualification providers. It is funded by its members and acts in support of their interests. It enables its members to reach a common position on national issues and speak to its stakeholders with a collective voice. We regularly engage through a formal committee structure and through various working groups.

Regulators
AQA recognises the importance of open and continuous dialogue with regulators. Our Responsible Officer and members of the Regulation & Compliance team proactively and regularly meet with Ofqual, Qualifications Wales and Council for the Curriculum, Examinations & Assessment, who regulate respectively the qualifications we offer in England, Wales and Northern Ireland. Our engagement with regulators occurs primarily through a formalised governance framework, established by the regulators.

Government
As an education charity, AQA works with Government and other stakeholders to inform both their work and the development of wider education policy. We regularly organise roundtables, seminars, provide briefings and consultation responses to support stakeholder understanding of qualifications, the components of high-quality assessment, as well as to share insights from AQA's research and analysis. We continue to work closely with officials and ministers at Ofqual and the Department for Education. We publish regular blogs via our AQi website highlighting insights in assessment and qualifications policy.

Wider community
As a registered charity, AQA is committed to managing the wider social impact of its operations. Details of our Modern Slavery Statement and Standards and Policies are included on our website www.aqa.org.uk. We take our environmental responsibilities very seriously. Further details on this are contained on page 19.

Decision making
AQA recognises the importance of engaging with stakeholders to help inform our strategy and Board of Trustees decision making. Relevant stakeholder interests, including those of employees, suppliers, customers, regulators and others are considered when it makes decisions.

We define principal decisions as those that are material or of strategic importance to AQA, and also those that are significant to any of its key stakeholder groups. In making its decisions, the Board of Trustees considers the outcomes of relevant stakeholder engagement as well as the need to maintain a reputation for high standards of business conduct, and to consider the long term consequences of its decisions. The following provide examples of how stakeholder interests were considered in a principal decision made by the Board of Trustees.

SECTION 172(1) REPORTING (continued)

Participation in Pension Scheme
The Board of Trustees took the decision to cease participation in the Greater Manchester Pension Fund (GMPF). The trustees considered the following:

- The impact on staff as a result of cessation in participation in the pension scheme.
- Benefits of staff being moved to main scheme to ensure fairness of pension offering across the Charity.
- Benefits of exiting the scheme during a period when the net liabilities of the scheme were low, reducing the financial risks and future liabilities of AQA.
- Long term affordability of continuing to participate in the GMPF Scheme.

Incorporation of AQA Commercial Services Limited
During the year the Board of Trustees approved the incorporation of AQA Commercial Services Limited. In reaching the decision, the following key points were considered and discussed:

- The importance and benefits of implementing separate governance oversight for AQA's trading subsidiaries.
- Benefits of reporting on the holding company Group.

Acquisitions
During the year the Board of Trustees approved the acquisitions of AC3 Solutions Limited, Blutick Limited and Training Qualifications UK. In reaching the decision, the following key points were considered and discussed:

- The importance of acquiring companies that further AQA's charitable objectives.
- The importance of diversifying AQA's income streams to bolster the Charity's long term sustainability.
- Integration with existing systems and connected business processes.
- Opportunities for enhanced collaboration and knowledge sharing.

FINANCIAL REVIEW

AQA is in a strong and stable financial position coming out of this unprecedented period, during which the operations, income and costs of AQA changed significantly. We continue to focus on our long term financial strategy and have an appropriate level of reserves.

These financial statements cover the year to 31 March 2023. The key highlights from the year are as follows;

- Our income increased by 48% *(2022: 9%)* over the prior year. This was mainly due to running a normal summer series as in prior year a normal summer series did not take place due to impact of Covid. Additional income has also been generated through newly acquired subsidiaries in the year, an increase in market share and an increase in entry fee pricing to cover increasing costs.

- Our income from educational services of £208,227,000 *(2022: £143,603,000)* was earned through the AQA Group excluding AlphaPlus Consultancy Limited and excluding an element from AQA Milton Keynes Limited which is shown as digital and consultancy services. We earned £7,628,000 *(2022: £3,278,000)* in digital and consultancy services during the year from third party sources.

- Our underlying performance resulted in net income of £1,480,000 *(2022: £18,107,000)*. This represents an operating margin of 7% *(2022: 12%)*. The reduction in operating margin is due to investing in our strategic objectives such non-capital IT costs and consultancy. A normal summer series took place this year which significantly increased series related costs, whereas in prior year a reduced summer series took place due to impact of Covid.

- In 2023 a £33,576,000 Greater Manchester Pension Fund (GMPF) pension settlement cost, has been recognised as part of charitable expenditure as a one off cost relating to our exit from the scheme. Taking this into account with our underlying net income of £1,480,000 has resulted in net expenditure before tax and investment gains and losses of £32,096,000 *(2022: £18,107,000 net income before tax and investment gains and losses)*.

- Our investments' performance was affected by very challenging global markets. The results for the year show an overall net loss on investments of £1,420,000 *(2022: gain £2,344,000)*.

FINANCIAL REVIEW (continued)

AQA participated in two principle defined benefit pension schemes, the AQA Pension Scheme and the Greater Manchester Pension Fund (GMPF), as well as two national Teacher Pension Scheme (TPS) and University Superannuation Scheme (USS) defined benefit schemes. In accordance with section 28 of FRS 102, unfunded pension liabilities are included in the defined benefit pension schemes liability for the two principle schemes.

USS and TPS 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 net balance sheet asset for the aggregation of the schemes is detailed as follows:

	31 March 2023 £000	31 March 2022 £000
Fair value of scheme assets	139,325	304,431
Present value of defined benefit obligation	(114,822)	(278,718)
Net pension asset	24,503	25,713

The net pension asset is made up as follows:

	31 March 2023 £000	31 March 2022 £000
GMPF pension liability	-	(13,516)
Unfunded pension liability	(2,567)	(3,323)
University Superannuation Scheme pension liability	(384)	-
AQA Pension Scheme asset	27,454	42,552
Net pension asset	24,503	25,713

- During the year we saw an actuarial gain of £31,943,000 *(2022:* gain £23,376,000*)* on our pension assets and liabilities.
- After taking all of these into account, AQA's Group Funds increased by £27,000 *(2022:* £43,827,000*)* to £156,196,000 *(2022:* £156,169,000*)*.
- The Group has sufficient liquidity with £58,771,000 *(2022:* £821,000) in cash fund investments and £55,212,000 *(2022:* £69,098,000*)* 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 summer 2023 series.
- Overall, the Group has performed well and has maintained its focus on how we work. There continues to be ongoing investment in the development of our IT systems, moving ahead with our strategy and improving our workspaces.

FUNDRAISING

Given the nature of the Charity, there is no external fundraising, and no use of professional fundraisers or commercial participators. 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

The Companies Act 2006 requires large charities to include Greenhouse Gas (GHG) emissions and energy consumption disclosures in their Directors' Report. Charities that consume more than 40,000kWh of energy annually must:

- Disclose the annual quantity of emissions in tonnes of carbon dioxide equivalents for which it is responsible together with the annual quantity of energy consumed in kWh.
- Describe the calculation methods used in determining the amounts of emissions and energy consumption disclosed and provide narrative disclosure on any energy efficiency improvement measures undertaken in the year.
- Present at least one ratio that expresses the Charity's annual emissions in relation to a quantifiable factor associated with the Charity's activities.

We take our environmental responsibilities very seriously. We recognise our part to play in contributing to the resolution of global and local environmental issues by reducing our impact on the environment and by taking a leading role in promoting environmental best practice. During the year, we have achieved a 90% reduction in our emissions per £m of non-investment income compared to our baseline year 2018/19.

We have continued to initiate improvements and to promote our environmental message throughout the organisation. Achievements have been accelerated due to the introduction of hybrid working and the temporary closure of the main Manchester office for refurbishment resulting in reduced building occupancy and business travel. Although the levels of GHG reduction are not sustainable upon full return to operational norms, we have committed to significant changes to our operating model to enhance future GHG reductions. In the past 12 months our main achievements are:

- Design and commission the installation of new thermally efficient windows at the Manchester office to reduce heat loss and solar thermal gain (completed by March 2023)
- Implementation of building management and building intelligence systems in AQA Milton Keynes Wymbush and AQA London office to optimise and control the office environments
- Implementation of 30% recycled plastic film content for question paper despatch for summer 2023 onwards
- Improving technology to enable more virtual employee and associate meetings, reducing the need for travel
- Participated in Ofqual project to understand and evaluate the carbon emissions in the examination process
- Reducing overall waste to landfill and impacts on the environment by 99.9%*
- Achieving a 99.97% waste recycling and recovery rate on all waste streams
- Reducing work related travel emissions by 78%*
- Reducing business flight travel emissions by 92%*
- Reducing energy consumption in our buildings by 59.5%*(excluding REGO certificates)

*Reductions compared to GHG reporting baseline year 2018/19

As part of the Sustainability Strategy further improvements are underway, which will include:

- Reducing CO2 emissions
    - Reduce the Group's property portfolio and condense operations efficiently to key sites as part of our 'Future Workplace' project
    - Implementation of building management and building intelligence systems in Manchester and Guildford offices to automate, optimise and control the office environments
    - Continued reduction in business travel of a minimum 50% based on 2019/20 data and maintaining our policy of not using domestic air travel
    - Publishing AQA's strategy and roadmap to achieve net zero carbon emissions by 2024
    - Work with Ofqual and other awarding organisations to share and implement industry best practice to reduce carbon emissions

- Reducing the use of Plastic
    - Continued work with our printing supply chain, and testing alternatives to plastics on some of our processes for example using paper-based packaging
    - Removal of non-question paper single use plastic packaging and testing paper-based alternatives

ENVIRONMENTAL POLICY (continued)

- Working with the Joint Council for Qualifications and the other awarding organisations, trialling a plastic packaging take back scheme from AQA and non-AQA centres with the aim to recover at least 80% of plastic waste packaging

- Sustainable Procurement
  - Produce and implement sustainability criteria for procurement of goods and services
  - Undertake supplier sustainability assessments commencing with top tier suppliers

Emissions for Scope 1 (direct) and scope 2-3 (indirect) sources are continually monitored at source (i.e. energy consumption and waste production) as well estimated (i.e. fuel consumption through transport) by applying the relevant conversion factors.

The annual quantity of emissions in tonnes of carbon dioxide for the Group for the year was 237.37 tonne CO2e, which is a reduction of 167.38 tonnes CO2e from the prior year. This equates to 1.09 tonnes per £m non-investment income, which is an 61% reduction compared to the prior year and 90% reduction compared to the 2018/19 baseline year. The emissions in 2018/19 baseline year were 1,884.27 tonnes CO2e which equates to 10.45 tonnes per £m sales. Full year on year breakdowns of direct and indirect emission are summarised below:

Year	Non-investment income £	GHG Emissions (T CO2e)	Intensity Measurement Ratio (IMR)	Calculation	Difference (IMR)
2018/19	180,295,000	1884.27	10.45	Intensity Measure = 1884.27/180.3 = 10.45 tonnes per £m revenue	n/a
2019/20	183,792,000	1759.16	9.57	Intensity Measure = 1759.16/183.7 = 9.57 tonnes per £m revenue	-8%
2020/21	133,871,000	870.93	6.50	Intensity Measure = 870.93/133.8 = 6.50 tonnes per £m revenue	-38%
2021/22	146,782,000	404.75	2.75	Intensity Measure = 404.95/146.7 = 2.60 tonnes per £m revenue	-74%
2022/23	216,342,000	237.37	1.09	Intensity Measure = 237.37/216.3 = 1.09 tonnes per £m revenue	-90%

The total Group energy consumption for the year was:

- Electricity – 1,972,826 kWh *(2022: 2,223,470.22 kWh)*
- Gas – 518,410.50 *(2022: 404,199.65 kWh)*

The total Group transport fuel use for the year was:

- Transport fuel – 44.79 *(2022: 23.49)* tonnes CO2e (owned and grey fleet transport)

ENVIRONMENTAL POLICY (continued)

Our overall target to reduce our greenhouse gas emissions by 60% or 4 tonnes CO2e for £m of revenue between 2018-2019 to 2025-2026 has been exceeded. However, this target will not be revised until our full return to operational norms in 2024/25.

