AQA Education

A company limited by guarantee

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE 18 MONTH PERIOD ENDED 31 MARCH 2017

Registered company number 3644723

Registered charity number 1073334

www.aqa.org.uk

AQA Education

Corporate Governance

INTRODUCTION

AQA Education (AQA) is a company limited by guarantee; it does not have share capital and is a registered charity. The directors, who are AQA trustees and constitute the members of the charity, present the Directors' Report. It incorporates the Trustees' Annual Report, the Strategic Report, and the audited Consolidated Financial Statements for the 18 month period, which ended 31 March 2017.

AQA's financial year-end changed during this reporting period so that it now runs from 1 April through to 31 March – previously 1 October to 30 September. This better reflects its annual planning cycle and means that it is able to account for the main annual exam series (summer and re-sit series) in one financial year. To transition to the new year-end, this report covers a period of 18 months from 1 October 2015 to 31 March 2017.

AQA's annual income is concentrated in the summer exam series, therefore this change also means this report only includes income from one summer series, but shows expenditure for 18 months.

STRUCTURE, GOVERNANCE AND MANAGEMENT

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

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

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

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

Governance committees

Council Business Group	Professor P J Layzell
Finance Committee	Dr J E Robinson (from 14/02/2017) (Mr M J Grant to 13/02/2017)
Audit Committee	Mr J van Wijngaarden
Irregularities and Appeals Committee	Mr M Bramwell
Awarding Standards Committee	Professor P J Layzell
Nominations Committee	Professor P J Layzell
Remuneration Committee	Professor P J Layzell

Advisory committees

Curriculum and Assessment Quality Committee	Ms F M Greeves OBE
Research Committee	Professor J Baird (University of Oxford)

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

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

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

Governance committees

- **Council Business Group**: meets five times a year and acts on behalf of the Council as a clearing house for time-critical decisions. It is also a preliminary review group for strategic analysis and a special study group as required.

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

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

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

- **Awarding Standards Committee:** meets only if required, prior to publishing results for each exam series, if there is an irreconcilable difference of opinion between AQA's Responsible Officer and a Chair of Examiners about the standard being set in a particular exam.

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

- **Remuneration Committee:** meets at least once a year and advises the Council about appropriate remuneration and terms of service for the chief executive officer and other members of the senior management team.

Advisory committees

- **Curriculum and Assessment Quality Committee:** meets three times a year and advises on all educational matters relating to the curriculum and monitors performance against agreed quality assurance measures.

- **Research Committee**: meets three times a year and advises on all matters relating to research and technical aspects of assessment so as to ensure that AQA maintains its leading place nationally in assessment research. The Research Committee is chaired by Professor Jo-Anne Baird, an independent member of the committee.

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

*On 31 August 2017, Mr Andrew Hall retired and Professor Toby Salt took up the role of CEO on 1 September 2017.

Group structure
AQA is an education charity and a leading provider of qualifications and support services for teachers and students. It also provides non-competing services through three wholly-owned subsidiary companies: Alfiesoft Limited (Alfiesoft), Doublestruck Limited (Doublestruck) and DRS Data and Research Services plc (DRS), which along with AQA make up the group and are detailed below. The financial statements of these subsidiaries are consolidated into this set of financial statements.

- Alfiesoft Limited is a company incorporated in England and Wales and limited by shares (Company number: 04306664) and is wholly owned by AQA. It operates as a provider of a high quality, cloud based assessment platform for primary and secondary schools. The platform includes user-friendly, searchable databases of past test paper questions that have been adapted for on-screen delivery with auto marking and a full reporting suite. The databases include KS2-3 legacy SATs, up-to-date National Curriculum tests, KS4 GCSE-style questions and AQA GCSE past-paper questions. Teachers can compile on-screen assessments for analysis and progress testing. All products are available through the AlfieCloud.

- Doublestruck Limited is a company incorporated in England and Wales and limited by shares (Company number: 02373295) and is wholly owned by AQA. It operates as a provider of online databases of past paper questions to primary and secondary schools. These user-friendly, searchable databases provide teachers with access to past test paper questions from KS2-3 legacy SATs, up-to-date National Curriculum tests and AQA GCSEs and A-levels. Teachers can create a range of assessment or educational resources, from paper-based topic tests to homework booklets or simply project questions for plenary work. The Doublestruck brands are Testbase and Exampro.

All these brands support high quality, focused teaching and assessment in schools at all age levels and were acquired to support AQA's charitable objectives. They do not conflict with delivering GCSE and A-level assessments.

In August 2016, AQA acquired DRS to give it more control over its e-marking activity and ensure the long-term supply of this service.

- DRS Data and Research Services plc (company number 00959401) is wholly owned by AQA. It operates as a data capture bureau offering printing and scanning services. DRS also designs and manufactures imaging and Optical Mark Recognition (OMR) scanners, software solutions for exams and assessments, as well as real-time data capture technology.

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

Charitable partnership
AQA also works with the Dame Kelly Holmes Trust to deliver the *AQA Unlocking Potential Programme*. The programme motivates and inspires young people aged between 14 and 19 by providing them with eight months of dedicated support from high-achieving athletes. As well as receiving in-depth mentoring, the young people plan and deliver a project in their local community.

PAY POLICY FOR SENIOR STAFF

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

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

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

AQA Education

Strategic Report

INTRODUCTION

The trustees present their Strategic Report for the 18 month period, which ended 31 March 2017.

PUBLIC BENEFIT

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

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.

ENVIRONMENTAL POLICY

We accept our environmental responsibilities and recognise our obligations to contribute to the resolution of global and local environmental issues by reducing our impacts on the environment and by taking a leading role in promoting environmental best practice. During the year, 'Environmental Champions' at all sites continued to initiate ideas for improvements and to promote the environmental message throughout the organisation. We also recycled used equipment and furniture following the closure of our Harrogate office by donating items to a local school and charity.

PURPOSE AND AIMS

AQA is an independent education charity and the UK's largest provider of academic qualifications for schools and colleges. We set and mark the papers for nearly half of all GCSEs and A-levels taken every year. Our purpose is to advance education by enabling students and teachers to realise their potential. This means that educational values and supporting good teaching and learning are at the heart of what we do. Any money made through providing qualifications is re-invested into education.

AQA's work

- We offer a broad range of qualifications designed for students of all abilities that includes: GCSEs; AS levels; A-levels; International qualifications; Tech-levels; the Extended Project Qualification; the AQA Baccalaureate and the Unit Award Scheme.
- Our qualifications enable students to progress to the next stage in their lives and are highly valued by employers and universities. They are recognised internationally and taught in around 30 countries around the world.
- We work in collaboration with employers and professional bodies to develop Tech-levels. These are new, industry-specific qualifications that give learners the knowledge and skills for higher apprenticeships, university or employment.
- We work closely with teachers and collaborate with them to create support and resources that are designed around their teaching needs.
- Our Centre for Education Research and Practice (CERP) aims to put cutting-edge assessment research at the heart of education policy and practice and raise the bar in assessment practice across the world.
- Each year, we invest in new and revised products, processes and service developments which play a key part in establishing and maintaining educational standards within the UK.
- We help young people to aim high and achieve by providing them with eight months of dedicated support through the *AQA Unlocking Potential programme*, run in partnership with the Dame Kelly Holmes Trust.

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.

FINANCIAL REVIEW

These financial statements cover an 18-month period from 1 October 2015 until 31 March 2017. The impact of changing the year end is as follows;

- AQA's income is primarily earned during the summer exam series, therefore this period includes the income and direct costs from just one summer series. However, it also includes on-going operational expenditure for the full 18 months, so we expected to show a significant deficit for the period. The actual deficit of £30,986,000 is in line with our expectations. The Trustees strategically built up the reserves to cover this.

- The invoices for our main exam series are raised prior to the year-end are not recognised as income until the exams are sat, and are therefore recorded as deferred income.

- The high level of debtors at the period-end represents monies owed by schools and colleges for the 2017 summer exam series.

- Due to the timing of the exam series, we have a large stock of question papers and answer booklets relating to the summer exam series.

