

REGISTRAR OF COMPANIES



**Architectural Association
(Incorporated)**

**Annual Report and Financial
Statements**

31 July 2018

Company Limited by Guarantee
Registration Number 171402 (England and Wales)

Charity Registration Number 311083

www.aaschool.ac.uk



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Legal and administrative information

Council members (trustees and directors)	Professor Mary Bishop Joanna Chambers (Vice-President) Professor Mohammad Dastbaz David Gibson Eva Franch i Gilabert Joel Newman Timothy O'Hare David Porter George Sawtell Rory Sherlock Victoria Thornton OBE (President) Catherine du Toit Nick Viner
School Director	Eva Franch i Gilabert
Senior Management Team	Belinda Flaherty, School Registrar Nick Gretton, Head of Finance (interim) Anita Pfauntsch, Head of Estates and Facilities Christopher Pierce, Head of Visiting School and QAA Facilitator Michael Weinstock, Chair Academic Committee
Company Secretary	Holly Bowden
Registered office	34-36 Bedford Square London WC1B 3ES
Company registration number	171402 (England and Wales)
Charity registration number	311083 (England and Wales)



Legal and administrative information

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EC2V 6DL

www.buzzacott.co.uk

Bankers HSBC
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SW1Y 5EY

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Lloyds
25 Gresham Street
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Solicitors Fieldfisher LLP
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INTRODUCTION

The Council members of the Architectural Association (Incorporated) – the AA or the Association – present their statutory report together with the financial statements for the year ended 31 July 2018.

The financial statements have been prepared in accordance with the accounting policies set out in the attached financial statements and comply with the charitable company's memorandum and articles of association, applicable law and the requirements of Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Ireland (FRS 102).

The report has been prepared in accordance with Part 8 of the Charities Act 2011 and also constitutes a directors' report as required by section 418 of the Companies Act 2006.

The Governance arrangements are explained in more detail in the *Governance* section below.

Objectives and activities

In fulfilment of its objects, *to promote and afford facilities for the study of architecture for the public benefit*, the AA serves as a forum for ideas for a global architectural community and, being a major centre for debate, it offers a principal venue in London for an unparalleled public programme of architectural lectures, symposia and exhibitions, together with accompanying publications.

Admission to the AA School is competitive for undergraduate and graduate programmes. The pioneering unit model – small studios of approximately 12 students working with one or two unit masters – originated at the AA and has been adopted at some time by almost every school of architecture in the world. Teaching staff are drawn from the profession or related design disciplines to maintain a strong connection between current practice and teaching.

The AA's ethos is strongly based in the collective engagement of the School Community - a stakeholder group enshrined in the AA's constitution and comprised of all students, staff (with the exception of the School Director) and Council members. The School Community is a forum for discussion across the AA School and between the AA School and the School Director. It also acts as an advisory voting body consulted by Council on important matters regarding the future of the AA School. Information regarding the performance and factors affecting the AA is communicated through quarterly senior management newsletters and School Community meetings including the annual 'State of the Association' address from the School Director.

The business of Council is accessible to all AA members including staff and students who are entitled to attend and speak at Council meetings. Council meeting minutes are made available to the AA membership on the AA's website www.aaschool.ac.uk.



A membership organisation as well as a school, all students and staff are automatically enrolled as members of the Association. Students are offered continuing membership following the conclusion of their studies. Outside the process of School admission, membership of the AA is open to all architects and others connected with, or interested in, allied arts and professions. The diversity and international character of its membership is a significant source of the AA's strength and vitality.

The AA is committed to the provision of public benefit. A programme of free evening lectures and exhibitions is open to the public and presents the work of established and emerging architects, artists, scholars and professionals in related fields.

In its aim to make architectural study available to all talented students irrespective of background and means, the AA has an established programme of scholarships and bursaries. The Architectural Association Foundation (charity no. 328455) established in 1989 for *the advancement of architecture and architectural education for the public benefit*, works to support the AA in its objects by assisting in the funding of scholarships, bursaries and educational resources.

The AA continues its work to improve the cataloguing of materials in its archive, and to widen access to these materials through promoting the AA's collection to the wider scholarly community. The AA's library and other collections are free to members and are open to non-members for a nominal fee. The AA's library, photo library and archives provide research resources and assistance to AA students and members, and to students and scholars at other schools and universities worldwide. Materials in the library and collections are made available through inter-library loans and include rare and unique materials in the library and other collections made available to other institutions for research and exhibition purposes. Resources of the photo library are available to members and non-members via the AA's website www.aaschool.ac.uk.

Equal Opportunities

The AA aims to create conditions that ensure staff and students are treated solely on the basis of their merits, abilities and potential, regardless of their gender, race, religious/political beliefs, ethnic or national origin, disability, family background, age, sexual orientation, or other irrelevant distinction.

The AA seeks to welcome and accommodate all visitors, staff and students. The Bedford Square premises are not fully accessible to wheelchair users however and cannot be made so due to the restrictions associated with listed buildings. Despite this, the AA is committed to making reasonable adjustments to facilitate, as far as possible, participation in AA life for disabled visitors, staff and students.