The methodologies used to collect and assess emissions data varied throughout the inventory. The primary methodology used was multiplying GHG activity data by appropriate GHG emission factors. All methodologies used were selected based on their ability to provide accurate and consistent results. The use of activity data and emission factors was feasible due to the availability of both accurate activity data for the majority of sources and standard emission factors from Department for Environment 2022 (DEFRA) and the Greenhouse Gas Protocol Initiative (where DEFRA factors are not supplied).

RISK MANAGEMENT

Risk management at AQA is underpinned by an established risk policy and process including the setting of risk appetite which is reviewed annually by the Executive Team, the Audit, Risk and Compliance Committee (ARCC) and ultimately approved by the Board of Trustees.

Strategic and operational risks are identified in the context of our overall objectives and defined risk appetite. Our overall risk appetite is generally low, reflecting the nature of what we are delivering for students, and the highly regulated environment in which exam boards operate.

Operational risks are regularly reviewed by department managers, with any significant operational risks escalated to the Executive Team. On a monthly basis, the Executive Team reviews the strategic risk register and top operational risks. A risk report is presented to each meeting of the ARCC to ensure effective oversight of risk management activities and the overall AQA risk profile. Regular updates are provided to the Board of Trustees by the ARCC Chair.

Our Group Risk Manager facilitates risk management activities across the business, ensuring that the process is communicated and managed effectively. Appropriate training mechanisms are in place, with risk awareness and guidance provided to managers and their teams to promote the effectiveness of our risk management framework.

Our outsourced internal auditors (Deloitte during 2022/23) conduct a risk-based assurance programme of work throughout the year. The audit programme focuses on areas assessed as being at significant internal risk, as identified by the Executive Team and by Trustees. The ARCC approves the annual internal audit plan and reviews the individual reports and recommendations. The output provides assurance across the business areas within AQA and where weaknesses in controls are identified, actions are taken to address these. The ARCC monitors progress on any agreed actions from internal audit reviews to ensure these are addressed appropriately and in a timely manner.

Further, the ARCC reviews our internal controls and procedures (financial and non-financial) and considers the results of our audit reviews. It also approves our internal Regulatory Compliance team's annual plan of review activity, receives and challenges reports on compliance, and oversees the process for producing the annual Statement of Compliance to the independent exam regulators. The Committee reports directly to the Board of Trustees.

The following is a summary of the main risks facing AQA, which are represented in our strategic risk register and are kept under review as part of the established process of risk management.

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

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

- **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-

RISK MANAGEMENT (continued)

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 ended 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 system, directly and through the Joint Council for Qualifications, which represents the main exam boards.

- **Robust IT systems:** We have invested in a multi-year programme to ensure our technology capability is supported by a strong, modern, cloud-based platform. Our programme is progressing well and our new exam and marking platforms were fully operational to deliver the summer 2022 exam series. Development of our technical environment will continue to improve our resilience to accommodate both significant increases in volumes and resist the growing cyber threat. As well as ensuring our systems are robust and efficient, this will enable us to continuously improve our processes, respond to customer needs and provide a platform on which we can build the next generation of technology-enabled assessments.

FINANCIAL RISK MANAGEMENT

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

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

Exposure to price, credit, liquidity and cash flow risk

Price risk - In normal circumstances, the risk is considered to be low based on the business model for the delivery of regulated assessments in the UK market. As well as the business price risk, price risk also arises on financial instruments because of changes in listed investment prices. Listed investments with a fair value of £48,687,000 are exposed to price risk but this exposure is within the Group's risk appetite embedded in the mandate provided to our investment advisors.

Credit risk - 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 creditworthiness procedures. Details of the Group's debtors are shown in note 17 to the financial statements. The Group mitigates credit risk on investments by spreading our risk across different asset classes. Please refer to the Group's investment power and policy details on page 24.

Liquidity risk - The Group mitigates liquidity risk by managing cash generated by its operations and applying cash collection targets throughout the Group.

Cash flow risk - The Group mitigates this risk by preparing and monitoring cash flow forecasts monthly to ensure that funds are available to meet our liabilities as they fall due.

RESERVES POLICY

The target level of reserves enables us to achieve our primary charitable purpose of advancing education for the benefit of the public. To continue to provide high quality qualifications, assessment, and support to schools and colleges, we must invest in strategic areas including new products and systems. Some of these incur upfront expenditure that is not recovered for several years.

At the end of the year, we had funds of £156,196,000. They are held for a variety of purposes, to ensure that the Charity can operate as a going concern in the future and also fulfil its legal obligations. The funds are summarised below:

- Pension charged account fund of £6,244,000. This fund is a designated fund which has been created to help fund a buy-out of the legacy AQA defined benefit pension scheme with an insurance company at some time in the future.

The remainder of our funds are our general funds:

- Free reserves (£75,583,000) – are set at a level to allow us to deliver on our charitable objectives to enhance social mobility through qualifications in the future. 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.

- Fixed asset funds (£49,217,000) - represent the tangible and intangible assets of the Group, without which we could not operate.

- Pension reserves (£24,503,000) - this represents the pension asset that is managed separately to our free reserves. We exclude the Section 28 of FRS 102 pension scheme surplus from the target level of reserves as we believe that we can meet contributions from projected future income without significantly impacting on planned levels of charitable activity.

- Investment revaluation reserve (£649,000) - represents the excess of market value of investments over their cost price.

When setting our free reserves target range we follow Charity Commission's guidance and consider our cash flow requirements and perform an assessment of the risks and obligations facing the organisation. Based on our assessment, our policy is to maintain free reserves in the range of £60 million to £70 million. Actual free reserves as at year end exceed the reserves target. We continue to review the free reserves target, to ensure that the free reserves policy continues to reflect changes in the organisation.

GOING CONCERN

The Board of Trustees has reviewed the financial position, considering the level of reserves and cash, and the system of financial control and risk management. They have undertaken sensitivity analysis and considered the potential impact of the Ukraine crisis, cost of living crisis and high inflation in the current economic climate. Accordingly, we 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. The trustees consider that there are no material uncertainties about the Charity's and the Group's ability to continue as a going concern.

INVESTMENT POWERS AND POLICY

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

We seek to adopt a well-diversified investment approach that balances potential return with appropriate risk. At the same time the trustees are aware that some level of volatility is inevitable with a good investment strategy and endeavour to spread the risk across different asset classes. The assets of the Charity are invested with a mandate to target a long term return of 3.0% per annum above CPI but recognise the likely volatility and challenge in Global Markets for the foreseeable future. The results for the year show an overall net loss on investments of £1,420,000 *(2022: gain £2,344,000).* The results for the year are due to the challenging global market conditions and the target return has not been achieved on AQA's investment portfolio, however AQA continues to focus on long term returns. AQA's Investment Advisor is Cazenove Capital Management. Our long-term reserves are held in Cazenove's Responsible Multi-Asset Fund. This is a fund designed to enhance our ESG (Environmental, Social and Governance) standards.

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

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

CHARITABLE ASSETS

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

GOVERNANCE

Good governance is fundamental to our success as a charity. With this in place it helps us to achieve our objectives and enables our people to use their skills to their best effect. It also ensures we are compliant with relevant legislation. Having good governance allows us to review any risks we are facing in ways that support a productive culture.

The Charity Code of Governance – what it means to us
AQA takes its governance responsibilities seriously and, as a large charity, aims to have a governance framework that is fit for purpose, compliant and efficient. In 2017, the Charity Code of Governance (the Code) was launched, with a recommendation that charities review the extent to which they apply the Code and explain any aspects of the Code they are not applying. In our review we carried out a detailed examination of each element of the Code:

- Organisational purpose.
- Leadership.
- Integrity.
- Decision making, risk and control.
- Board effectiveness.
- Equality, diversity and inclusion.
- Openness and accountability.

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

Organisational purpose
AQA's organisational purpose is our public benefit which is to help students and teachers to realise their potential.

Everyone has the potential to achieve, so we make sure that our qualifications give all students no matter their background or ability the opportunity to show what they can do and progress to the next stage of their lives.

We have over a century of assessment expertise dating back to 1903, when our predecessor boards were founded by five leading universities. These public exam boards came into existence to provide an opportunity for young people from a range of backgrounds to access education. This commitment to social mobility remains at the heart of AQA's charitable purpose. We are committed to continually improving the content and quality of our qualifications, to make sure they remain trusted by all who rely on them.

GOVERNANCE (continued)

Leadership
AQA is governed by the Board of Trustees. The Board of Trustees which is led by its Chair has established governance committees which include Trustee members that carry out work on behalf of the Board of Trustees and report back on their activities and including any recommendations. Our Trustees are volunteers with distinguished careers in education and a wide variety of other fields, who want to give time to supporting AQA's work for teachers, students and the field of education. Our Trustees include in their number our Chief Executive Officer. They are aware of their legal responsibilities and take great care in their decision making and ensuring the organisation is operating to a high standard.

Our Trustees are responsible for our overall strategy, policy, educational initiatives and development, and for steering AQA to fulfil its educational and charitable objectives. They are regularly updated on this work throughout the year.

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

Our Board of Trustees and Executive Team, with colleagues, have been instrumental in developing and demonstrating the AQA values and behaviours that enable the organisation and its people to achieve their potential.

Integrity
Maintaining our integrity is critical to how AQA operates; it is about doing what is right and being open and honest. We aim always to uphold the values and behaviours we have set. Our Board of Trustees scrutinise our decision making to ensure we adhere to this, as well as the requirements set by regulators such as the Charity Commission and Ofqual.

AQA operates a conflict-of-interest policy for all employees, Trustees and independent members, subcontractors and all third parties who work with us and act on our behalf. Conflicts of interest are collated at the start of each exam series. Declarations of interest are made and recorded at the start of every formal meeting.

We ensure that we report any issues or problems in a timely and transparent way as needed (whether to Ofqual or the Charity Commission) and work hard to put things right for our stakeholders.

We have a Modern Slavery Statement which is available on our website. We are committed to making ethical choices in our supply chain and we conduct full due diligence checks when onboarding new suppliers. Key strategic and critical suppliers are monitored on a continual basis for commercial, financial and supply chain risk, including compliance with regulatory, policy and legal requirements.

Decision making, risk and control
AQA strives to make decisions that are evidence based and informed by a good understanding of risk. Effective risk management is key to successfully delivering our strategy and developing AQA for a sustainable future. We have an organisation-wide risk management approach which identifies our key strategic and operational risks and ensures they are effectively managed through clear accountability and escalation when needed. We have a centrally held range of policies and procedures to help ensure consistent control measures are put in place to manage our work efficiently.

Board effectiveness
Our Board of Trustees meets at least five times a year. Each meeting agenda includes progress reports on major programmes, critical activities and strategy. As mentioned above, the Chief Executive Officer is also a Trustee and member of the Board. Other Executive Team members may be invited to attend and present at the meetings but do not have a vote in any decisions. In early 2022 we commissioned an external organisation to conduct a review of the Board's effectiveness. The final report commented positively on the Board structure, engagement and working relationships, and made some recommendations for further enhancements.

The Trustees engage in ongoing training and learning, with an annual induction day for new joiners – existing Trustees are encouraged to attend this too for networking and refreshing knowledge. Trustees have open dialogue with Executive Team members on areas they wish to have deeper understanding of and information sessions are scheduled appropriately.

GOVERNANCE (continued)

Equality, diversity and inclusion
We recognise that society is diverse and this needs to be reflected in and catered for within our workplace and also our products. Getting inclusivity right matters for our students, teachers and our employees because engagement delivers better results. We do this through challenging ourselves, listening and learning. We believe that everyone stands to benefit when we embrace and value the diversity of thoughts, ideas and ways of working that people from difference backgrounds, experiences and identities bring. It helps our employees to grow and learn, enables them to realise their potential, improves decision, making, boosts engagement and innovation, and enables us to better meet the needs of our diverse customer base of teachers and students.

We have established an EDI working group that focuses on several key topics – including Recruitment, Policy, Culture & Values, Communications, and Learning & Development. We invited the EW Group to audit us against their benchmarked standard, and this report was shared across the organisation. We have launched significant new policies and guidance documents including Menopause and Women's Health, Dignity and Respect at Work, Sexual Harassment policy, Flexible Working policy, and more. We have established an Early Career programme that focuses on introducing diverse talent into AQA, with the first cohort joining us in January 2022 and a second in January 2023. We have established an employee-led approach to recognising significant dates and events throughout the year, sharing information on our intranet, and resulting in several events where external speakers have come in. We have increased female representation in our senior management team by 10.3% and ethnic minority representation across AQA by 16.5% in the past 12 months.