- As a result of the transition to FRS 102, we have included an accrual for holiday pay for holidays earned which have not been taken.

Our income from educational services of £160,921,000 was earned through AQA, Alfiesoft Limited and Doublestruck Limited. This income compares to £148,814,000 earned in the prior year.

Our income from DRS Data and Research Services plc is shown as Digital Services. We earned £7,417,000 in Digital Services during the period from third party income.

Our expenditure has been well managed during the period. Our support costs have been reduced, when considered on an annual basis. We made a number of significant changes during the year to enhance our efficiency. The financial results include a reorganisation charge of £7,783,000 (*2015 £1,352,000*).

The performance of our long-term investments in 2015/17 was pleasing given world market performance and is reflected in the Consolidated Statement of Financial Activities as an overall net gain on investments (i.e. the aggregate of the £3,359,000 unrealised gains and the £3,575,000 net increase in the realised gains reserve) of £6,934,000 for the period *(2015 £375,000)*.

AQA continues to participate in two defined benefit pension schemes, the AQA Pension Scheme and the Greater Manchester Pension Fund ("GMPF"). AQA also has some unfunded pension obligations. The net balance sheet liability at 31 March 2017 for the aggregated scheme is detailed as follows:

	31 March 2017 £000	30 September 2015 £000
Fair value of scheme assets	249,713	193,597
Present value of defined benefit obligation	(261,681)	(208,565)
Net pension liability	(11,968)	(14,968)

The net pension liability is made up of net liability positions of £20,043,000 on the GMPF scheme and £4,241,000 in relation to the unfunded liabilities, offset partly by the a net surplus position of £12,316,000 on the AQA scheme.

FINANCIAL REVIEW (continued)

After taking all of these into account, AQA's Charity Funds decreased by £30,986,000 *(2015 £2,516,000 after FRS 102 transition adjustments)* to £36,243,000 *(2015 £67,229,000 after FRS 102 transition adjustments)*.

The Group has healthy liquidity with £60,012,000 *(2015 £30,702,000)* in cash fund investments and £18,260,000 *(2015 £2,145,000)* in cash at bank and in hand. When placing cash, our first priority is security, followed by liquidity and finally the investment return. This high level of short term cash and investments was received from schools and colleges as payment for the upcoming summer 2017 exam series. These funds will be used to fund the delivery of the summer 2017 exams.

Our income for the summer 2017 exam series is forecast to be in line with the summer of 2016. This reflects two main changes. Firstly, there has been a reduction in the overall market for AS Levels as a result of Government reform. The number of student entries for AS Levels, in 2017 in England has reduced by over 40 per cent compared to 2016. Our market share in AS Levels has remained broadly constant. Secondly, our market share in GCSEs has increased significantly, fully compensating for the reduction in AS Level income. The total number of GCSE entries in 2017 for AQA exams has increased by 17 per cent.

ACTIVITIES, ACHIEVEMENTS AND PERFORMANCE

Delivering against its purpose
As an independent charity, AQA's purpose is to advance education by enabling students and teachers to realise their potential. Any money we make through providing qualifications is re-invested into education, for example, we:

- both provide and fund research that helps inform education policy and improve assessment practice in the UK and internationally through our Centre for Education Research and Practice (CERP). Sharing this work more widely enables better public understanding of how assessment works
- invest in developing and delivering qualifications which ensure that students can achieve the results they deserve and move on to the next stage of their lives
- help young people who are facing challenges to develop their skills and knowledge, increase their self-belief and raise their aspirations through our *Unlocking Potential* mentoring programme.

We supported 40 of the 72 students through the *Unlocking Potential* programme in 2015/16. As part of the programme, these students set up their own community projects, impacting a further 6,035 people. In November 2016, another 72 students were selected to participate in the programme.

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

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

The Government recently introduced a number of changes to increase the rigour of A-level and GCSE qualifications and the focus on assessment by exam. The main changes are:

- assessment at the end of the course, covering the content from the full two years
- coursework is only used when it is the only valid way to assess essential elements of the subject
- AS qualifications are stand-alone and designed to be co-teachable with the A-level
- a new 9–1grading system for GCSEs, with 9 being the highest, grade 4 a "pass" and grade 5 a "strong pass".

Along with other awarding bodies, we continued developing new GCSE and A-level qualifications as per the phased timeline. The first set of qualifications – AS level only – were assessed for the first time in 2016 and the final set of qualifications will be assessed for the first time in 2020. These new qualifications include a range of subjects that need to be cross-subsidised, such as community languages not offered by other awarding bodies: A-level Bengali, A-level Biblical Hebrew, A-level Modern Hebrew, A-level Panjabi and A-level Polish.

We also worked in collaboration with employers and professional bodies to develop technical awards. The aim of our Tech-levels is to provide industry-specific qualifications that give learners the knowledge and skills for higher apprenticeships, university or employment.

During this reporting period, we worked with approximately 28,500 teachers and subject experts to design our new qualifications and to set and mark all our exams. We awarded nearly 4 million qualifications to more than 1.8 million students, which included:

- 2,400,000 GCSEs to 848,450 students
- 931,000 A-levels to 482,970 students.

While our UK qualifications are taught in more than 30 countries around the world, we have developed a range that is specifically designed to meet the needs of the international market for our joint venture with Oxford University Press, Oxford International AQA Examinations. These new international GCSEs and A-levels were first launched in the Middle East in 2015 and South East Asia in October 2016. The shared aim of the joint venture is to improve education internationally through excellence in teaching, learning and assessment.

Operational performance

To deliver these new qualifications, we revised our internal operations and cost base structure to ensure that we continue serving our customers in a secure, efficient and affordable way. For example, we introduced more specialist teams to design and produce question papers and run events for teachers.

The Office of Qualifications and Examinations Regulation (Ofqual) is the regulator of qualifications, exams and assessments in England. It ensures that we exercise our responsibilities appropriately against the General Conditions of Recognition. Since 2012, we have maintained our compliance and submitted our annual declaration of compliance. We also have internal systems to monitor and maintain our compliance, and our quality and customer standards.

We have achieved and maintained the quality standard ISO9001 for:

- our main exam processes
- support for our schools and colleges, teachers and students
- change management, including project planning and delivery
- procurement of resources and third party services.

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

2) Being trusted and reliable in assessment design and delivery

Customer support

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

This wide range of tools and resources for teachers includes the following.

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

Customer services
During this reporting period, we changed our customer services operations, creating teams dedicated to taking calls from teachers, exams officers and students. A team is also responsible for training exams officers, and delivered 16 face-to-face events and 28 webinars. We continued to offer dedicated face-to-face service to teachers through our Relationship Management team, and ensured customers were kept up-to-date with any information they needed through appropriate channels.

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

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

AQA's Centre for Education Research and Practice (CERP)
Our international reputation and expertise is an accessible source of high quality, credible research for policy-makers, practitioners and the research and education communities.

In addition to conducting research, we help support and shape education by:

- ensuring standards are maintained
- making our research on education and assessment freely available through a searchable online library at www.cerp.org.uk
- engaging with the education research community through national and international education conferences and publishing blogs on the key issues arising from our research.

Engaging Stakeholders
During the period, we continued to engage the education policy community to promote awareness of our research findings and inform policymakers about our work as an exam board. For example, we briefed education policy stakeholders about our research into the interaction of students' social background and their responses to exam questions, and promoted understanding of how online social media is shaping student participation in exams and public perceptions of GCSEs and A-levels.

4) Ensuring sound financial management and a robust asset base

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

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

Details of our financial activities and performance are detailed in the report above.

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

During the reporting period, we started work to update our core operational systems. The development of our new platform is on target.

In August 2016, we acquired DRS, one of our e-marking suppliers, to give us more control over our e-marking services and ensure the long-term supply of this capability.

6) Ensuring we have great people achieving their potential

People Strategy
During the reporting period, work started to assess the organisation's values and develop an approach which enables everyone to contribute to creating a culture that ensures shared success. Employees were invited to share what they believe to be both our current and desired values. The outcomes are being followed up by focus groups to determine next steps.