The AA recognises the importance of mental health. In addition to the counselling services available to staff and students, this year the AA introduced mental health first aiders who received specialist training to spot the signs and symptoms of mental ill health and provide help on a first aid basis.



STRATEGIC REPORT

Review of activities and achievements in the year

The AA is currently undertaking a number of projects, as set out in its Strategic Plan 2015-2020, requiring financial investment and contributing to the enhancement of the organisation and its academic provision.

This year's activities focussed on further investment and preparation for UK Taught Degree Awarding Powers (TDAP), a process which had commenced in 2015 and is expected to conclude in early 2019. This included building on the corporate governance reforms undertaken in 2016/17 and developing the academic governance and management processes related to the AA's Academic Board and its reporting committees.

If successful, TDAP will move the AA from being an alternative provider of higher education, to a higher education institution. This would bring a number of benefits such as making the AA more accessible to students from around the world.

Investment in additional academic resources continued during the year including a construction project on the premises at Bedford Square for a new Digital Prototyping Laboratory (DPL) equipped with new robotic equipment and model-making facilities.

Student enrolment in September 2017 did not meet targets for a second consecutive year, with a total of 728 students (669.7 full-time equivalent). At the same time expenditure was increasing due to a number of reasons including investment in governance reforms required by the TDAP process and increased property rents being sought by the landlord for the premises in Bedford Square.

Considering these factors, the AA faced a significant challenge at the outset of the 2017/18 academic year. The Interim School Director, working with the Finance & Resources Committee of Council, agreed a set of measures to control expenditure and attain a more balanced budget. This was approved by Council in December 2017. As a result a programme of cost adjustments was agreed including the restructuring of a number of administrative functions in particular in the development, exhibitions and publications departments. This resulted in a more balanced financial budget.

A new budgeting process was introduced for 2018/19 based on more prudent enrolment targets with the aim of building reserves. 2018/2019 has started with much stronger enrolment figures and the financial outlook is healthier, as explained below.

Other key activities in the year included strengthening compliance and administrative processes associated with changing regulation; enhancing the Part 3 course; an ongoing review of current use of spaces and resources; and the publication of the AA's first gender pay gap report, showing near parity between the average pay of male and female staff.

The AA was led during the year by an Interim Director Samantha Hardingham while a search for a permanent School Director was carried out. Council is very grateful to Samantha for her hard work during the year.



During the year the AA undertook a comprehensive search for the next School Director. Chaired by an independent expert and populated by members representing each area of the School Community, a Search Committee was convened to oversee the global search. Three shortlisted candidates endorsed by Council were invited to present their vision for the AA to the School Community after which a ballot was held to determine the preferred candidate. Council were pleased to consider and approve the appointment of Eva Franch i Gilabert in July 2018 having received 67% of the votes cast by the School Community.

Financial review

The financial statements consolidate the results of the wholly owned subsidiary, Architectural Association Publications Limited.

The net income for the year was £771k (2017 net expenditure £820k). This includes net expenditure on unrestricted funds of £314k (2017 £832k). The net income on restricted funds was £1,089k which relates to the income in the year for the DPL project, described below.

The lower than predicted student enrolment in September 2017 resulted in tuition fee income of £15.6m (2017: £15.7m). A number of factors increased expenditure in the year including in particular investment in achieving TDAP, rising property rents at Bedford Square and restructuring costs. This resulted in net unrestricted deficit of £314k. This is stated after the one-off costs of the reorganisation process of £178k and non-recurring TDAP compliance costs of £495k.

The net assets of the AA increased during the year by £892k (2017 decrease £866k).

Reserves policy

Council have set a policy based on year-end free cash, defined as the bank position at 31 July less short-term restricted funds. Based on the usual academic cycle, Council target this figure to be at least £2m. At the year end the bank balances stood at £4.3m (2017 £5.5m).

Furthermore if there were ever a scenario where liabilities exceeded available cash, Council believe that the realisable value of the fixed asset would cover such liabilities.

Risk management

Council considers the major risks to which the AA is exposed as recorded in the corporate risk register. The corporate risk register is informed by departmental risk profiles and is regularly reviewed and updated by the Senior Management Team (SMT). The systems and procedures established to manage risk are reviewed by the Audit & Risk Committee which makes recommendations on best practice to Council.



The AA assesses the level of risk posed by each matter recorded on the risk register by attributing a score based on both the likelihood and impact of the respective risks. The risks with the highest attributed scores are set out below as the AA's principal risks. For a comprehensive view of AA's risk landscape however it should be noted that the year has seen a focus on managing and mitigating the risk associated with failure to achieve TDAP together with other threats to the AA's strategic aims such as the potential impact of Brexit.