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

We recognise the value and importance of having engaged and enquiring employees. We know high levels of engagement have a positive influence on the performance of our teams as they engage with the teachers, students and others in the field of education. This has been even more important during the ongoing effects of the Coronavirus pandemic.

During the year we have held a wide range of staff engagement sessions for colleagues to hear updates from the Executive Team and others on how organisational and strategic programmes are progressing.

We also encourage openness with all our colleagues, and AQA associates and examiners, through our 'Speak Out' facility. This is designed to encourage people (anonymously if they prefer) to give feedback or raise an issue, including anything that does not 'feel right'. We have 'Speak Out' representatives that can be approached directly, a webpage for submitting anonymous comments, and a designated email mailbox. This scheme is operated alongside a formal Whistleblowing process.

Corporately, we engage fully with our regulators to report incidents when they occur, and to update the regulators on the progress of putting these right. We have a dedicated Incident Management process to examine any incidents that occur in day-to-day business, with decision making functions sitting independently from operational areas. All colleagues involved work together to ensure that our focus remains on our stakeholders and getting the best results for them.

AQA has a designated Safeguarding Lead who sits within our Exams Integrity Team and holds responsibility for all safeguarding activity across the organisation. A Safeguarding Strategy is regularly updated and presented to our trustees for approval; this strategy shapes the organisation's response to safeguarding issues, including training for trustees, staff, associates and examiners who may undertake visits to schools, training on dealing with safeguarding issues presented in students' exam responses, and being responsible for the organisation's safeguarding policy and procedures.

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 have not identified any adjusting events. FRS 102 requires, for non-adjusting events, disclosure of the nature of the event, and either an estimate of its financial effect or a statement that such an estimate cannot be made. AQA has acquired companies and arranged loan facilities after the reporting date which are disclosed in Note 28.

ADDITIONAL INFORMATION

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

STATEMENT OF TRUSTEES' RESPONSIBILITIES

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

Company law requires the Trustees to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Charitable Company and of the incoming resources and application of resources, including the income and expenditure, of the Group and Charitable Company for that period.

In preparing these financial statements, the trustees are required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgments and accounting estimates that are reasonable and prudent.
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Charitable Company will continue in business.

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

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

Statement of disclosure of information to auditors

In so far as the Trustees are aware:

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

APPOINTMENT OF AUDITORS

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

This report, including the Strategic Report, was approved by the Board of Trustees on 22 November 2023 and signed on its behalf by:

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

Ms P Smith **Director and Trustee**

Mr C Hughes **Director and Trustee**

AQA Education
Independent auditors' report to the members of AQA Education

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Charitable Company's affairs as at 31 March 2023 and of the Group's incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of AQA Education ("the Parent Charitable Company") and its subsidiaries ("the Group") for the year ended 31 March 2023 which comprise the Consolidated Statement of Financial Activities, the Consolidated and Charitable Parent Statement of Financial Position, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's 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 remain independent of the Group and the Parent Charitable Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions related to going concern

In auditing the financial statements, we have concluded that the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Charitable Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustees with respect to going concern are described in the relevant sections of this report.

Other information

The Trustees are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

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

- the Strategic report and the Directors' Report, which are included in the Trustees' Report, have been prepared in accordance with applicable legal requirements.

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

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

- adequate accounting records have not been kept by the Parent Charitable Company, or returns adequate for our audit have not been received from branches not visited by us; or

- the Parent Charitable Company financial statements are not in agreement with the accounting records and returns; or

- certain disclosures of Directors' remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit.

Responsibilities of Trustees

As explained more fully in the Statement of Trustees' Responsibilities, the Trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees 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 the Parent Charitable Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Group or the Parent Charitable Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on our understanding of the Group and the sector in which it operates; discussion with management, the Audit & Risk Compliance Committee, and those charged with governance; and obtaining an understanding of the Group's policies and procedures regarding compliance with laws and regulations; we considered the significant laws and regulations to be the applicable accounting framework, being the Charities Act, Companies Act, Financial Reporting Standard 102, Charity Commission for England and Wales (Charity Commission) regulations and UK tax legislation.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Review of legal expenditure accounts to understand the nature of expenditure incurred; and
- Review of serious incidents register.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management, the Audit, Risk and Compliance Committee, those charged with governance and internal audit regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements; and
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override of controls and the recognition of income.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- For significant estimates made by management, assessing for bias and challenging the assumptions made in relation to: the share of loss in joint venture; recognition of intangible assets; the fixed asset useful economic lives; the carrying value of goodwill; the value of retirement benefit obligations and the valuation of provisions; and
- Testing samples of revenue to supporting documentation.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our report

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

DocuSigned by:
Sarah Anderson
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Sarah Anderson (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
Manchester, UK
24 November 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

AQA Education
Consolidated Statement of Financial Activities
for the year ended 31 March 2023

	Note	*Unrestricted funds* 2023 £000	2022 £000
Income:			
Income from charitable activities:			
Educational services	4	**208,227**	143,603
Income from other trading activities:			
Digital and consultancy services	4	**7,628**	3,278
Investment income	5	**2,564**	1,142
Total income		**218,419**	148,023
Expenditure:			
Expenditure on charitable activities:			
Educational services	6	**241,725**	126,080
Expenditure on other trading activities:			
Digital and consultancy services	6	**8,055**	3,336
Expenditure on raising funds:			
Investment management costs	5	**131**	150
Share of loss in joint venture	13	**604**	350
Total expenditure		**250,515**	129,916
Net (expenditure) / income before tax		**(32,096)**	**18,107**
Deferred tax credit	8	**1,600**	-
Net (expenditure) / income before actuarial and investment (losses) / gains		**(30,496)**	18,107
Actuarial and investment gains			
Net realised gains on investments	15	**1,973**	1,586
Net unrealised (losses) / gains on investments	15	**(3,393)**	758
Actuarial gains on defined benefit pension schemes	27	**31,943**	23,376
Total gains		**30,523**	25,720
Net income and net movement in funds for the year		**27**	43,827
Reconciliation of funds			
Total funds brought forward		**156,169**	112,342
Total funds carried forward	22	**156,196**	156,169

The notes on pages 39 to 83 form part of these financial statements.

AQA Education
Consolidated and Charitable Parent Statement of Financial Position
as at 31 March 2023

		Group 2023	Charity 2023	Group 2022	Charity 2022
Fixed Assets	Note	**£000**	**£000**	£000	£000
Intangible assets	11	**65,001**	**21,830**	40,491	30,638
Tangible assets	12	**26,226**	**17,721**	17,534	8,951
Investment in subsidiary undertakings	13	**-**	**26,449**	-	24,432
Other fixed asset investments	15	**48,687**	**48,687**	49,685	49,685
Total Fixed Assets		**139,914**	**114,687**	107,710	113,706
Current Assets					
Stocks and work in progress	16	**2,172**	**859**	2,232	817
Debtors	17	**114,152**	**157,697**	155,796	165,654
Investments	18	**58,771**	**58,771**	821	821
Cash at bank and in hand		**55,212**	**44,744**	69,098	65,722
Total Current Assets		**230,307**	**262,071**	227,947	233,014
Liabilities					
Creditors: Amounts falling due within one year	19	**(225,961)**	**(219,254)**	(196,919)	(190,234)
Net Current Assets		**4,346**	**42,817**	31,028	42,780
Total Assets less Current Liabilities		**144,260**	**157,504**	138,738	156,486
Provisions for Liabilities and Charges	21	**(12,567)**	**(7,389)**	(8,282)	(7,329)
Net Assets Excluding Pension Asset and Liability		**131,693**	**150,115**	130,456	149,157
Defined benefit pension scheme asset	27	**27,454**	**27,454**	42,552	42,552
Defined benefit pension scheme liability	27	**(2,951)**	**(2,951)**	(16,839)	(16,839)
Total Net Assets		**156,196**	**174,618**	156,169	174,870
The Funds for the Group and Charity:					
Unrestricted Funds					
Designated funds		**6,244**	**6,244**	4,501	4,501
General funds		**125,449**	**143,871**	125,955	144,656
Pension fund		**24,503**	**24,503**	25,713	25,713
Total Funds	22	**156,196**	**174,618**	156,169	174,870

Consolidated and Charitable Parent Statement of Financial Position (continued)

The Consolidated Statement of Financial Activities incorporates the Summary Income and Expenditure Account. Income is derived from continuing operations. Net income and net movement in funds represents the (deficit) / surplus for the year for Companies Act 2006 purposes and includes a deficit of £252,000 relating to the parent *(2022: surplus* £50,302,000*)*.

The notes on pages 39 to 83 form part of these financial statements. The company registration number is 3644723.
The financial statements on pages 35 to 83 were approved and authorised for issue by the Board of Trustees on 22 November 2023 and signed on its behalf by:

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

Ms P Smith **Director and Trustee**

Mr C Hughes **Director and Trustee**

AQA Education
Consolidated Statement of Cash Flows
for the year ended 31 March 2023

	Note	Group 2023 £000	Group 2022 £000
Cash flows from operating activities:			Restated
Net cash generated from / (used in) operations	23	**91,672**	(21,000)
Taxation received		**-**	185
Net cash generated from / (used in) operating activities		**91,672**	(20,815)
Cash flows from investing activities:			
Investment income	5	**1,402**	714
Purchase of tangible fixed assets	12	**(10,323)**	(2,304)
Purchase of intangible fixed assets	11	**(7,319)**	(9,746)
Purchase of subsidiaries, net of cash acquired	14	**(30,595)**	(5,316)
Purchase of fixed assets investments	15	**(25,365)**	(16,050)
(Increase) / decrease in current investments	18	**(57,950)**	2,000
Proceeds from sale of fixed asset investments	15	**20,859**	14,646
Investment in joint venture	13	**(350)**	(549)
Net cash used in investing activities		**(109,641)**	(16,605)
(Decrease) in cash and cash equivalents in the year		**(17,969)**	(37,420)
Cash and cash equivalents at the beginning of the year		**73,905**	111,325
Cash and cash equivalents at the end of the year		**55,936**	73,905
Analysis of cash and cash equivalents movements during the year			
Decrease / (increase) in cash held with fund managers	15	**(4,083)**	3,179
Decrease in cash at bank and in hand		**(13,886)**	(40,599)
Total cash and cash equivalents movements during the year		**(17,969)**	(37,420)
Cash in fixed asset investments at the beginning of the year		**4,807**	1,628
Decrease / (increase) in cash held with fund managers	15	**(4,083)**	3,179
Cash in fixed asset investments at the end of the year	15	**724**	4,807
Cash at bank and in hand at the beginning of the year		**69,098**	109,697
Decrease in cash at bank and in hand		**(13,886)**	(40,599)
Cash at bank and in hand at the end of the year		**55,212**	69,098
Analysis of cash and cash equivalents			
Cash in fixed asset investments at the end of the year	15	**724**	4,807
Cash at bank and in hand at the end of the year		**55,212**	69,098
Total cash and cash equivalents		**55,936**	73,905

The notes on pages 38 to 83 form part of these financial statements.

1 General information

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

In the event of the Company being wound up, every Trustee undertakes to contribute to the assets of the company 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 January 2019), Companies Act 2006 and the Charities Act 2011.

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

3 Summary of significant accounting policies

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

(a) Basis of preparation

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

The Charity has adapted the Companies Act 2006 formats to reflect the Charities SORP (FRS 102) and the special nature of the Charity's activities.

The Charity has taken advantage of the exemption in section 408 of the Companies Act 2006 from presenting its individual Statement of Financial Activities. They have also taken advantage of the exemption in paragraph 1.12b of FRS 102 from preparing an individual Statement of Cash Flows, on the basis that it is a qualifying entity and the Consolidated Statement of Cash Flows, included in these financial statements, includes the Charity's cash flows.

(b) Going concern

The Charity's and the Group's business activities, its current financial position and factors likely to affect its future development are set out in the Strategic Report. The Charity and the Group have in place healthy liquidity which provides adequate resources to finance committed reinvestment and educational programmes, along with the Group's and the Charity's day to day operations.

The Board of Trustees have assessed the future funding requirements of the Charity and the Group and compared it to the level of cash resources. The assessment included a review of the financial forecasts and the preparation of sensitivity analysis on the key factors which could affect future cash flow.