To provide a supportive working environment, we set up a programme to improve employee wellbeing. This is in addition to our Employee Assistance Plan giving employees free access to external emotional and practical support.

In December 2015, we introduced a *Women in Leadership* programme to develop women who aspire to senior leadership roles in AQA and the wider sector.

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

An employee forum, which includes union representatives, meets regularly and formal negotiations with employees are held through a Joint Unions Committee. Surveys are undertaken periodically to provide employee feedback on the experience of working for AQA, and action plans are put in place to further explore and address the issues raised.

PLANS FOR FUTURE PERIODS

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

We will continue focusing on designing and launching our new GCSEs, A-levels and vocational products and services in line with the Government's education reforms, and support schools and colleges with the transition to the new qualifications. We will also continue supporting and developing our international joint venture with Oxford University Press, Oxford International AQA Examinations.

RISK MANAGEMENT

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

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

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

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

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

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

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

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

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

FINANCIAL RISK MANAGEMENT

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

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

Exposure to price, credit, liquidity and cash flow risk

Business price risk is the risk of exam entries falling due to a change in pricing. The risk is considered to be low based on our customer base.

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

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

Price risk arises on financial instruments because of changes in equity prices. Listed investments with a fair value of £36,850,000 are exposed to price risk but this exposure is within the group's risk appetite.

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

Significant events

During the year we acquired the issued share capital of DRS Data and Research Services plc for a total consideration of £7,308,000 for which we recognised goodwill of £3,635,000 on acquisition. DRS contributed an additional £7,417,000 of revenue to the group.

We also started developing operational systems software which has resulted in an asset of £4,200,000 being recognised on the balance sheet.

This Strategic Report was approved by the Council on 26 September 2017 and signed on its behalf by

Mr J van Wijngaarden Chair of the Council

Dr J E Robinson Director

Professor Toby Salt Director

INTRODUCTION

The Trustees (who are also directors of AQA Education for the purposes of company law) present their report for the 18 month period which ended 31 March 2017.

AQA's financial year end changed during this reporting period so that it now runs from 1 April through to 31 March (previously 1 October to 30 September). This means that this report for this 18 months accounting period includes income from only one summer series, but at the same time shows expenditure for 18 months.

This is the first set of AQA financial statements prepared in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS102). Until 30 September 2015, our financial statements were prepared under UK Generally Accepted Accounting Principles (UK GAAP). This is also the first set of financial statements prepared in accordance with the Statement of Recommended Practice "Accounting and Reporting by Charities" (Charities SORP (FRS102)).

Changing our year end

The decision to change our year end was driven by a number of significant factors and positively supported by our external and internal auditors.

AQA's planning cycle most naturally starts in September after exam results are published in August and the new academic year starts. The change places our financial planning cycle in line with our activity planning cycle, enabling us to create a more rigorous and accurate budget for the following year. Also, exam entry data for the main summer series, which is received in February of each year, can be used to set the upcoming annual budget.

RESERVES POLICY

We exclude section 28 of FRS 102 pension scheme deficits from the target level of reserves as we believe that we can meet contributions from projected future income without significantly impacting on planned levels of charitable activity. We hold reserves in order to fund future enhancements to our operations and qualifications, and to provide a contingency for unexpected costs or loss or income. We have defined our reserves, for the purposes of this policy, as the longer-term investments held by AQA. All other net assets held at the period end are required for working capital or for the ongoing delivery of our operations. Our reserves at the period end under this definition were £36,850,000, which is above the minimum level of £30,000,000 set by the trustees. The target level of reserves is the principal financial performance indicator.

We review the reserves policy periodically to ensure relevance to current circumstances. The length of time between reviews will normally be one year but no longer than three years. The last review was carried out during 2017.

RESERVES POLICY (continued)

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

GOING CONCERN

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

FINANCIAL RISK MANAGEMENT

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

RESEARCH AND DEVELOPMENT

The Centre for Education Research and Practice (CERP) aims to put research at the heart of education policy and practice. The assessment expertise provides the foundation for everything that is done at AQA. It ensures that we are able to continuously improve the quality and reliability of assessment. Further details are set out under AQA's 'Centre for Education Research and Practice (CERP)' section of the strategic report.

INVESTMENT POWERS AND POLICY

The directors are empowered to invest AQA's funds not immediately required for its day-to-day activities as they see fit and in accordance with the law. Long-term investments are managed by three fund managers and are diversified to reduce risk. The investment performance target during the year was part of a total return target to be achieved over a rolling five year period. The Finance Committee receives regular reports and analyses on the fund managers' performance from L J Athene who are AQA's professional investment advisers. AQA takes professional investment advice on all of its investment decisions.

CHARITABLE ASSETS

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

POLICY FOR EQUALITY AND PEOPLE WITH DISABILITIES

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

ADDITIONAL INFORMATION

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

APPOINTMENT OF AUDITORS

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

This report was approved by the Council on 26 September 2017 and signed on its behalf by

Mr J van Wijngaarden Chair of the Council

Dr J E Robinson Director

Professor T Salt Director

Statement of Trustees' Responsibilities

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

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

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

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

Statement of disclosure of information to auditors

In so far as the trustees are aware:

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

Independent auditors' report to the members of AQA Education

Report on the financial statements

Our opinion

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

- give a true and fair view of the state of the group's and of the parent charitable company's affairs as at 31 March 2017 and of the group's incoming resources and application of resources, including its income and expenditure and of the group's cash flows for the period 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.

What we have audited

The financial statements, included within the Annual Report and Consolidated Financial Statements (the "Annual Report"), comprise:

- the group and parent charitable company Statements of Financial Position as at 31 March 2017;
- the Consolidated Statement of Financial Activities and the Consolidated Summary Income and Expenditure account for the period then ended;
- the Consolidated Statement of Cash Flows for the period then ended; and
- the Notes to the Financial Statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the trustees have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Annual Report, including the Strategic Report, for the financial period for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent charitable company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Trustees' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of trustees' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the trustees

As explained more fully in the Trustees' Responsibilities Statement, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland. An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the parent charitable company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the trustees; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the trustees' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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

AQA Education
Consolidated Statement of Financial Activities
for 18 month period ended 31 March 2017

	Note	*Unrestricted funds* 1 October 2015 to 31 March 2017 £000	 Year to 30 September 2015 *£000*
Income:			
Income from charitable activities:			
Educational services	4	160,921	148,814
Income from other trading activities:			
Digital services	4	7,417	-
Investment income	5	753	2,033
Total income		169,091	150,847
Expenditure:			
Expenditure on raising funds:			
Investment management costs	5	332	113
Expenditure on charitable activities:			
Educational services		194,912	155,541
Expenditure on other trading activities:			
Digital services		9,592	-
Share of loss in joint venture	13	1,317	194
Total expenditure	6	206,153	155,848
Net (expenditure) before investment gains/losses		(37,062)	(5,001)
Gains/(losses) on investment assets			
Net realised gains on investments	14	3,575	727
Net movement on unrealised gains/(losses) Reserve	14	3,359	(352)
Net (expenditure) before transfers		(30,128)	(4,626)
Other recognised (losses)/gains			
Actuarial (losses)/gains on defined benefit pension schemes		(858)	2,110
Net (expenditure) and net movement in funds for the year		(30,986)	(2,516)
Reconciliation of funds			
Total Funds brought forward		67,229	69,745
Total Fund carried forward	21	36,243	67,229

The Consolidated Statement of Financial Activities incorporates the Summary Income and Expenditure Account. All income is derived from continuing operations. Net movement in funds represents the deficit for the year for Companies Act purposes and includes a profit of £330,000 relating to subsidiary undertakings (*2015: £904,000*).

The notes on pages 24 to 64 form part of these financial statements.