Having undertaken the review, the Board of Trustees has a reasonable expectation that the Charity and the Group have adequate resources to continue in operational existence for at least 12 months from the date of approval of the financial statements. For this reason, it continues to adopt the going concern basis in the financial statements.

3 Summary of significant accounting policies (continued)

(b) Going concern (continued)

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

(c) Basis of consolidation

The Group consolidated financial statements include the financial statements of AQA and its subsidiary undertakings: AQA Milton Keynes Limited, Doublestruck Limited, AlphaPlus Consultancy Limited, AC3 Solutions Limited, Blutick Limited, AQA Commercial Services Limited and Training Qualifications UK Limited. The consolidated accounts only include the period from acquisition to 31 March for entities acquired during the year.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of financial activities from the date on which control is obtained. They are deconsolidated from the date control ceases.

The net income and net movement in funds for the year for the Charity were £252,000 surplus *(2022: £50,302,000 surplus)* and total funds at the year-end were £174,618,000 *(2022: £174,870,000)*.

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

(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 or 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 with the exception of AlphaPlus Consultancy Limited with a year end of 30 September and Blutick Limited with a year end of 30 April.

(ii) Joint ventures

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

3 Summary of significant accounting policies (continued)

(c) Basis of consolidation (continued)

(ii) Joint ventures (continued)

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 consolidated statement of financial activities. Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment.

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

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.

(d) Income recognition

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

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

(i) Provision of examination services

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

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

(ii) Events

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

(iii) Centre inspection services

Income is recognised for centre inspection services on a straight line basis over the period of the contract. Invoices are raised quarterly in arrears.

3 Summary of significant accounting policies (continued)

(d) Income recognition (continued)

(iv) Provision of teacher support materials

Revenue from the sale of digital courseware products is recognised on straight line basis over the period of the subscription. For individual sales, the revenue is recognised when control is passed to the customer when the digital product is made available.

(v) Digital services

Revenue from services such as scanning are recognised in the accounting period in which the work on the services is performed and the obligations have been satisfied in accordance with the customers' agreed requirements.

Sales of scanning machines and associated equipment are recognised when the products have been delivered to the customer and it is probable that economic benefits associated with the transaction will flow to the Company. Maintenance service contracts are recognised on a straight-line basis over the period of the contract.

(vi) Educational consultancy services

Revenue for educational consultancy services is recognised when the services are complete, with services ongoing over the year end treated as work in progress. Profit on long term work in progress contracts is recognised when the outcome of the contracts can be assessed with reasonable certainty, and is that amount which is estimated to reflect fairly the profit arising up to the reporting date. Profit on long term work in progress contracts is recognised as the difference between the reported revenue and related costs.

(vii) Subscription services

Subscription income is received in advance of the period to which it relates and is deferred on a straight line basis over the subscription period.

(viii) Awarding and assessment services

Revenue from contracts for the provision of educational services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably.
The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that it is probable will be recovered. Depending on commercial billing terms agreed with each customer, income will need to be accrued or deferred, such amounts are recorded within accrued income within trade and other receivables or deferred income within trade and other payables.

(e) Fund accounting

General funds are available to spend on activities that further any of the purposes of the 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.

(f) Expenditure recognition and irrecoverable value added tax

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

3 Summary of significant accounting policies (continued)

(i) Charitable activities

These costs relate to services provided centrally and identified as wholly or mainly in delivery of direct charitable activities, 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

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

Allocation of support and governance costs

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

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

(iii) Other trading activities

These costs relate to non-charitable services provided by subsidiary undertakings, AQA Milton Keynes Limited and AlphaPlus Consultancy Limited. It includes direct costs 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. Expenditure on question papers and on fees and expenses of examiners are expensed when they are incurred.

(h) Employee benefits

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

(i) Short-term benefits

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

(ii) Defined contribution pension plans

A defined contribution plan is a pension plan under which the employee and 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 due but 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.

3 Summary of significant accounting policies (continued)

(iii) Defined benefit pension plans

The Charity operates defined benefit plans for employees. During the year, the two principal defined benefit schemes for AQA's staff were 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 and 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. In the year AQA participated 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. On 28 February 2023, AQA ceased participation in the scheme and settled the scheme for an amount of £33,576,000 which is the net of loss on scheme assets of £107,314,000 and gain on defined benefit obligations of £73,738,000. Unfunded pension liabilities represent the liability of unfunded pensions for former employees of AQA.

The USS is a multi-employer scheme for which it is not possible to identify the assets and liabilities of individual members due to the mutual nature of the scheme and therefore this scheme is accounted for as a defined contribution retirement benefit scheme. A liability is recorded within provisions for any contractual commitment to fund past deficits within the USS scheme. AQA has also contributed to the Teacher's Pension Scheme which is a multi-employer defined benefit scheme 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.

A liability recognised in the statement of financial position in respect of the defined benefit plan is the present value of the defined benefit obligation at the reporting date less the fair value of the plan assets at the reporting date. A defined benefit asset is recognised where there is a plan surplus which can be recovered in future through a refund to AQA.

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

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are credited or charged respectively to the consolidated statement of financial activities. Full actuarial valuations of pension schemes are performed every three years. The last completed full actuarial valuation of the AQA Pension Scheme was at 30 September 2021.

The net interest cost or credit is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. A cost is recognised within expenditure on charitable activities while a credit is recognised within 'Net investment income'.

(i) Business combinations and goodwill

Business combinations are accounted for by applying the purchase method.
The cost of a business combination is aggregate of 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 combinations and goodwill (continued)

Contingent consideration is recognised where the payment of 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 measurable 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 of 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 to be between 3 to 10 years. At the time of acquisition management perform an assessment of expected useful life in order to determine the most appropriate expected useful life. As part of this assessment management consider probability of the entity achieving its KPI's, forecasts and any fair value adjustments identified. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the consolidated statement of financial activities.

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

(j) Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation commences when the software or development project is ready for use. 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
Development costs – up to 5 years

For Nexus, our bespoke exams processing system, amortisation is charged over the length of the project and amortisation is due to finish in the 2023/24 financial year.

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

The assets are reviewed for indicators of impairment and if these are present, the asset will be impaired to the recoverable amount.

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

3 Summary of significant accounting policies (continued)

(j) Intangible assets (continued)

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

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

(i) Specification development

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

(ii) Systems development

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.

(iii) Research and development expenditure

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

Costs incurred on development projects are recognised as intangible assets when it is probable that the project will be a success, considering its commercial and technological feasibility, costs can be measured reliably and resources are available to complete the project. 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 are periodically reviewed. The effect of any change is accounted for prospectively.

3 Summary of significant accounting policies (continued)

(k) Tangible fixed assets and depreciation (continued)

Depreciation commences from the date an asset is brought into service. 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.

Freehold buildings	25 - 40 years
Leasehold land and buildings	Term of the lease
Assets under construction	Not depreciated
Furniture, equipment and vehicles:	
Office fixtures & fittings and equipment	3 - 10 years
Motor vehicles	4 years
IT equipment	3 years

For the purposes of the Charities SORP (FRS102), all tangible fixed assets of AQA Education 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. Items costing less than £10,000 are charged to the consolidated statement of financial activities when incurred.

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

3 Summary of significant accounting policies (continued)

(m) Impairment of non-financial assets

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

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

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

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

(n) Stocks

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

Cost is determined on the first-in, first-out (FIFO) method. Cost includes the purchase price, including irrecoverable 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, cash held by investment managers (presented within fixed asset investments on the balance sheet), other short term highly liquid investments with original maturities of three months or less.

(p) Fixed asset investments

(i) Investments in subsidiaries

In the charity's individual accounts, investments in subsidiary undertakings are measured at cost less accumulated impairment.

(ii) Investments in quoted company shares, bonds, investment funds, unit trusts and open-ended investment companies

Investments in quoted company shares, bonds, investment funds, unit trusts and open-ended investment companies are stated at market value. Please see note 15 for further details.

3 Summary of significant accounting policies (continued)

(q) 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. The timing or the amount of the future expenditure required to settle the obligation is uncertain.

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.

(r) Donations received under gift aid

Donations received under gift aid from Group entities are recognised when the funds are received by the Charity. Subsidiaries will remit gift aid payments to the Charity based on the previous reporting period's financial performance, however they have no legal obligation to do so.

(s) Financial instruments

The Group has adopted Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

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

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

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

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

3 Summary of significant accounting policies (continued)

(s) Financial instruments (continued)

(i) Financial assets (continued)

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value as at the reporting date using the closing quoted market price. The consolidated statement of financial activities includes the changes in fair value, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment. These long term investments, whilst highly liquid, are included in fixed assets, as there is no intention to draw down on them in the next year or indeed in the near future.

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 original purchase cost. Unrealised gains and losses are calculated as the difference between the fair value at the year end and their original purchase cost.

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.

Basic financial liabilities including debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

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

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

3 Summary of significant accounting policies (continued)

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

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

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

Critical judgements in applying the entity's accounting policies:

(i) Share of loss in joint venture

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

(iii) Intangible assets - software

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

(iv) Fixed asset useful economic lives

Depreciation and amortisation charges are recognised to write down assets to their residual values over their useful economic lives. The determination of these residual values and estimated lives requires the exercise of management judgement.

(u) Key accounting estimates and assumptions

(i) Carrying value of goodwill

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

(ii) Retirement benefit obligations

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

Note 27 details the actuarial assumptions used in determining the carrying amount at 31 March 2023.

(iii) Provisions

Provisions made for share of loss in Joint Venture, reorganisation costs, withdrawn learners and dilapidations 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.

3 Summary of significant accounting policies (continued)

Also included within provisions is contingent consideration, this is additional consideration that could be due to the previous shareholders of the group's acquisitions. The amounts are based on profit and other qualitative targets placed on the business in the years following acquisition. Consequently, management must estimate the businesses performance against such targets in order to estimate the additional consideration payable.

(v) Future amendments to FRS 102

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

4 Income from charitable and other trading activities

	Unrestricted funds	
	2023	2022
	£000	£000
Educational Services - United Kingdom fee income	**206,276**	142,837
Educational Services – Overseas fee income	**1,951**	766
Total income from charitable activities	**208,227**	143,603
Digital and Consultancy Services – United Kingdom	**7,394**	2,323
Digital and Consultancy Services – Overseas	**234**	955
Total income from other trading activities	**7,628**	3,278

Included within 2022 Educational Services income are two grants from the Department for Education for £4,351,000. These grants were to support with the cost of appeals of summer examination series in 2021 and additional running costs incurred for the autumn examination series in 2021. This grant was to maximise the rebate to schools due to a reduced summer series in 2021 due to Covid.

5 Investment income and management costs

	Unrestricted funds	
	2023	2022
	£000	£000
Interest – UK deposits	**844**	86
Dividends	**558**	628
	1,402	714
Net credit to other finance income on defined pension scheme assets and liabilities (note 27)	**1,162**	428
Total investment income	**2,564**	1,142
Brokers' fees	**(131)**	(150)
Total investment management costs	**(131)**	(150)
Net investment income	**2,433**	992

6 Trading expenditure

	2023 Educational services	2023 Digital and consultancy services	**2023 Total**	2022 Educational services	2022 Digital and consultancy services	2022 Total
	£000	£000	**£000**	£000	£000	£000
Operational costs:						
Examiner costs	60,552	-	**60,552**	9,810	-	9,810
Printing postage and other examination costs	7,259	-	**7,259**	2,341	-	2,341
Premises costs	3,387	27	**3,414**	3,321	95	3,416
Direct staff costs	62,055	2,919	**64,974**	43,842	1,234	45,076
Operating lease rentals	1,706	9	**1,715**	1,854	61	1,915
Non capital IT costs	21,633	1	**21,634**	16,904	5	16,909
Depreciation	1,623	36	**1,659**	1,335	88	1,423
Amortisation of goodwill	2,460	-	**2,460**	-	-	-
Amortisation of intangibles	16,247	3	**16,250**	17,232	272	17,504
Loss on disposal	51	5	**56**	-	-	-
Overheads	6,493	1,076	**7,569**	3,911	1,579	5,490
Restructuring costs	236	-	**236**	412	-	412
Consultancy	4,348	3,952	**8,300**	3,534	-	3,534
GMPF Pension Settlement cost (see note 27)	33,576	-	**33,576**	-	-	-
Governance costs (see note 9)	682	27	**709**	427	2	429
Support costs (see note 9)	19,417	-	**19,417**	21,157	-	21,157
Total	**241,725**	**8,055**	**249,780**	126,080	3,336	129,416

7 Summary analysis of expenditure and related income for charitable activities

	2023 Total	2022 Total
	£000	£000
Income from charitable activities:		
Fees and charges	**208,227**	143,603
Total income	**208,227**	143,603
Expenditure on charitable activities:		
Staff costs	**(81,487)**	(65,014)
Operational costs	**(160,238)**	(61,066)
Total expenditure	**(241,725)**	(126,080)
Total (deficit) / surplus from charitable activities	**(33,498)**	17,523

8 Taxation

AQA is a charity and therefore claims exemption from corporation tax. Subsidiary trading companies make donations under gift aid to the Charity, equal to taxable profits, within 9 months of the balance sheet date, and thus do not have corporation tax charges or liabilities.

A deferred tax asset of £1,600,000 *(2022: Nil)* in respect of tax losses within the group has only been recognised to the extent that these losses will be utilised against taxable profits the group generates in the future. The deferred tax asset has been limited for profits that will be gift aided to AQA Education in the near future. Therefore, the full deferred tax asset has not been recognised. The amount unprovided at 31 March 2023 is £922,000 *(2022: £1,978,000)*.

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. The basis of allocation between education and digital and consultancy services depends on the nature of services provided by the entity in which the costs arise. Refer to the table below for the basis for apportionment and the analysis of support and governance costs.

	Support costs £000	Governance costs £000	**2023 Total £000**	**Basis of allocation**
Employment costs	19,417	15	**19,432**	Staff time
Trustee expenses	-	2	**2**	Invoiced events
Internal audit services	-	432	**432**	Governance
External auditor – audit services:				
Audit of consolidated and Charity financial statements	-	125	**125**	Governance
Audit of the subsidiary financial statements	-	131	**131**	Governance
Other services	-	4	**4**	Governance
Total	19,417	709	**20,126**	

	Support costs £000	Governance costs £000	2022 Total £000	**Basis of allocation**
Employment costs	21,157	15	**21,172**	Staff time
Trustee expenses	-	2	**2**	Invoiced events
Internal audit services	-	221	**221**	Governance
External auditor – audit services:				
Audit of consolidated and Charity financial statements	-	118	**118**	Governance
Audit of the subsidiary financial statements	-	33	**33**	Governance
Assurance in relation to grant claims	-	36	**36**	Governance
Audit of teacher's pension scheme	-	4	**4**	Governance
Total	21,157	429	**21,586**	

9 Analysis of governance and support costs (continued)

As the Charity is unable to recover input VAT, the fee for the audit of consolidated and Charity financial statements includes VAT. External audit fee net of VAT for audit of consolidated and Charity financial statements was *£104,500 (2022: £98,720)*. External audit fee net of VAT for audit of the subsidiary financial statements financial statements was £115,140 *(2022: £49,130)*. Fee net of VAT for assurance in relation to grant claims was nil *(2022: £30,000)*. Fee net of VAT for assurance in relation to audit of teacher's pension scheme £3,400 *(2022: £3,200)*.

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

	2023	2022
	£000	£000
Wages and salaries	**65,097**	51,398
Social security costs	**6,287**	5,085
Pension costs		
- Defined benefit employer contributions	**1,756**	1,685
- Defined contribution pension costs	**7,455**	5,959
	80,595	64,127
Other staff related costs	**3,811**	2,121
	84,406	66,248

During the year £nil *(2022: £164,000)* was received from the Government in respect of the Coronavirus Job Retention Scheme. Termination payments of £649,000 *(2022: £831,000)* were made in the year, due to a change in the staffing structure.

	2023	2022
	Number	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	**1,168**	830
Support and administration	**458**	476
Digital and consultancy services	**48**	76
	1,674	1,382

Having received Charity Commission permission £15,000 *(2022: £15,000)* was paid to Mr van Wijngaarden in his role as Chair of the Trustees. The Trustees have been reimbursed for all expenses incurred by them in connection with their attendance at meetings of the Board, other committees or general meeting of the Charity or otherwise in connection with their discharge of their duties as Trustees. Travelling and subsistence expenses amounting to £2,321 *(2022: £2,129)*, were reimbursed to 6 *(2022: 9)* trustees.

The key management personnel of the parent Charity comprise the Executive Team alongside the Trustees of the Charity. The total remuneration of the key management personnel of the Charity over the full year was £1,995,000 *(2022: £1,870,000)*. The remuneration of the Chief Executive Officer, who is also a Trustee, was £348,000 *(2022: £339,000)*. Remuneration for key management personnel and Chief Executive Officer includes employer pension contributions, employers' national insurance, termination payments and benefits in kind.

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 wholly owned subsidiaries. The remuneration of the key management personnel of the subsidiaries totalled £1,276,000 *(2022: £611,000)*. The increase year on year is due to acquisitions of subsidiaries during the year. The total remuneration of the key management personnel for the Group was £3,271,000 *(2022: £2,481,000)*.

200 *(2022: 98 employees)* of Group employees whose emoluments, excluding pension contributions and employers' national insurance, but including benefits in kind and termination payments, were in excess of £60,000 was:

Group

	Year ended 31 March 2023 Number	Year ended 31 March 2022 Number
Higher paid employees fell within the following bands:		
£60,001 to £70,000	**97**	51
£70,001 to £80,000	**45**	18
£80,001 to £90,000	**16**	8
£90,001 to £100,000	**15**	6
£100,001 to £110,000	**9**	4
£110,001 to £120,000	**5**	3
£120,001 to £130,000	**1**	3
£130,001 to £140,000	**3**	1
£140,001 to £150,000	**1**	-
£150,001 to £160,000	**1**	3
£160,001 to £170,000	**1**	-
£170,001 to £180,000	**2**	-
£180,001 to £190,000	**2**	-
£210,001 to £220,000	**1**	-
£290,001 to £300,000	**-**	1
£300,001 to £310,000	**1**	-

The number of employees whose emoluments exceeded £60,000 have increased year on year due to a combination of factors including an increase in headcount, increase in number of entities in the Group and annual salary pay rises.

The increase in the number of employees in bands exceeding £180,000 is due to termination payments made to three senior members of management.

Contributions by the employer were made to defined benefit pension schemes for 31 *(2022: 15)* higher paid employees. Contributions amounting to £1,456,000 *(2022: £600,000)* were made to defined contribution schemes for 193 *(2022: 73)* higher paid employees. Pension contributions have increased in line with the number of higher paid employees. A number of employees received contributions into both defined benefit and defined contribution schemes as a result of the closure of the GMPF Scheme.

11 Intangible assets

Group	Goodwill	Software	Development expenditure	Assets under development	Total
	£000	£000	£000	£000	£000
COST					
At 1 April 2022	16,330	69,134	15,099	-	100,563
Additions from acquisitions	-	1,093	-	-	1,093
Additions	34,808	491	-	6,828	42,127
Transfer	-	(2,085)	-	2,085	-
At 31 March 2023	**51,138**	**68,633**	**15,099**	**8,913**	**143,783**
ACCUMULATED AMORTISATION					
At 1 April 2022	6,670	38,303	15,099	-	60,072
Amortisation charge for the year	2,460	16,250	-	-	18,710
On disposal	-	-	-	-	-
At 31 March 2023	**9,130**	**54,553**	**15,099**	**-**	**78,782**
NET BOOK VALUE					
At 31 March 2023	**42,008**	**14,080**	**-**	**8,913**	**65,001**
At 31 March 2022	9,660	30,831	-	-	40,491

Charity	Software	Assets under development	Total
	£000	£000	£000
COST			
At 1 April 2022	67,683	-	67,683
Additions	314	6,828	7,142
Transfer	(2,085)	2,085	-
At 31 March 2023	**65,912**	**8,913**	**74,825**
ACCUMULATED AMORTISATION			
At 1 April 2022	37,045	-	37,045
Amortisation charge for the year	15,950	-	15,950
At 31 March 2023	**52,995**	**-**	**52,995**
NET BOOK VALUE			
At 31 March 2023	**12,917**	**8,913**	**21,830**
At 31 March 2022	30,638	-	30,638

Software includes £8,964,000 *(2022: £22,565,000)* relating to the net book value for Nexus, our bespoke exam processing system. Amortisation for this intangible asset is due to finish in the 2023/24 financial year.

12 Tangible fixed assets

Group	Freehold Land & Buildings £000	Leasehold Land & Buildings £000	IT Equipment £000	Furniture, Equipment and Vehicles £000	Assets under construction £000	Total £000
COST						
At 1 April 2022	2,534	17,634	2,947	14,772	-	37,887
Additions from acquisitions	-	-	58	25	-	83
Additions	-	-	215	801	9,307	10,323
Disposals	-	-	-	(1,051)	-	(1,051)
At 31 March 2023	**2,534**	**17,634**	**3,220**	**14,547**	**9,307**	**47,242**
ACCUMULATED DEPRECIATION						
At 1 April 2022	854	8,962	2,914	7,623	-	20,353
Charge for the year	47	427	68	1,117	-	1,659
On disposals		-	-	(996)	-	(996)
At 31 March 2023	**901**	**9,389**	**2,982**	**7,744**	**-**	**21,016**
NET BOOK VALUE						
At 31 March 2023	**1,633**	**8,245**	**238**	**6,803**	**9,307**	**26,226**
At 31 March 2022	1,680	8,672	33	7,149	-	17,534

Charity	Leasehold Land & Buildings £000	IT Equipment £000	Furniture, Equipment and Vehicles £000	Assets under construction £000	Total £000
COST					
At 1 April 2022	17,634	2,348	3,489	-	23,471
Additions	-	-	-	9,307	9,307
Disposals	-	-	(1,017)	-	(1,017)
At 31 March 2023	**17,634**	**2,348**	**2,472**	**9,307**	**31,761**
ACCUMULATED DEPRECIATION					
At 1 April 2022	8,962	2,340	3,218	-	14,520
Charge for the year	427	8	51	-	486
On disposals	-	-	(966)	-	(966)
At 31 March 2023	**9,389**	**2,348**	**2,303**	**-**	**14,040**
NET BOOK VALUE					
At 31 March 2023	**8,245**	**-**	**169**	**9,307**	**17,721**
At 31 March 2022	8,672	8	271	-	8,951

13 Investment in subsidiary undertakings

(a) Cost of investment in subsidiary undertakings

	2023	2022
	£000	£000
At 1 April 2022	**24,432**	13,134
Additions		
AlphaPlus Consultancy Limited	**1**	11,298
Blutick Limited	**1,339**	-
AC3 Solutions Limited	**677**	-
	2,017	11,298
Group reorganisation - share for share exchange (see below)*		
Blutick Limited	**(1,339)**	-
Doublestruck Limited	**(5,826)**	-
AlphaPlus Consultancy Limited	**(11,299)**	-
AQA Commercial Services Limited	**18,464**	-
	-	-
At 31 March 2023		
Doublestruck Limited	**-**	5,826
AQA Milton Keynes Limited	**7,308**	7,308
AlphaPlus Consultancy Limited	**-**	11,298
AC3 Solutions Limited	**677**	-
AQA Commercial Services Limited	**18,464**	-
	26,449	24,432

A list of the subsidiary undertakings is provided below:

Name of the entity	Company Number	Registered Office Address	Parent Entity	% of ownership interest
AQA Milton Keynes Limited	05568337	Devas Street, Manchester, M15 6EX	AQA Education	100%
AC3 Solutions Limited	08453864	Devas Street, Manchester, M15 6EX	AQA Education	100%
AQA Commercial Services Limited	14299239	Devas Street, Manchester, M15 6EX	AQA Education	100%
AlphaPlus Consultancy Limited	04801609	Unit 109 Albert Mill, Hulme Hall Road, Manchester, M1 4LY	AQA Commercial Services Limited	100%
Training Qualifications UK Limited	07827508	Crossgate House, Cross Street, Sale, M33 7FT	AQA Commercial Services Limited	100%
Doublestruck Limited	02373295	Devas Street, Manchester, M15 6EX	AQA Commercial Services Limited	100%
Blutick Limited	11318113	Devas Street, Manchester, M15 6EX	Doublestruck Limited	100%

13 Investment in subsidiary undertakings (continued)

* During the year, the shares of AlphaPlus Consultancy and Doublestruck were transferred from AQA to newly incorporated intermediate holding company AQA Commercial Services, and the shares of Blutick were transferred from AQA to Doublestruck. The transfers were made in exchange for shares in AQA Commercial Services. This has been done as part of a reorganisation of the Group structure, and has been accounted for in the relevant entities financial statements in accordance with merger accounting.