AQA Education
Statement of Financial Position
as at 31 March 2017

		Group	Charity	*Group*	*Charity*
		31 March 2017	31 March 2017	*30 September 2015*	*30 September 2015*
Fixed Assets	Note	£000	£000	*£000*	*£000*
Intangible assets	11	11,807	6,557	2,213	-
Tangible assets	12	12,093	9,948	13,017	12,990
Investment in subsidiary undertakings	13	-	10,059	-	5,064
Other fixed asset investments	14	36,850	36,850	42,708	42,708
Total Fixed Assets		60,750	63,414	57,938	60,762
Current Assets					
Stocks and work in progress	15	3,752	1,900	291	291
Debtors	16	63,367	64,643	12,071	13,368
Investments	17	60,012	60,012	30,702	30,702
Cash at bank and in hand		18,260	14,344	2,145	1,504
Total Current Assets		145,391	140,899	45,209	45,865
Liabilities					
Creditors: Amounts falling due within one year	18	(153,918)	(152,301)	(17,541)	(18,220)
Net Current (Liabilities)/Assets		(8,527)	(11,402)	27,668	27,645
Total Assets less Current Liabilities		52,223	52,012	85,606	88,407
Provisions for Liabilities and Charges	20	(4,012)	(3,845)	(3,409)	(3,409)
Net Assets Excluding Pension Asset and Liability		48,211	48,167	82,197	84,998
Defined benefit pension scheme asset	27	12,316	12,316	3,608	3,608
Defined benefit pension scheme liability	27	(24,284)	(24,284)	(18,576)	(18,576)
Total Net Assets		36,243	36,199	67,229	70,030
The Funds for the Charity:					
Unrestricted Income Funds					
Designated funds		21,200	15,600	46,230	49,054
General unrestricted funds		18,883	24,439	31,198	31,175
Investment revaluation reserve		8,128	8,128	4,769	4,769
Total unrestricted funds before pension liability		48,211	48,167	82,197	84,998
Net pension liability		(11,968)	(11,968)	(14,968)	(14,968)
Total Charity Funds	21	36,243	36,199	67,229	70,030

AQA Education
Statement of Financial Position
as at 31 March 2017

The notes on pages 24 to 64 form part of these financial statements. The charity registration number is 3644723. The financial statements on pages 24 to 64 were approved and authorised for issue by the Council on 26 September 2017 and signed on its behalf by:

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

Dr J E Robinson **Director**

Professor T Salt **Director**

AQA Education

Consolidated Statement of Cash Flows

for the period ended 31 March 2017

	Note	Group 1 October 2015 to 31 March 2017 £000	*Group Year to 30 September 2015 £000*
Cash flows from operating activities:			
Net cash from/(used in) operating activities	22	42,074	(9,284)
Taxation received		469	-
Net cash generated from/(used in) operating activities		42,543	(9,284)
Cash flows from investing activities:			
Net Investment income		753	481
Purchase of tangible fixed assets		(1,103)	(694)
Proceeds from sale of tangible fixed assets		4,927	11
Purchase of intangible fixed assets		(6,874)	-
Purchase of fixed assets investments		(5,543)	(14,532)
Purchase of current investments		(29,310)	(4,052)
Proceeds from sale of investments		18,221	27,495
Investment in joint venture		(1,000)	-
Increase/(decrease) in cash held with fund managers		114	(699)
Cost of subsidiary undertakings net of cash acquired with subsidiary undertakings		(6,500)	(78)
Net cash (used in)/provided by investing activities		(26,315)	7,932
Cash flows from financing activities:			
Repayment of borrowings		(113)	-
Net cash (used in) financing activities		(113)	-
Increase/(decrease) in cash and cash equivalents in the year		16,115	(1,352)
Cash and cash equivalents at the beginning of the year		2,145	3,497
Cash and cash equivalents at the end of the year		18,260	2,145

The notes on pages 24 to 64 form part of these financial statements.

1 General information

AQA is a company limited by guarantee (Companies House No. 3644723) and a registered charity (Registered Charity No. 1073334). It is incorporated and domiciled in United Kingdom. The address of its registered office is Devas Street, Manchester, M15 6EX.

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 (FRS102)) applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) (effective 1 January 2015) and 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 consolidated and separate 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 consolidated and separate 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 early adopted the Amendments to FRS102 (issued in July 2015). The date of transition is 1 October 2014. Details of the transition to FRS102 are disclosed in note 28.

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

Financial period

AQA has changed its financial year end from 30 September to 31 March. This report therefore provides audited figures for the 18 month period to 31 March 2017.

(b) Going concern

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

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

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

(c) Basis of consolidation

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

3 Summary of significant accounting policies (continued)

(c) Basis of consolidation (continued)

On 31 August 2016 AQA purchased the issued share capital of DRS Data and Research Services plc. The results of that entity are consolidated from the date of acquisition.

(i) Subsidiaries

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

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

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

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

All intra-Group transactions, balances, income and expenses are eliminated on consolidation. All of the subsidiaries have a year end of 31 March. At the prior year end, two of the subsidiaries had a year end of 31 August 2015 and one had 30 September 2015. For the 31 August year ends the results were consolidated on that year end basis in the prior year as the trustees do not believe the effect of this difference in year ends to be material to the financial statements of the group.

(ii) Joint ventures

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

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

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

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

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

3 Summary of significant accounting policies (continued)

(c) Basis of consolidation (continued)

(ii) Joint ventures (continued)

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

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

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

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

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

The net (expenditure)/income and net movement in funds for the year for the charity were £(33,831,000) *(2015 £3,323,000 after FRS 102 transition adjustments)* and total funds at the year end were £36,199,000 *(2015 £70,030,000 after FRS 102 transition adjustments).*

(d) Income recognition

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

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

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

(e) Fund accounting

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

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

(f) Expenditure recognition and irrecoverable VAT

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

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.

3 Summary of significant accounting policies (continued)

(f) Expenditure recognition and irrecoverable VAT (continued)

(i) Charitable activities

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

(ii) Governance costs

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

<u>Allocation of support and governance costs</u>

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

(g) Deferred income and expenditure

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

(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 period in which the service is received.

3 Summary of significant accounting policies (continued)

(h) Employee benefits (continued)

ii) *Defined contribution pension plans*

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

iii) *Defined benefit pension plans*

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

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

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

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

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

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

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

(i) Business combination and goodwill

Business combinations are accounted for by applying the purchase method

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

3 Summary of significant accounting policies (continued)

(i) Business combination and goodwill (continued)

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

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

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

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

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

(j) Intangible assets

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

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

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

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

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

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

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

3 Summary of significant accounting policies (continued)

(j) Intangible assets (continued)

Specification development

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

Systems development

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

Research expenditure

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

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

(k) Tangible fixed assets and depreciation

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

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

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

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

Software having a net book value of £6,000 is included within tangible assets. The trustees have not deemed it necessary to reclassify software costs to intangible assets as they consider it to be immaterial with no material impact on the group assets’ and financial activities.

3 Summary of significant accounting policies (continued)

(k) Tangible fixed assets and depreciation (continued)

For the purposes of the SORP, all tangible fixed assets are considered to be functional assets of the charity. Tangible assets costing more than £10,000 (£250 for group entities) per individual item or group of related items are capitalised in the year of acquisition.

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

(l) Leased assets

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

i) *Operating lease*

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

ii) *Lease incentive*

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

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

(m) Impairment of non- financial asset

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

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

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

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

3 Summary of significant accounting policies (continued)

(n) Stocks

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

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

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

(o) Cash and cash equivalents

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

(p) Provisions

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

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

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

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

(q) Financial instruments

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

(i) *Financial assets*

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

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

3 Summary of significant accounting policies (continued)

(q) Financial instruments (continued)

(i) *Financial assets (continued)*

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

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

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

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

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

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

(ii) *Financial liabilities*

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

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

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

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

3 Summary of significant accounting policies (continued)

(q) Financial instruments (continued)

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

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

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

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

i) *Estimated impairment of goodwill*

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

ii) *Retirement benefit obligations*

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

Note 27 details the actuarial assumptions used in determining the carrying amount at 31 March 2017.

iii) *Provisions*

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

(s) Future amendments to FRS 102

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

4 Income from charitable and other trading activities

	Unrestricted funds 1 October 2015 to 31 March 2017 £000	*Year to 30 September 2015 £000*
Educational Services - United Kingdom fee income	158,603	147,761
Educational Services – Overseas fee income	2,318	1,053
Total income from charitable activities	160,921	148,814
Digital Services – United Kingdom fee income	5,609	-
Digital Services – Overseas income	1,808	-
Total income from other trading activities	7,417	-

5 Investment income and costs

	Unrestricted funds 1 October 2015 to 31 March 2017 £000	*Year to 30 September 2015 £000*
Interest – UK deposits	393	11
Dividends – UK listed funds	360	470
	753	481
Net credit to other finance income on defined pension scheme assets and liabilities (note 27)	-	1,552
Total Investment Income	753	2,033
Brokers' fees	332	113
Total Investment management costs	332	113
Net Investment income	421	1,920

6 Analysis of expenditure

	1 October 2015 to 31 March 2017			*Year to 30 September 2015*
	Educational services	Digital services	Total	*Total*
	£000	£000	£000	£000
Examiner costs	65,194	-	65,194	61,342
Printing postage and other examination costs	11,458	-	11,458	7,548
Premises costs	4,765	-	4,765	3,134
Direct staff costs	49,211	3,750	52,961	42,097
Operational costs:				
Finance charge – Operating lease rentals	1,529	289	1,818	1,303
Depreciation	1,833	176	2,009	1,511
Amortisation of intangibles	920	7	927	496
(Profit)/loss on disposal of tangible fixed assets	(2,885)	73	(2,812)	117
Reorganisation costs	7,783	-	7,783	1,352
Overheads	25,152	2,704	27,856	15,352
Research and development costs	-	1,913	1,913	-
Investment management costs	332	-	332	113
Net finance cost relating to defined benefit pension scheme	743	-	743	-
Governance costs (see note 9)	493	97	590	492
Support costs (see note 9)	28,716	583	29,299	20,797
Share of loss in joint venture	1,317	-	1,317	194
Total expenditure	196,561	9,592	206,153	155,848

7 Summary analysis of expenditure and related income for charitable activities

	1 October 2015 to 31 March 2017	*Year to 30 September 2015*
	Total	*Total*
	£000	*£000*
Income from charitable activities:		
Fees and charges	160,921	148,814
Total income	160,921	148,814
Expenditure on charitable activities:		
Staff costs	77,962	57,750
Operational costs	116,950	97,791
Total expenditure	194,912	155,541
Total (deficit) from charitable activities 2017	(33,991)	(6,727)

8 Taxation

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

9 Analysis of governance and support costs

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

	Support costs	Governance function	1 October 2015 to 31 March 2017 Total	*Year to 30 September 2015 Total*	**Basis of allocation**
	£000	£000	£000	*£000*	
Employment costs	29,299	34	29,333	21,116	Staff time
Trustee expenses	-	46	46	25	Invoiced events
External auditor – audit services:					Governance
Audit of consolidated and charity financial statements	-	104	104	84	Governance
Audit of the subsidiary financial statements	-	32	32	16	
Advisory	-	374	374	48	Governance
Total	29,299	590	29,889	21,289	

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

	1 October 2015 to 31 March 2017 £000	*Year to 30 September 2015 £000*
Wages and salaries	63,080	44,072
Social Security costs	5,507	3,536
Pension costs		
- Defined benefit pension costs	8,323	5,717
- Defined contribution pension costs	4,950	2,608
	81,860	55,933
Other staff related costs	5,505	4,425
	87,365	60,358

Termination payments of £4,074,000 (*2015: £1,471,000*) were made in the period, due to a change in the staffing structure.

	1 October 2015 to 31 March 2017 Number	*Year to 30 September 2015 Number*
Average monthly number of employees and agency staff (all of whom are directly or indirectly employed in the administration of examinations).		
By activity:		
Educational services	660	884
Support and administration	387	454
Digital services	215	-
	1,262	1,338

Seven charity trustees received payment of £250 each for professional or other services supplied to the charity *(2015: £nil)*. Having received Charity Commission permission, £20,000 *(2015: £nil)* was paid to Royal Holloway, University of London, as a contribution towards the release of Professor Layzell as Chair of the Trustees of AQA. In addition £900 was paid to Mr A Rowe for marking of examination papers. The Trustees have been reimbursed for all expenses incurred by them in connection with their attendance at meetings of the Council, other committees or general meeting of the charity of otherwise in connection with their discharge of their duties as Trustees. Travelling and subsistence expenses amounting to £46,000 *(2015: £29,000),* were reimbursed to 24 *(2015: 26)* trustees.

The key management personnel of the parent charity comprise the Leadership Team alongside the Trustees of the charity. The total remuneration of the key management personnel of the Trust over the full period was £1,826,000 *(2015: £1,063,000)*.

The key management personnel of the group comprise those of the charity and the key management personnel of its three wholly owned subsidiaries. The remuneration of the key management personnel of the three subsidiaries totalled £1,110,000 *(2015: £628,000)*. The employee benefits of key management personnel for the group were therefore £2,936,000 *(2015: £1,691,000*).

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

94 employees within the group earned over £60,000 in the period excluding pension contributions within the following bands:

Group

	Year to 31 March 2017 Number	Year to 30 September 2015 Number
Higher paid employees fell within the following annual bands:		
£60,001 to £70,000	41	30
£70,001 to £80,000	22	17
£80,001 to £90,000	7	8
£90,001 to £100,000	6	4
£100,001 to £110,000	4	5
£110,001 to £120,000	5	3
£120,001 to £130,000	3	1
£140,001 to £150,000	1	1
£150,001 to £160,000	2	1
£160,001 to £170,000	1	1
£170,001 to £180,000	1	-
£190,001 to £200,000	-	1
£240,001 to £250,000	-	1
£250,001 to £260,000	-	1
£270,001 to £280,000	1	-

Contributions were made to defined benefit pension schemes for 21 (*2015: 21*) higher paid employees. Contributions amounting to £633,000 (*2015 £199,000*) were made to defined contribution schemes for 71 (*2015: 32*) higher paid employees.

11 Intangible assets

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

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

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

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

11 Intangible assets (continued)

The software within AQA was under construction in the period. Amortisation will commence when the assets are available for use.

12 Tangible fixed assets

Group

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

12 Tangible fixed assets (continued)

Charity

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

Analysis of Leasehold land and buildings as at 31 March 2017

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

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

13 Investment in subsidiary undertakings and joint venture

(a) Investment in subsidiary undertakings

AQA holds 100% of the share capital of Alfiesoft Limited and Doublestruck Limited. These subsidiaries are incorporated in England and Wales. The activities of the subsidiaries relate to the provision of educational resources. The registered address of these entities is Devas Street, Manchester, M15 6EX.

During the year, the trade and net assets of Alfiesoft Limited were transferred into Doublestruck. Alfiesoft is in the process of being liquidated. The investment in Alfiesoft Limited has been fully provided against in the year, resulting in an impairment charge of £2,313,000. .

During the prior year, the trade and net assets of Teachit (UK) Limited were hived up into AQA. In the year the company was written off therefore AQA's cost of investment in Teachit (UK) Limited and associated provision have also been written off in the year.

On 31 August 2016, AQA acquired 100% of the issued share capital of DRS Data and Research Services plc, an entity incorporated in England and Wales. The registered address is 1 Danbury Court, Linford Wood, Milton Keynes, MK14 6LR.

The aggregate net cost of investment shown in the parent company for the subsidiaries at 31 March 2017 is £12,372,000 *(2015:* £5,064,000) before an impairment charge of £2,313,000 *(2015: £nil)*.

The aggregate amount of the subsidiaries' assets, liabilities and funds included in these consolidated financial statements are as follows: assets £13,940,000 *(2015: £*3,053,000*),* liabilities £8,767,000 (*2015:* £3,295,000) and funds £6,177,000 *(2015:* £(242,000)).

(b) Investment in jointly controlled entities

	From 1 October 2015 to 31 March 2017	*Year to 30 September 2015*
	£000	*£000*
At 1 October 2015	(194)	-
Funding payments	1,000	-
Share of (loss)	(1,317)	(194)
At 31 March 2017	(511)	(194)

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

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

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

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

At 31 March 2017, AQA was committed to funding the jointly controlled entity.