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

	Gross Income 2023 £000	Expenditure 2023 £000	**Profit/(loss) for the year 2023 £000**	Assets 2023 £000	Liabilities 2023 £000	**Funds / Reserves 2023 £000**
AQA Milton Keynes Limited	23,136	(21,873)	**1,263**	11,806	(16,552)	**(4,746)**
AC3 Solutions Limited	68	(13)	**55**	184	(111)	**73**
AQA Commercial Services Limited	-	(941)	**(941)**	59,429	(41,905)	**17,524**
AlphaPlus Consultancy Limited	7,422	(7,093)	**329**	4,983	(1,409)	**3,574**
Training Qualifications UK Limited	2,348	(1,864)	**484**	9,559	(1,863)	**7,696**
Doublestruck Limited	5,130	(5,063)	**67**	5,228	(3,289)	**1,939**
Blutick Limited	2	(68)	**(66)**	7	(54)	**(47)**

Figures for Blutick Limited, AC3 Solutions, AQA Commercial Services Limited and Training Qualifications UK Limited represent the period from acquisition to 31 March 2023.

13 Investment in subsidiary undertakings (continued)

	Gross Income	Expenditure	**Profit/(loss) for the year**	Assets	Liabilities	**Funds / Reserves**
	2022	2022	**2022**	2022	2022	**2022**
	£000	£000	**£000**	£000	£000	**£000**
AQA Milton Keynes Limited	11,236	(17,998)	**(6,762)**	11,267	(18,876)	**(7,609)**
AlphaPlus Consultancy Limited	2,219	(1,617)	**602**	4,370	(1,124)	**3,246**
Doublestruck Limited	4,665	(2,733)	**1,932**	3,642	(3,109)	**533**

Figures for AlphaPlus Consultancy Limited represent the period from acquisition to 31 March 2022.

(b) Cost of investment in joint venture

	2023	2022
	£000	£000
At 1 April 2022	**(479)**	(678)
Funding payments	**350**	549
Share of loss	**(604)**	(350)
At 31 March 2023	**(733)**	(479)

AQA's share of the accumulated losses of the joint venture which exceeds the amount invested is included within provisions for liabilities and charges on the balance sheet and is stated at cost less impairment. During the year, an addition of £350,000 *(2022: £549,000)* was made to the cost of the investment.

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	See below	Equity

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

The business made a loss in the year, in line with expectations at this stage of its growth and the AQA Trustees remain positive about future trading. AQA remains committed to funding its share of the jointly controlled entity.

14 Acquisition of Subsidiaries

On 8 November 2022 the Group acquired 100% of Blutick Limited, on 5 December 2022 acquired 100% of AC3 Solutions Limited and on 14 December 2022 acquired 100% of Training Qualifications UK Limited. All these acquired companies are registered in England and Wales.

In calculating the goodwill arising on acquisition, the fair value of net assets of these acquisitions were assessed and the following adjustments to book value were necessary.

Blutick Limited

	Book value £'000	Fair value adjustments £'000	Fair value £'000
Assets			
Intangible fixed assets	-	431	431
Tangible fixed assets	1	-	1
Cash at bank and in hand	28	-	28
Total assets	**29**	**431**	**460**
Creditors			
Due within one year	(10)	-	(10)
Net assets	**19**	**431**	**450**
Goodwill (note 11)			889
Total purchase consideration (including expenses of £121,000)			**1,339**
Purchase consideration settled in cash			889
Contingent consideration (note 21)			450
Total consideration			**1,339**
Purchase consideration settled in cash			889
Cash and cash equivalents in subsidiary acquired			(28)
Cash outflow on acquisition			**861**

The useful economic life of goodwill has been estimated to be 3 years.

Since the acquisition date, Blutick Limited has contributed £2,000 to Group turnover and a deficit of £66,000 to Group net income.

14 Acquisition of Subsidiaries (continued)

AC3 Solutions Limited

	Book value	Fair value adjustments	Fair value
	£'000	£'000	£'000
Assets			
Intangible fixed assets	-	500	500
Debtors	42	(12)	30
Cash at bank and in hand	131	-	131
Total assets	**173**	**488**	**661**
Creditors			
Due within one year	(155)	-	(155)
Net assets	**18**	**488**	**506**
Goodwill (note 11)			171
Total purchase consideration (including expenses of £109,000)			**677**
Purchase consideration settled in cash			477
Contingent consideration (note 21)			200
Total consideration			**677**
Purchase consideration settled in cash			477
Cash and cash equivalents in subsidiary acquired			(131)
Cash outflow on acquisition			**346**

The useful economic life of goodwill for AC3 Solutions Limited has been estimated to be 5 years.

Since the acquisition date, AC3 Solutions Limited has contributed £68,000 to Group turnover and £55,000 to Group net income.

14 Acquisition of Subsidiaries (continued)

Training Qualifications UK Limited

	Book value £'000	Fair value adjustments £'000	Fair value £'000
Assets			
Tangible fixed assets	82	-	82
Intangible fixed assets	162	-	162
Debtors and stock	1,934	-	1,934
Cash at bank and in hand	6,203	-	6,203
Total assets	**8,381**	-	**8,381**
Creditors			
Due within one year	(827)	-	(827)
Provisions	(342)	-	(342)
Total liabilities	**1,169**	-	**1,169**
Net assets	**7,212**	-	**7,212**
Goodwill (note 11)			33,747
Total purchase consideration (including expenses of £538,000)			**40,959**
Consideration settled in cash			35,591
Deferred consideration (includes expenses of £361,000)			1,339
Contingent consideration (note 21)			4,029
Total consideration			**40,959**
Consideration settled in cash to date			35,591
Deduct: Cash in subsidiary at acquisition date			(6,203)
Cash outflow on acquisition			**29,388**

The useful economic life of goodwill for Training Qualifications UK Limited has been estimated to be 10 years.

Since the acquisition date, Training Qualifications UK Limited has contributed £2,348,000 to Group turnover and £484,000 to Group net income.

15 Other fixed asset investments

Investments

	Group & Charity 2023 £000	Group & Charity 2022 £000
Market value at 1 April 2022	**49,685**	42,758
Additions at cost	**25,365**	16,050
Disposals at market value (i.e. sales proceeds)	**(20,859)**	(14,646)
Net movements in cash held with fund managers	**(4,083)**	3,179
Net investment (losses)/gains	**(1,420)**	2,344
Market value at 31 March 2023	**48,687**	49,685
Cost at 31 March 2023	**48,038**	45,642
Balance on net unrealised gain reserve	**649**	4,043

Analysis of net investment gains

Movement on unrealised (losses)/gains	**(3,393)**	758
Realised gains based on historic cost of investments disposed of during the year	**1,973**	1,586
Net investment (losses)/gains	**(1,420)**	2,344

15 Other fixed asset investments (continued)

Analysis of market value of investments held

	Group & Charity 2023 £000	% of total	Group & Charity 2022 £000	% of total
Equities				
United Kingdom	**543**	**1.1**	2,958	5.9
Overseas	**11,178**	**23.0**	19,042	38.3
Bonds				
United Kingdom	**2,070**	**4.2**	637	1.3
Overseas	**1,938**	**4.0**	4,331	8.7
Multi asset funds	**26,995**	**55.4**	9,522	19.2
Alternatives				
Hedge funds	**371**	**0.8**	638	1.3
Property	**1,366**	**2.8**	1,777	3.6
Commodities	**998**	**2.1**	1,972	4.0
Other	**2,504**	**5.1**	4,001	8.0
Cash held with fund managers	**724**	**1.5**	4,807	9.7
	48,687	**100.0**	49,685	100.0

All investments are carried at their fair value. Investment in equities and fixed interest units are all traded in quoted public markets, such as the London Stock Exchange. Holdings in common investment funds, unit trusts and open-ended investment companies are as advised by the fund managers. 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).

16 Stocks and work in progress

	Group 2023 £000	**Charity 2023 £000**	Group 2022 £000	Charity 2022 £000
Raw materials	**1,172**	**-**	1,230	-
Finished goods	**1,000**	**859**	1,002	817
	2,172	**859**	2,232	817

The balances above are shown net of a provision amounting to £119,000 *(2022: £169,000).*

17 Debtors

	Group 2023 £000	**Charity 2023 £000**	Group 2022 £000	Charity 2022 £000
Trade debtors	**99,134**	**95,418**	149,834	148,658
Amounts owed by Group undertakings	**-**	**51,350**	-	14,383
Amount due from related party	**274**	**274**	143	142
Deferred tax credit	**1,600**	**-**	-	-
Other debtors	**6,287**	**6,208**	417	310
Prepayments and accrued income	**6,857**	**4,447**	5,402	2,161
	114,152	**157,697**	155,796	165,654

Trade debtors are lower year on year due to billing for the summer 2023 series being issued earlier compared to prior year for the summer 2022 series, resulting in more cash being received before the financial year end.

Prepayments and accrued income includes £582,000 *(2022: £501,000)* falling due after more than one year.

Other debtors includes £185,000 *(2022: £185,000)* falling due after more than one year.

Amounts due from Group undertakings are unsecured. Loans are repayable on demand with twelve months' notice and interest is charged at an annual commercial rate of 4.75% over the base rate. Loans arranged before 31 March 2022 use the Royal Bank of Scotland base rate, those arranged afterwards use the Bank of England base rate.

18 Current investments

Investments totalling £58,771,000 *(2022: £821,000)* 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. These are deemed to be highly liquid funds. Due to earlier billing year on year, cash was also received earlier which was invested in highly liquid funds before the financial year end.

19 Creditors: amounts falling due within one year

	Group 2023 £000	**Charity 2023 £000**	Group 2022 £000	Charity 2022 £000
Trade creditors	**7,104**	**6,377**	4,812	3,200
Payments on account	**-**	**-**	150	-
Amounts owed to Group undertakings	**-**	**2,221**	-	1,018
Taxation and social security costs	**2,493**	**1,507**	3,476	2,638
Other creditors	**2,100**	**621**	681	657
Accruals and deferred income	**214,264**	**208,528**	187,800	182,721
	225,961	**219,254**	196,919	190,234

Amounts due to Group undertakings are unsecured. Loans are repayable on demand with twelve months' notice and interest is charged at an annual commercial rate of 4.75% over the Royal Bank of Scotland base rate.

Accruals and deferred income include net refund liability of £Nil *(2022: £3,536,000).*

The movement on deferred income during the year was:

	Group 2023 £000	**Charity 2023 £000**	Group 2022 £000	Charity 2022 £000
Balance at 1 April 2022	**180,727**	**178,215**	129,020	126,563
Amount deferred in the year	**206,057**	**202,350**	184,968	182,498
Amount released in the year	**(180,650)**	**(178,215)**	(129,761)	(127,346)
Refunded to schools and colleges	**-**	**-**	(3,500)	(3,500)
Balance at 31 March 2023	**206,134**	**202,350**	180,727	178,215

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

In the prior year, an additional amount of £3,500,000 was refunded to schools and colleges in respect of the savings made in delivery of the special exam series due to the impact of Covid. This brought the total amount refunded in respect of the summer 2021 exam series to £48,500,000, with the initial amount of £45,000,000 recognised in the 2021 financial statements.

20 Financial instruments

The Group and Charity have the following financial instruments:

	Note	**Group 2023 £000**	**Charity 2023 £000**	Group 2022 £000	Charity 2022 £000
Financial assets measured at fair value through consolidated statement of financial activities:					
Investment in securities					
Equities	15	**11,721**	**11,721**	22,000	22,000
Bonds	15	**4,008**	**4,008**	4,968	4,968
Multi asset funds	15	**26,995**	**26,995**	9,522	9,522
Alternatives	15	**5,239**	**5,239**	8,388	8,388
Cash held with fund managers	15	**724**	**724**	4,807	4,807
Short-term deposits	18	**58,771**	**58,771**	821	821
		107,458	**107,458**	50,506	50,506

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

21 Provisions for liabilities and charges

Group	Contingent consideration	Leasehold dilapidations	Share of loss in joint venture	Other provisions	Total
	£000	£000	£000	£000	£000
Balance at 1 April 2022	5,024	2,732	479	47	8,282
Provided in the year	4,629	174	604	277	5,684
Utilised in the year	(691)	(313)	(350)	(45)	(1,399)
Balance at 31 March 2023	**8,962**	**2,593**	**733**	**279**	**12,567**

Charity	Contingent consideration	Leasehold dilapidations	Share of loss in joint venture	Other provisions	Total
	£000	£000	£000	£000	£000
Balance at 1 April 2022	5,024	1,779	479	47	7,329
Provided in the year	600	255	604	-	1,459
Utilised in the year	(691)	(313)	(350)	(45)	(1,399)
Balance at 31 March 2023	**4,933**	**1,721**	**733**	**2**	**7,389**

Contingent consideration

This provision relates to future consideration due for the acquisition of AlphaPlus Consultancy Limited, Blutick Limited, AC3 Solutions Limited and Training Qualifications UK Limited. Actual consideration will be calculated based on performance of the entities in the post-acquisition. The provision represents management's forecasts for these companies.