14 Other fixed asset investments

Investments

	Group & Charity 31 March 2017 £000	*Group & Charity 30 September 2015 £000*
Market value at 1 October 2015	42,708	54,597
Additions at cost	5,543	14,532
Disposals at market value (i.e. sales proceeds)	(18,221)	(27,495)
Net movements in cash	(114)	699
Net investment gains	6,934	375
Market value at 31 March 2017	36,850	42,708
Cost at 31 March 2017	28,723	37,940
Balance on net unrealised gain reserve	8,127	4,768

Analysis of net investment gains

Movement on unrealised gains/(losses)	3,359	(352)
Realised gains based on historic cost of investments disposed of during the period	3,575	727
Net investment gains	6,934	375

14 Other fixed asset investments (continued)

Analysis of market value of investments held

	Group & Charity 31 March 2017 £000	% of total	*Group & Charity 30 September 2015 £000*	*% of total*
UK Equities and UK Property Unit Trusts				
BlackRock Institutional Jersey Fund Dynamic Diversified Growth Fund	8,414	22.9	16,355	38.3
BLK Global Income Fund	3,365	9.1	7,240	17.0
Trojan Fund (Trojan Investment Funds) - S Accumulation shares	12,061	32.7	9,962	23.3
Other	2,018	5.5	955	2.2
UK Fixed Interest – listed				
BGF Global High Yield Bond Fund	654	1.8	-	-
BSF Emerging markets Flexi Dynamic Bond Fund	659	1.8	-	-
Other	1,448	3.9	903	2.1
International fixed interest	210	0.6	885	2.1
International Equities				
Other	7,158	19.4	5,433	12.7
Cash held with fund managers	863	2.3	975	2.3
	36,850	100.0	42,708	100.0

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

15 Stocks and work in progress

	Group 31 March 2017	Charity 31 March 2017	*Group 30 September 2015*	*Charity 30 September 2015*
	£000	£000	*£000*	*£000*
Raw materials	548	-	-	-
Work in progress	347	-	-	-
Finished goods	2,857	1,900	291	291
	3,752	1,900	291	291

The balances above are shown net of a provision amounting to £1,765,000 (*2015: £nil*).

The cost of inventories recognised as an expense and included in cost of sales for the period to 31 March 2017 amounted to £4,735,000 (*2015: £2,361,000*), comprising of £3,962,000 of materials and £773,000 of inventory provision.

16 Debtors

	Group 31 March 2017	Charity 31 March 2017	*Group 30 September 2015*	*Charity 30 September 2015*
	£000	£000	*£000*	*£000*
Trade debtors	58,539	56,838	2,345	2,063
Amount recoverable on contracts	254	-	-	-
Amounts owed by group undertakings	-	4,269	-	1,864
Other debtors	1,043	396	325	40
Prepayments and accrued income	3,531	3,140	9,401	9,401
	63,367	64,643	12,071	13,368

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

Trade debtors have increased significantly due to the sales invoices for our main examination series being raised in February and March and the year end falling at the end of March.

17 Current investments

Investments totalling £60,012,000 *(2015: £*30,702,000*)* shown under current assets for the group and charity are represented by shares in the BlackRock Institutional Sterling Liquidity Fund and Goldman Sachs Sterling Liquid Reserves Fund. The large increase in current investments is due to customers making payment in advance of the summer series and the transfer to current investments.

18 Creditors: amounts falling due within one year

	Group 31 March 2017	Charity 31 March 2017	*Group 30 September 2015*	*Charity 30 September 2015*
	£000	£000	*£000*	*£000*
Borrowings	998	-	-	-
Trade creditors	6,389	5,297	2,559	2,540
Amounts owed to group undertakings	-	2,696	-	1,750
Taxation and social security costs	1,505	1,091	1,366	1,264
Other creditors	217	133	896	888
Accruals and deferred income	144,809	143,084	12,720	11,778
	153,918	152,301	17,541	18,220

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

Accruals and deferred income have increased significantly as we have raised sales invoices for our main examination series prior to the period end but we do not recognise the income in the statement of financial activities until the examinations are taken.

The movement on deferred income during the period was:

	Group 31 March 2017	Charity 31 March 2017	*Group 30 September 2015*	*Charity 30 September 2015*
	£000	£000	*£000*	*£000*
Balance at 1 October 2015	1,237	915	1,497	1,237
Amount deferred in the period	268,823	268,823	128,560	128,497
Amount released in the period	(130,565)	(130,536)	(128,820)	(128,819)
Balance at 31 March 2017	139,495	139,202	1,237	915

19 Financial instruments

The Group and the Charity has the following financial instruments:

	Note	Group 31 March 2017	Charity 31 March 2017	*Group 30 September 2015*	*Charity 30 September 2015*
		£000	£000	*£000*	*£000*
Financial assets measured at fair value through statement of financial activities:					
Investment in securities					
- UK Equities and UK Property Unit Trusts	14	25,858	25,858	34,512	34,512
- UK and International Fixed Interest	14	2,971	2,971	1,788	1,788
- International Equities	14	7,158	7,158	5,433	5,433
- Cash held with fund managers	14	863	863	975	975
Short-term deposits	17	60,012	60,012	30,702	30,702
		96,862	96,862	73,410	73,410
Financial assets that are debt instruments measured at amortised cost:					
Trade debtors	16	58,539	56,838	2,345	2,063
Amounts owed by group undertakings	16	-	4,269	-	1,864
Other debtors	16	1,043	396	325	40
Cash at bank and in hand		18,260	14,344	2,145	1,504
		77,842	75,847	4,815	5,471

19 Financial instruments (continued)

	Note	Group 31 March 2017	Charity 31 March 2017	*Group 30 September 2015*	*Charity 30 September 2015*
		£000	£000	*£000*	*£000*
Financial liabilities measured at amortised cost:					
Borrowings	18	998	-	-	-
Trade creditors	18	6,389	5,297	2,559	2,540
Amounts owed to group undertakings	18	-	2,696	-	1,750
Other creditors	18	217	133	896	888
Accruals and deferred income	18	144,809	143,084	12,720	11,778
		152,413	151,210	16,175	16,956

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

20 Provision for liabilities and charges

Group

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

Charity

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

20 Provision for liabilities and charges (continued)

Reorganisation provision

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

The provision is a non-contingent liability.

Leasehold dilapidations

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

Share of loss in JV

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

21 a) Total charity funds

Analysis of movements in unrestricted funds

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

21 a) Total charity funds (continued)

Analysis of movements in unrestricted funds

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

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

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

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

Product development: The life cycle of our range of core products, such as A-levels and GCSEs, meant that from time to time we needed to make significant investments in the development and launch of revised or entirely new qualifications. This fund provided for such strategic investments over the next five years and reflected the high level of government led qualification reform. As these have been completed the fund has been released.

Exam entry profile changes: This fund was established to fund any significant timing effects of changes to the exam entry profile caused by structural changes in a number of qualifications. This has now been completed and therefore the fund has been released.

21 a) Total charity funds (continued)

Improvement projects: This fund provided for the enhancement of systems that improve the way examinations are delivered for the benefit of learners and teachers in schools and colleges over the next year. As these projects have now been completed the fund has been released.

Cash flow cycle: This provided for a level of funds in the annual cash flow cycle to fund operations without the need for borrowings. This is no longer required as AQA has a short term overdraft for four months of the year.

General unrestricted funds and general contingency: These funds, which represent AQA's working reserve, ensure that we are able to continue with our obligations in the event of a shortfall in income or a sudden upturn in our expenditure.

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

The Trustees strategically built up the reserves in anticipation of the managed process to change our year end.