Other provisions

Other provisions includes £277,000 relating to potential withdrawing learners, that have registered on qualifications. Other provisions also includes £2,000 relating to estimated costs of changes to staffing structures.

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 2023 and 2108 as the leases terminate.

Share of loss in joint venture

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

22 Total Charity Funds

Analysis of movements in unrestricted funds

Group	1 April 2022	Net Income / (expenditure)	Investment and actuarial gains / (losses)	Transfers	**31 March 2023**
	£000	£000	£000	£000	**£000**
Designated funds					
Pension charged account fund	4,501	-	-	1,743	**6,244**
Total designated funds	**4,501**	**-**	**-**	**1,743**	**6,244**
Unrestricted general funds					
General unrestricted funds	73,548	(12,587)	1,973	12,649	**75,583**
Fixed asset fund	48,365	(17,909)	-	18,761	**49,217**
Investment revaluation reserve	4,042	-	(3,393)	-	**649**
Total unrestricted general funds	**125,955**	**(30,496)**	**(1,420)**	**31,410**	**125,449**
Unrestricted funds before pension asset	130,456	(30,496)	(1,420)	33,153	**131,693**
Pension reserve	25,713	-	31,943	(33,153)	**24,503**
Total Group funds	**156,169**	**(30,496)**	**30,523**	**-**	**156,196**

The pension charge fund accounts is a designated fund which has been created to help fund a buy-out of the pension scheme with an insurance company at some time in the future.

Analysis of net assets between funds 2023

Group	Designated fund	General fund	Pension fund	Total unrestricted funds
Intangible assets	-	65,001	-	65,001
Tangible assets	-	26,226	-	26,226
Investments	-	48,687	-	48,687
Current assets	6,244	224,063	-	230,307
Liabilities	-	(225,961)	-	(225,961)
Provisions	-	(12,567)	-	(12,567)
Pension reserve	-	-	24,503	24,503
Total net assets	6,244	125,449	24,503	156,196

22 Total Charity Funds (continued)

Analysis of movements in unrestricted funds

Charity	1 April 2022	Net income / (expenditure)	Investment and actuarial gains	Transfers	**31 March 2023**
	£000	£000	£000	£000	**£000**
Designated funds					
Pension charged account fund	4,501	-	-	1,743	**6,244**
Total designated funds	**4,501**	**-**	**-**	**1,743**	**6,244**
Unrestricted general funds					
General unrestricted funds	101,026	(14,339)	1,973	15,012	**103,672**
Fixed asset fund	39,588	(16,436)	-	16,398	**39,550**
Investment revaluation reserve	4,042	-	(3,393)	-	**649**
Total unrestricted general funds	**144,656**	**(30,775)**	**(1,420)**	**31,410**	**143,871**
Unrestricted funds before pension asset	149,157	(30,775)	(1,420)	33,153	**150,115**
Pension reserve	25,713	-	31,943	(33,153)	**24,503**
Total charity funds	**174,870**	**(30,775)**	**30,523**	**-**	**174,618**

The pension charge fund accounts is a designated fund which has been created to help fund a buy-out of the pension scheme with an insurance company at some time in the future.

Analysis of net assets between funds 2023

Charity	Designated fund	General fund	Pension fund	Total unrestricted funds
Intangible assets	-	21,830	-	21,830
Tangible assets	-	17,721	-	17,721
Investment in subsidiary undertakings	-	26,449	-	26,449
Investments	-	48,687	-	48,687
Current assets	6,244	255,827	-	262,071
Liabilities	-	(219,254)	-	(219,254)
Provisions	-	(7,389)	-	(7,389)
Pension reserve	-	-	24,503	24,503
Total net assets	6,244	143,871	24,503	174,618

22 Total Charity Funds (continued)

Analysis of movements in unrestricted funds

Group	1 April 2021	Net income / (expenditure)	Investment and actuarial gains / (losses)	Transfers	**31 March 2022**
	£000	£000	£000	£000	**£000**
Designated funds					
Pension charged account fund	2,500	-	-	2,001	**4,501**
Total designated funds	**2,500**	**-**	**-**	**2,001**	**4,501**
Unrestricted general funds					
General unrestricted funds	49,968	37,985	-	(14,405)	**73,548**
Fixed asset fund	54,124	(18,292)	-	12,533	**48,365**
Investment revaluation reserve	3,284	-	758	-	**4,042**
Total unrestricted general funds	**107,376**	**19,693**	**758**	**(1,872)**	**125,955**
Unrestricted funds before pension asset	109,876	19,693	758	129	**130,456**
Pension reserve	2,466	-	23,376	(129)	**25,713**
Total Group funds	**112,342**	**19,693**	**24,134**	**-**	**156,169**

The pension charge fund accounts is a designated fund which has been created to help fund a buy-out of the pension scheme with an insurance company at some time in the future.

Analysis of net assets between funds 2022

Group	Designated fund	General fund	Pension fund	Total unrestricted funds
Intangible assets	-	40,491	-	40,491
Tangible assets	-	17,534	-	17,534
Investments	-	49,685	-	49,685
Current assets	4,501	223,446	-	227,947
Liabilities	-	(196,919)	-	(196,919)
Provisions	-	(8,282)	-	(8,282)
Pension reserve	-	-	25,713	25,713
Total net assets	4,501	125,955	25,713	156,169

22 Total Charity Funds (continued)

Analysis of movements in unrestricted funds

Charity	1 April 2021	Net Income / (expenditure)	Investment and actuarial gains / (losses)	Transfers	**31 March 2022**
	£000	£000	£000	£000	**£000**
Designated funds					
Pension charged account fund	2,500	-	-	2,001	**4,501**
Total designated funds	**2,500**	**-**	**-**	**2,001**	**4,501**
Unrestricted general funds					
General unrestricted funds	72,682	43,379	-	(15,035)	**101,026**
Fixed asset fund	43,636	(17,211)	-	13,163	**39,588**
Investment revaluation reserve	3,284	-	758	-	**4,042**
Total unrestricted general funds	**119,602**	**26,168**	**758**	**(1,872)**	**144,656**
Unrestricted funds before pension asset	122,102	26,168	758	129	**149,157**
Pension reserve	2,466	-	23,376	(129)	**25,713**
Total charity funds	**124,568**	**26,168**	**24,134**	**-**	**174,870**

The pension charge fund accounts is a designated fund which has been created to help fund a buy-out of the pension scheme with an insurance company at some time in the future.

Analysis of net assets between funds 2022

Charity	Designated fund	General fund	Pension fund	Total unrestricted funds
Intangible assets	-	30,638	-	30,638
Tangible assets	-	8,951	-	8,951
Investment in subsidiary undertakings	-	24,432	-	24,432
Investments	-	49,685	-	49,685
Current assets	4,501	228,513	-	233,014
Liabilities	-	(190,234)	-	(190,234)
Provisions	-	(7,329)	-	(7,329)
Pension reserve	-	-	25,713	25,713
Total net assets	4,501	144,656	25,713	174,870

22 Total Charity Funds (continued)

Transfer of funds from general unrestricted funds to fixed asset fund and pension charged accounts is to reallocate resources received to further invest in our fixed assets and contribute to our pension escrow account to fund a buy-out of the pension scheme.

23 Net cash generated from / (used in) operations

Reconciliation of net income to net cash generated from / (used in) operations

	Group	
	2023	2022
	£000	£000
Net incoming resources before other recognised gains	**(32,096)**	18,107
Net investment income excluding net finance income on defined benefit pension schemes	**(1,402)**	(714)
Depreciation	**1,659**	1,423
Loss on disposal of tangible fixed assets	**56**	-
Amortisation of intangibles	**18,710**	17,503
Taxation expense	**1,600**	-
Decrease / (increase) in stocks	**102**	(167)
Decrease / (increase) in debtors	**43,567**	(87,801)
Increase in creditors	**27,718**	29,444
(Decrease)/ increase in provisions	**(1,395)**	1,076
Post-employment benefits cost less payments	**33,153**	129
Net cash generated from / (used in) operations	**91,672**	(21,000)

Analysis of changes in net debt

	At 1 April 2022	Cash flows	Purchase of subsidiaries, net of cash acquired	**At 31 March 2023**
	£000	£000	£000	**£000**
Other fixed asset investments cash	**4,807**	(4,083)	-	**724**
Cash at bank and in hand	**69,098**	18,048	(31,934)	**55,212**
Total cash and cash equivalents	**73,905**	13,965	(31,934)	**55,936**

Included in the balance at 31 March 2023 is £6,243,000 *(2022: £4,501,000)* relating to a pension charged account to help fund a buy-out of the AQA Pension Scheme with an insurance company at some time in the future.

24 Operating lease commitments

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

	Group 2023	**Charity 2023**	Group 2022	Charity 2022
	£000	**£000**	£000	£000
Not later than one year	**1,926**	**1,056**	2,128	1,376
Later than one year and not later than five years	**6,073**	**3,328**	5,950	3,335
Later than five years	**6,868**	**4,145**	15,002	12,350
	14,867	**8,529**	23,080	17,061

25 Capital commitments

There were £1,850,000 capital commitments contracted for at 31 March 2023 but not provided for *(2022: £4,654,000)* in relation to contracts for software systems.

26 Related party transactions

AQA provided AQA Commercial Services, a loan facility of up to £40,000,000 during the year. Drawdowns on the loan are charged interest at 4.75% above the Bank of England base rate. As at the year-end, the balance owed on the loan was £36,507,000, this includes interest credited to the Charity Statement of Financial Activities during the year of £911,000. The loan is repayable on demand and is secured by a fixed and floating charge against all assets of the company. In addition, an amount was owed to AQA of £361,000 relating to professional services paid on behalf of AQA Commercial Services.

During the year, AQA charged Doublestruck £420,000 *(2022: £375,000)* for royalty fees, Doublestruck charged AQA £75,000 *(2022: £68,000)* for loan interest and Doublestruck paid donation under gift aid of £1,933,000 *(2022: £1,612,000)* to AQA. As at the year-end, Doublestruck owed AQA £114,000 in respect of unpaid royalties and the balance on the loan owed to Doublestruck was £1,916,000 *(2022: £1,018,000)*, £16,000 of which relates to unpaid interest. Interest is charged on the balance annually at 4.75% above the Royal Bank of Scotland base rate, and the balance is repayable on demand with 12 months' notice.

During the year, AQA MK charged AQA £19,703,000 *(2022: £8,809,000)* for digital and IT services, AQA charged AQA MK £729,000 *(2022: £613,000)* for loan interest and AQA charged AQA MK £449,000 (*2022: £419,000*) for management charges. As at the year-end AQA MK owed AQA £95,000 *(2022: £Nil)* in respect of services performed and £13,977,000 *(2022: £14,383,000)* in respect of a loan and accrued interest. The total loan facility available from AQA to AQA MK is £20,000,000. Interest is charged on the balance annually at 4.75% above the Royal Bank of Scotland base rate, and the balance is repayable on demand with 12 months' notice.

During the year, AQA provided funding to Blutick for an amount of £50,000. We are in the process of drawing up documentation and it will carry the same terms as other Group loans.

AlphaPlus performed consultancy services for AQA during the year and charged £94,000. At the year-end, £59,000 was owed by AQA.

There have been no related party transactions to disclose with AC3 Solutions in the reporting year, and there are no outstanding balances at the year-end date.

There have been no related party transactions to disclose with Training Qualifications UK in the reporting year, and no outstanding balances at the year-end date.

The amounts recharged to the joint venture, Oxford International AQA Examinations Limited, in the year were £1,468,000 (*2022: £1,271,000*). As at the year-end, the balance due to AQA was £274,000 *(2022: £150,000)*. During the year, an addition of £350,000 *(2022: £549,000)* was made to the cost of the investment by a 0% interest loan. Total cost of investment was £6,300,000 *(2022: £5,950,000)*. AQA's share of the accumulated losses of the joint venture which exceeds the amount invested is included within provisions for liabilities and charges on the balance sheet and is stated at cost less impairment resulting in provision of £733,000 *(2022: £497,000)*.

During the year, the shares of AlphaPlus Consultancy and Doublestruck were transferred from AQA to newly incorporated intermediate holding company AQA Commercial Services, and the shares of Blutick were transferred from AQA to Doublestruck. The transfers were made in exchange for shares in AQA Commercial Services. This has been done as part of a reorganisation of the Group structure, and has been accounted for in the relevant entities financial statements in accordance with merger accounting. Please see note 13 for further details.

Trustee and key management remuneration are disclosed in Note 10.

27 Retirement benefits

AQA participated in two principle defined benefit pension schemes, the AQA Pension Scheme and the Greater Manchester Pension Fund (GMPF), as well as two national Teacher Pension Scheme (TPS) and University Superannuation Scheme (USS) defined benefit schemes. In accordance with section 28 of FRS 102, unfunded pension liabilities are included in the defined benefit pension schemes liability for the two principle schemes.

USS and TPS 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 net balance sheet asset for the aggregation of the schemes is detailed as follows:

	2023	2022
	£000	£000
Total AQA employer contributions	**1,756**	1,685

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

	2023	2022
	£000	£000
The AQA Pension Scheme	**27,454**	42,552

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

	2023	2022
	£000	£000
GMPF	**-**	13,516
Unfunded pension liabilities	**2,567**	3,323
USS	**384**	-
	2,951	16,839

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

The plan is administered by independent trustees, who are responsible for ensuring that the plan is sufficiently funded to meet current and future obligations. The last completed full actuarial valuation of the Pension Scheme was at 30 September 2021.

AQA participated 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. On 28 February 2023, AQA ceased participation in the scheme and settled the scheme.

27 Retirement benefits (continued)

Unfunded pension liabilities represent the liability of unfunded pensions for former employees of AQA.

AQA continues to review its pension scheme offering and is commitment to providing a high-quality, fair and consistent employee offer to all colleagues.

Principal actuarial assumptions

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

	2023	2022
	% per annum	% per annum
Price increases	**2.90 – 3.30**	3.15 – 3.55
Pension increases - in payment	**2.15 – 2.95**	2.65 – 3.45
Pension increases - deferred	**2.80**	3.15
Salary increases	**3.40**	3.40
Discount rate	**4.70**	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 95.1% *(2022: 95.1%)* of S2PxA (96.6% *(2022: 96.6%)* of S2PxA) tables for males (females); future improvements are in line with the CMI 2020 projections subject to a long term trend rate of 1.25% *(2022: 1.25%)*.

For the GMPF liabilities the tables used are Club Vita curves, CMI 2018 subject to a long term trend rate of 1.5% and a smoothing parameter of 7.0 and an initial addition parameter of 0.5% males (0.25% females).

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 95.1% *(2022: 95.1%)* of S3PxA for males and 96.6% *(2022: 96.6%)* S2PxA for females; future improvements are in line with the CMI 2021 projections subject to a long term trend rate of 1.25% *(2022: 1.25%)*. Example life expectancies from age 65 are: 24.6 *(2022: 24.5)* years for males and 27.0 *(2022: 26.9)* years for females, currently aged 65; and 25.8 *(2022: 25.8)* years for males and 28.3 *(2022: 28.2)* years for females, 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**	
	2023	2022	**2023**	2022	**2023**	2022
	£000	£000	**£000**	£000	**£000**	£000
Fair value of scheme assets	**139,325**	202,576	**-**	101,855	**139,325**	304,431
Present value of liabilities	**(111,871)**	(160,024)	**(2,951)**	(118,694)	**(114,822)**	(278,718)
Net pension asset/(liability)	**27,454**	42,552	**(2,951)**	(16,839)	**24,503**	25,713

27 Retirement benefits (continued)

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	2023	2022
	%	%
Equities	**18.5**	10.0
Property	**3.4**	17.8
Bonds	**36.7**	53.2
Hedge Funds	**6.1**	18.8
Cash and other	**35.3**	0.2
Total	**100.0**	100.0

Consolidated statement of financial activities disclosures

Amounts recognised in the consolidated statement of financial activities before net expenditure

	2023	2022
	£000	£000
Current service cost	**1,272**	1,311
Scheme administration expenses	**1,223**	931
Net interest on asset	**(1,162)**	(428)
Loss on settlement of GMPF Scheme	**33,576**	-
Total	**34,909**	1,814

Actual Return on scheme assets

The actual (loss) / return on plan assets was:

	2023	2022
	£000	£000
Interest income	**7,620**	6,068
Loss on settlement of GMPF Scheme	**(59,712)**	12,686
Actual (loss) / return on scheme assets	**(52,092)**	18,754

27 Retirement benefits (continued)

Changes in the present value of the defined benefit obligations

	2023	2022
	£000	£000
Opening defined benefit obligations	**278,718**	289,749
Current service cost	**1,272**	1,311
Interest cost	**6,458**	5,640
Contributions by members	**277**	287
Actuarial gains	**(91,655)**	(10,690)
Gain on settlement	**(73,738)**	-
Benefits paid	**(6,510)**	(7,579)
Closing defined benefit obligations	**114,822**	278,718

Changes in the fair value of the scheme assets

	2023	2022
	£000	£000
Opening fair value of scheme assets	**304,431**	292,215
(Loss) / return on scheme assets excluding interest income	**(59,712)**	12,686
Interest income	**7,620**	6,068
Contributions by members	**277**	287
Contributions by employer	**1,756**	1,685
Scheme administration expenses	**(1,223)**	(931)
Benefits paid	**(6,510)**	(7,579)
Loss on settlement	**(107,314)**	-
Closing fair value of scheme assets	**139,325**	304,431

On 28 February 2023, AQA ceased participation in the scheme and settled the scheme for an amount of £33,576,000 which is the net of loss on scheme assets of £107,314,000 and gain on defined benefit obligations of £73,738,000.

The sum of actuarial gains on scheme assets £91,655,000 *(2022: £10,690,000)* and loss on scheme assets excluding interest income was £59,712,000 *(2022: £12,686,000 return)* agrees back to the actuarial gains on defined benefit pension scheme in the consolidated Statement of Financial Activities £31,943,000 *(2022: £23,376,000)*.

27 Retirement Benefits (continued)

Amounts for the current and previous four years

	31 March 2023 £000	31 March 2022 £000	31 March 2021 £000	31 March 2020 £000	31 March 2019 £000
Fair value of scheme assets	**139,325**	304,431	292,215	266,693	270,431
Present value of defined benefit obligations	**(114,822)**	(278,718)	(289,749)	(247,195)	(260,341)
Net pension asset	**24,503**	25,713	2,466	19,498	10,090

Other defined benefit pension schemes

Multi-employer defined benefit schemes

AQA participated in two *(2022: two)* multi-employer defined benefit scheme where it is not possible to separately identify the assets and liabilities for each participating employer. Accordingly, under section 28 of FRS 102, the schemes were treated as defined contribution scheme for accounting purposes.

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. Membership is automatic for teachers employed by AQA. TPS is an unfunded multi-employer pension scheme where it is not possible to identify AQA's share of the scheme's assets and liabilities. Accordingly, under Section 28 of FRS 102, AQA has accounted for its contributions to the scheme as if it were a defined contribution scheme. Below is set out the information available on the scheme.

TPS is an unfunded scheme to which both the member and employer makes contributions, as a percentage of salary - these contributions are credited to the Exchequer. Retirement and other pension benefits are paid by public funds provided by Parliament. The Government Actuary, using normal actuarial principles, conducts a formal actuarial review of the TPS in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury every 4 years. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation of the TPS was carried out as at 31 March 2020. The valuation report was published by the Department for Education on 26 October 2023. The key elements of the valuation and subsequent consultation are:

- employer contribution rates set at 28.6% of pensionable pay (including a 0.08% administration levy)

- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £262,000 million and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £222,200 million, giving a notional past service deficit of £39,800 million

A copy of the valuation report and supporting documentation is on the Teachers' Pensions website. The next valuation result is due to be implemented from 1 April 2024.

27 Retirement Benefits (continued)

Other defined benefit pension schemes (continued)

The University Superannuation Scheme (USS), which is the main scheme covering most academic and academic-related staff. The Scheme is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contributions benefits. The assets of the scheme are held in a separate trustee-administered fund. USS is a multi-employer scheme and is accounted for as set out in the accounting policies. The total cost charged to the Consolidated Statement of Financial Activities was £384,000 *(2022: nil)*. Deficit recovery contributions due within one year are £53,000. Future service contribution rates set at 21.6% of pensionable salary. The latest available complete actuarial valuation of the Retirement Income Builder section of the Scheme is at 31 March 2020 ("the valuation date"), which was carried out using the projected unit method. Since the institution cannot identify its share of USS Income Builder (defined benefit) assets and liabilities, the disclosures reflect those relevant for those assets and liabilities as a whole. The liability figures have been produced using the following assumptions: discount rate 4.7% and pensionable salary growth CPI +0.5%. The liability was not included in the balance sheet as at 31 March 2022.

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 £7,455,000 *(2022: £5,959,000)*. The amount charged includes contributions to the AQA defined contribution scheme. Contributions payable to the schemes at the year-end was £541,000 *(2022: £602,000)*.

28 Events after the reporting date

Management has not identified any adjusting events. FRS 102 requires, for non-adjusting events, disclosure of the nature of the event, and either an estimate of its financial effect or a statement that such an estimate cannot be made.

Acquisition of GradeMaker Limited
In April 2023 AQA acquired 100% of the share capital of GradeMaker Limited, registered company number 08936673 (England and Wales) for a purchase price of £6,125,000. GradeMaker Limited is an assessment authoring and item banking solution, trusted by awarding bodies around the world to create high stakes examination papers and other assessments. Bringing GradeMaker into the AQA Group is a key component of our strategy to lead digital change in examinations. It also builds on our strategy to diversify across educational assessment more widely, and we will aim to bring different subjects and types of assessment onto the platform. This acquisition helps underpin AQA's ability to deliver on its charitable purpose of advancing learning and teaching by providing the best educational assessment across the widest possible range of learners.

AQA Education to GradeMaker Limited Loan Facility
On 11 April 2023 AQA arranged a £1,000,000 loan facility with GradeMaker Limited at a commercial rate of interest. GradeMaker shall use all monies borrowed for working capital to further its activities which advance AQA's charitable objectives. As at the date of signing GradeMaker have drawn £400,000 of the loan facility.

Surrender of Lease of Guildford Premises
In February 2023 AQA reached an agreement with the University of Surrey to surrender the operating lease at Stag Hill House for £21m in stages, with two completion dates post year end for £18m, and enter a new lease for the third floor. Under the agreement, AQA retains occupancy of the building under the existing operating lease until the final completion date at the end of March 2024. The University of Surrey cannot give AQA notice on the third floor until the end of the lease in March 2029.

29 Exemption from audit by parent guarantee

Audit exemptions have been applied under s479A-479C of the Companies Act 2006 by the provision of parent guarantee by AQA, ultimate parent company, to AC3 Solutions Limited (company number: 08453864) and Blutick Limited (company number: 11318113).

30 Prior Period Adjustment - restatement of consolidated statement of cash flows

In the 2022 consolidated statement of cash flows, fixed asset investment cash was not presented as a cash and cash equivalent in error.

The change to include fixed asset investment cash has:

- increased the prior year opening cash and cash equivalents balance from £109,697k by £1,628k to £111,325k;
- increased the prior year closing cash and cash equivalents balance from £69,098k by £4,807k to £73,905k;
- changed the prior year net cash used in investing activities from £19,784k by £3,179k to £16,605k; and
- changed the prior year decrease in cash and cash equivalents in the year from £40,599k by £3,179k to £37,420k.

Legal and administrative details

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Registered company number: 3644723 (England and Wales)
Registered charity number: 1073334 (England and Wales)

Bankers, investment advisers and auditors

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