21 b) Total charity funds

Group	1 October 2014	Net Income/ (expenditure)	Investment and actuarial (losses)/gains	Transfers	30 September 2015
	£000	£000	£000	£000	£000
Designated funds					
Fixed assets	16,593	(1,363)	-	-	15,230
Property maintenance and development	2,000	(1,100)	-	4,100	5,000
Product development	7,000	(4,019)	-	12,019	15,000
Exam entry profile changes	9,000	(1,429)	-	(4,571)	3,000
Improvement projects	8,000	(7,347)	-	(653)	-
Cash flow cycle	13,650	-	-	(5,650)	8,000
Total designated funds	56,243	(15,258)	-	5,245	46,230
General unrestricted funds	29,026	10,984	-	(29,812)	10,198
General contingency	-	-	-	21,000	21,000
Investment revaluation reserve	5,121	-	(352)	-	4,769
Unrestricted funds before pension liability	90,390	(4,274)	(352)	(3,567)	82,197
Net pension liability	(20,645)	-	2,110	3,567	(14,968)
Total charity funds	69,745	(4,274)	1,758	-	67,229

21 b) Total charity funds (continued)

Charity	1 October 2014	Net Income/ (expenditure)	Investment and actuarial (losses)/gains	Transfers	30 September 2015
	£000	£000	£000	£000	£000
Designated funds					
Fixed assets	18,782	(728)	-	-	18,054
Property maintenance and development	2,000	(1,100)	-	4,100	5,000
Product development	7,000	(4,019)	-	12,019	15,000
Exam entry profile changes	9,000	(1,429)	-	(4,571)	3,000
Improvement projects	8,000	(7,347)	-	(653)	-
Cash flow cycle	13,650	-	-	(5,650)	8,000
Total designated funds	58,432	(14,623)	-	5,245	49,054
General unrestricted funds	28,734	11,253	-	(29,812)	10,175
General contingency	-	-	-	21,000	21,000
Investment revaluation reserve	5,121	-	(352)	-	4,769
Unrestricted funds before pension liability	92,287	(3,370)	(352)	(3,567)	84,998
Net pension liability	(20,645)	-	2,110	3,567	(14,968)
Total charity funds	71,642	(3,370)	1,758	-	70,030

22 Notes to statement of cash flows

Reconciliation of net income to net cash inflow from operating activities

	Group 1 October 2015 to 31 March 2017	*Year to 30 September 2015*
	£000	*£000*
Net (outgoing) resources before other recognised gains	(37,062)	(5,001)
Net investment income excluding net finance income on defined benefit pension schemes	(753)	(2,033)
Depreciation	2,009	1,511
(Profit)/Loss on disposal of tangible fixed assets	(2,811)	117
Amortisation of intangibles	927	496
(Increase) in stocks	(768)	(207)
(Increase) in debtors	(45,305)	(880)
Increase in creditors	128,293	2,138
Increase/(decrease) in provisions	1,402	(3,410)
Post-employment benefits less payments	(3,858)	(2,015)
Net cash generated/(used) in operating activities	42,074	(9,284)

The cash movement is positive despite showing a deficit for the period as we have received cash for the main examination series but the income has not yet been recognised as the examinations have not yet taken place.

23 Operating lease commitments

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

	Group At 31 March 2017	Charity At 31 March 2017	*Group At 30 September 2015*	*Charity At 30 September 2015*
	£000	£000	*£000*	*£000*
Not later than one year	1,096	829	1,106	1,041
Later than one year and not later than five years	3,201	2,427	2,673	2,585
Later than five years	12,005	12,005	12,364	12,364
	16,302	15,261	16,143	15,990

24 Capital commitments

There were £19,400,000 capital commitments contracted for at 31 March 2017 but not provided for *(2015 £nil)*.

25 Related party transactions

The charity has taken advantage of the exemption conferred by paragraph 33.1A of FRS102, 'related party transactions', that transactions with wholly controlled subsidiaries do not need to be disclosed.

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

The emoluments for services provided by an employee were £Nil (*2015 £nil*).

The amounts recharged to the joint venture in the period were £533,000 (*2015 £nil*). The amount due to AQA at the year end was £29,000 (*2015 £nil*).

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

26 Business combinations

On 31 August 2016, the Group acquired control of DRS Data and Research Services plc through the purchase of 100% of share capital for consideration of £7,308,000. DRS Data and Research Services plc provide eMarking services from their office in Milton Keynes. On 31 March 2017 the activities of DRS Data and Research Services plc were transferred into DRS Data Services Limited.

Prior to the acquisition, AQA had been a customer of DRS and continues to be so. The goodwill of £3,635,000 arising from the acquisition is attributable to the economies of scale expected from combining the operations into the Group.

The following table summarises the consideration paid by the Group, the fair value of assets acquired and liabilities assumed at the acquisition date.

Consideration at 31 August 2016

	£000
Cash consideration	7,100
Directly attributable costs	208
Total consideration	7,308

For cash flow disclosure purposes the amounts are disclosed as follows:

	£000
Cash consideration	7,100
Directly attributable costs	208
	7,308
Less: cash and cash equivalents acquired	(808)
Total consideration	6,500

26 Business combinations (continued)

Recognised amounts of identifiable assets acquired and liabilities assumed

	Note	Book values £000	Adjust-ments £000	Fair value £000
Property, plant and equipment		2,097	-	2,097
Intangible assets		12	-	12
Deferred tax asset		3	-	3
Inventories	a	2,959	(266)	2,693
Trade and other receivables		5,989	-	5,989
Current income tax assets	b	561	(92)	469
Cash and cash equivalent		808	-	808
Borrowings due within one year		(226)	-	(226)
Trade and other payables		(7,086)	-	(7,086)
Borrowings due in more than one year		(885)	-	(885)
Deferred income tax liabilities		(51)	-	(51)
Provisions		(150)	-	(150)
Total identifiable net assets		4,031	(358)	3,673

The fair value adjustments arising on acquisition which are considered final were in respect of the following:

a) A reduction in the carrying value to the expected net realisable value
b) A reduction to the amount of tax credit recovered

The revenue of DRS Data Services Limited included in the consolidated income statement from 1 September 2016 was £7,417,000. DRS Data Services Limited also contributed a loss of £2,177,000 over the same period.

27 Retirement benefits

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

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

	1 October 2015 to 31 March 2017	Year to 30 September 2015
	£000	£000
Total AQA pension costs	8,323	5,677

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

	31 March 2017	30 September 2015
	£000	£000
The AQA Pension Scheme	12,316	3,608

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

	31 March 2017	30 September 2015
	£000	£000
GMPF	20,043	14,441
Unfunded pension liabilities	4,241	4,135
	24,284	18,576

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

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

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

27 Retirement benefits (continued)

Principal actuarial assumptions

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

	At 31 March 2017	At 30 September 2015
	% per annum	% per annum
Price increases	2.30 – 3.30	2.30 – 3.30
Pension increases - in payment	2.00 – 3.15	2.05 – 3.15
Pension increases - deferred	2.30	2.30
Salary increases	2.80	2.30
Discount rate	2.60	3.90

The figures presented in these disclosures are based on the mortality assumptions adopted for the latest funding valuation with additional margins for prudence removed. For the AQA scheme the tables used are 97% of S2PxA (92% S2PxA) tables for males (females); future improvements are in line with the CMI 2016 projections subject to a long-term trend rate of 1.5%. For the GMPF liabilities the tables used are Club Vita curves updated to 2014 using the Club Vita methodology; future improvements are in line with CMI 2013 projections subject to a long-term trend rate of 1.25%. For the unfunded arrangements the same tables as the AQA liabilities are used but these are adjusted to reflect the assumed higher life expectancy of these members, specifically 67% of S2PxA (62% S2PxA) tables for males (females); future improvements are in line with the CMI 2016 projections subject to a long-term trend rate of 1.5%. Example life expectancies are 21.5 – 25.4 years (24.1 – 27.8 years) from age 65 for a male (female) currently aged 65 and 23.7 – 27.1 years (26.2 – 29.5 years) from age 65 for a male (female) currently aged 45.

Statement of financial position disclosures

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

	Net Pension Asset		**Net Pension Liabilities**		**Total**	
	31 March 2017	*30 September 2015*	31 March 2017	*30 September 2015*	31 March 2017	*30 September 2015*
	£000	*£000*	£000	*£000*	£000	*£000*
Fair value of scheme assets	171,385	133,010	78,328	60,587	249,713	193,597
Present value of liabilities	(159,069)	(129,402)	(102,612)	(79,163)	(261,681)	(208,565)
Net pension asset/(liability)	12,316	3,608	(24,284)	(18,576)	(11,968)	(14,968)

27 Retirement benefits (continued)

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

	31 March 2017	30 September 2015
	%	%
Equities	45.4	51.1
Property	10.2	8.0
Bonds	29.2	30.4
Hedge Funds	11.7	4.0
Cash and other	3.5	6.5
Total	100.0	100.0

Statement of financial activities disclosures

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

	Period to 31 March 2017	Year to 30 September 2015
	£000	£000
Current service cost	1,900	1,991
Past service cost	1,125	1,677
Scheme administration expenses	697	241
Net interest on asset/liability	743	624
Total	4,465	4,533
Actual return on scheme assets	46,146	7,205

27 Retirement benefits (continued)

Changes in the present value of the defined benefit obligation

	31 March 2017	30 September 2015
	£000	£000
Opening defined benefit obligation	208,565	207,415
Current service cost	1,900	1,991
Past service costs	1,125	1,677
Interest cost	12,135	8,250
Contributions by members	677	530
Actuarial (losses)/gains	47,004	(4,713)
Benefits paid	(9,725)	(6,585)
Closing defined benefit obligation	261,681	208,565

Changes in the fair value of the scheme assets

	31 March 2017	30 September 2015
	£000	£000
Opening fair value of scheme assets	193,597	186,770
Expected return on assets	46,146	9,808
Interest income	11,392	-
Contributions by members	677	530
Contributions by employer	8,323	5,677
Actuarial (losses)/gains	-	(2,603)
Scheme administration expenses	(697)	-
Benefits paid	(9,725)	(6,585)
Closing fair value of scheme assets	249,713	193,597

27 Retirement Benefits (continued)

Amounts for the current and previous four years

	31 March 2017 £000	30 September 2015 £000	*30 September 2014 £000*	*30 September 2013 £000*	*30 September 2012 £000*
Fair value of scheme assets	249,713	193,597	*186,770*	*172,702*	*153,368*
Present value of defined benefit obligation	(261,681)	(208,565)	*(207,415)*	*(186,793)*	*(179,062)*
Net pension liability	(11,968)	(14,968)	*(20,645)*	*(14,091)*	*(25,694)*
Experience (losses)/gains on assets	-	(2,603)	*4,395*	*11,390*	*9,278*
Experience (losses)/gains on liabilities	-	-	*(2,467)*	*4,978*	*(188)*

Other defined benefit pension schemes

Multi-employer defined benefit schemes

AQA participated in two *(2015: two)* multi-employer defined benefit schemes where it is not possible to separately identify the assets and liabilities for each participating employer. Accordingly, under section 28 of FRS 102, these schemes are treated as defined contribution schemes for accounting purposes.

Defined contribution schemes

During the year, the total amount charged to the consolidated statement of financial activities in relation to defined contribution schemes (including the defined benefit schemes accounted for as defined contribution schemes under section 28 of FRS 102) amounted to £4,950,000 *(2015: £*2,608,000*)*. The amount charged includes contributions to the AQA defined contribution scheme. No contributions were payable to the schemes at the period end *(2015: £nil)*.

28 Transition to FRS 102

This is the first year that the Group and Charity has presented its results under FRS 102. The Charity has early adopted the Amendments to FRS102 (issued in July 2015). The last financial statements prepared under UK GAAP were for the year ended 30 September 2015. The date of transition to FRS 102 was 1 October 2014. In preparing the financial statements, the trustees have considered whether applying the accounting policies required by FRS 102 and Charities SORP (FRS 102) required a restatement of comparative items. Set out below are the changes in accounting policies which reconcile income/(expenditure) for the year ended 30 September 2015 and the total charity funds as at 1 October 2014 and 30 September 2015 between UK GAAP as previously reported under FRS 102.

Transition exemption

The Group and Charity has taken the following transition exemptions in preparing its first financial statements under FRS 102:

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

(ii) 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 the obligation arose.

(iii) The Group and Charity has taken advantage of the transition exemption under paragraph 35.10(p) of FRS 102 to continue to recognise the existing lease incentives at the transition date on the same basis as previous UK GAAP. Under previous UK GAAP operating lease incentives, including rent free periods and fit-out contributions, were spread over the shorter of the lease period or the period to when the rental was set to a fair market rent. FRS 102 requires that such incentives to be spread over the lease period.

(iv) 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.

Reconciliation

In accordance with the requirements of FRS 102 a reconciliation of the net movement in funds and total charity funds is presented below.

Reconciliation of net movement in funds for the year

	Note	Group Year to 2015 £000	Charity Year to 2015 £000
Net movement in funds as previously reported under UK GAAP		(2,469)	(1,565)
- Recognition of holiday pay accrual	(i)	(47)	(47)
Net movement in funds as reported under FRS 102		(2,516)	(1,612)

28 Transition to FRS 102 (continued)

	Note	Group 1 October 2014 £000	Charity 1 October 2014 £000
Total charities funds as previously reported under UK GAAP		73,371	75,268
- Recognition of holiday pay accrual	(i)	(2,726)	(2,726)
- Increase in dilapidations provisions	(ii)	(900)	(900)
Total charities funds as reported under FRS 102		69,745	71,642

	Note	Group 30 September 2015 £000	Charity 30 September 2015 £000
Total charities funds as previously reported under UK GAAP		70,902	73,703
- Recognition of holiday pay accrual	(i)	(2,773)	(2,773)
- Increase in dilapidations provisions	(ii)	(900)	(900)
Total charities funds as reported under FRS 102		67,229	70,030

Notes to the reconciliations

(i) **Recognition of holiday pay accrual**

FRS 102 requires short-term employee benefits to be charged to the statement of financial activities as the employee service is received. This has resulted in the Charity recognising a liability for holiday pay of £2,726,000 on transition to FRS 102 (1 October 2014). Previously holiday pay accruals were not recognised and were charged to the statement of financial activities as they were paid. In the year to 30 September 2015 an additional charge of £47,000 was recognised in the statement of financial activities and the liability at 30 September 2015 was £2,773,000. As a result of the change of year end, the holiday year now coincides with the financial year end, therefore £2,283,000 of the provision has been released in the period. This leaves an accrual of £490,000.

(ii) **Increase in dilapidation provision**

The Charity recognises cost of dismantling item of tangible assets and 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 the obligation arose and this has led to recognition of additional provision amounting to £900,000 with an equivalent amount recognised in the statement of financial activities.

28 Transition to FRS 102 (continued)

Notes to the reconciliations (continued)

Other adjustments arising on transition to FRS 102

In addition to the transition adjustments identified above which affect income/(expenditure) for the financial year, the following adjustments have arisen which have had no effect on charities fund or the income/(expenditure) but which have affected the presentation of these items in the financial statements.

Statement of cash flows

The statement of cash flows reflects the presentation requirements of FRS 102, which are different to that prepared under FRS 1. In addition the statement of cash flows reconciles to cash and cash equivalents whereas under previous UK GAAP the statement of cash flows reconciled to cash. Cash and cash equivalents are defined in FRS 102 as 'cash on hand and demand deposits and short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value' whereas cash is defined in FRS 1 as 'cash in hand and deposits repayable on demand with any qualifying institution, less overdrafts from any qualifying institution repayable on demand'. The FRS 1 definition is more restrictive.

29 Legal status of the charity

The charity is a company limited by guarantee and has no share capital. The liability of each member in the event of winding up is limited to £1.

Legal and administrative details

Registered office

AQA Education
Devas Street
Manchester
M15 6EX
Tel: 0800 197 7162
www.aqa.org.uk
Company registration number: 3644723
Registered charity number: 1073334

Bankers and principal advisers

Bankers

NatWest Bank
135 Bishopgate
London
EC2M 3UR

Independent Investment Advisors

LJ Athene Investment Advisors Ltd
9 Clifford Street
London
W1S 2FT

Auditors

Pricewaterhouse Coopers LLP
Chartered Accountants and Statutory Auditors
101 Barbirolli Square
Manchester
M2 3PW