The principal risks currently facing the AA and factors which mitigate those risks are as follows:

- **Failure to recruit sufficient numbers of high calibre students**

The AA seeks to attract high calibre students through a programme of outreach activities and materials including the annual prospectus, actual and virtual open days, a public programme of events and information available on the AA website and social media channels. The AA is in the final stages of its application for TDAP. It is hoped that degree awarding powers will be granted in 2019 and will enhance the desirability to study at the AA.

- **Fall in income leading to inability to meet operational costs**

The most likely cause of a fall of income for the AA is a decline in student numbers. To mitigate the risk of declining student numbers the AA closely monitors admissions status throughout the admissions annual cycle and engages in a number of outreach activities to attract new students. The AA further mitigates the risk of a fall in income by the diversification of income streams including from fundraising and development initiatives and the commercialisation of AA publications.

- **Failure to maintain a research profile commensurate with its status within the higher education sector**

The AA has sought to maintain and enhance its research profile through its Research Platforms, Publication Fellowships, and Research Grants to academic members. Research proposals are considered by the School Director, the Head of Teaching and Learning and the Head of Research.

Fundraising statement

The generosity of donors has contributed to the award of a number of scholarships and bursaries; the completion of the DPL at its Bedford Square London premises; ensuring the quality of its public programmes and the ongoing development of the Hooke Park campus in Dorset including the construction of Wakeford Hall, a dedicated library.

In the year, the AA received philanthropic income of £1,457k (2017 £381k) through the Architectural Association Foundation. £241k of this was applied toward the AA's scholarships and bursaries and £1,098k of this was applied to the DPL project, having been derived from a generous donation specifically for the project.



Whilst the AA benefits from a number of sponsorship arrangements, it does not engage external fundraisers and has not entered any commercial participation arrangements. All fundraising activity is conducted within the regulations and framework set out by the Fundraising Regulator and the Institute of Fundraising.

When donations from individuals are received, the AA protects personal data and never sells or swaps data with other organisations. The AA undertakes to react to and investigate any complaints regarding its fundraising activities and to learn from them and improve its service. During the year, the AA received no complaints about fundraising activities.

Subsequent events and future plans

Total students for 2018/19 have exceeded both the enrolment target and the original approved budget, with final registration for this academic year now confirmed at 779 students (731.3 FTE).

In October 2018 David Porter completed his term as President and Chair of the AA Council and Victoria Thornton OBE was appointed to the role.

Future plans and actions include:

- Continue to pursue academic excellence driving student growth;
- Achieve TDAP;
- Increase academic and commercial use of the Digital Prototyping Laboratory;
- Develop and diversify income sources to achieve financial resilience, increasing cash balances and cash reserves;
- Develop the public facing initiatives of the Association including exhibitions, publications and public programmes; and
- Develop a strategic plan for 2020-2025, including new income streams to support the educational offering, the AA's cultural mission, and the institution's financial stability.

GOVERNANCE

Status

The Architectural Association is a charitable company limited by guarantee, incorporated on 13 November 1920 and registered as a charity in England and Wales on 9 September 1963.

Governing documents

The charity was established under a Memorandum of Association, and is governed in accordance with the object and powers set out in its governing documents, the Articles of Association and By-laws (last amended 23 March 2017).



Object of the AA

The object for which the AA was established is to promote and afford facilities for the study of architecture for the public benefit.

Public benefit

Council believe they have complied with the duty in section 4 of the Charities Act 2011 to have due regard to the public benefit as that term is understood for the purposes of the law relating to charities in England and Wales.

Council

The AA Council is the AA's governing body. Led by the AA President, it is made up of Council members elected from the AA Membership together with others appointed specifically for skills necessary to oversee the strategic delivery of the AA's objectives. Council includes the School Director and also an elected staff member and an elected student member, ensuring all constituencies of the school are represented at the highest level of governance. The AA is a registered company and charity and accordingly Council members are both company directors and charity trustees.

As part of the governance reforms that had been undertaken in 2016/17, the AA received Charity Commission approval to include in revised Articles of Association (Art 6(b)) a provision which permits payment to a Council member who is:

- an AA student in receipt of assistantship, bursary or scholarship;
- the School Director; or
- otherwise an employee of the AA

provided such payment is not made to remunerate the person for duties as a Council member and that the number of people so remunerated shall not exceed three. Over the year three members of Council were in receipt of such payment from the AA – the interim School Director, the School Director and an employee of the AA elected to Council. The total remuneration made to these Council members in the year was £197,352.

Council meets at least four times a year in order to monitor financial health, approve new business, review current policies, initiatives, activities and plans and delegates certain business to the following subcommittees which meet quarterly.

Finance and Resources Committee which has responsibility for setting and ensuring the prudent management of annual budgets, monitoring revenue and voluntary income and/or benefit streams, ensuring prudent financial planning, and overseeing the commitment of financial resources to long-term contracts (including property leases), and the investment of monies.

Audit and Risk Committee which has responsibility for monitoring the integrity of the AA group's financial statements, reviewing and reporting to Council on significant financial reporting issues, monitoring the AA's risk management and reporting and overseeing key policies including the AA's data protection (GDPR), whistleblowing and anti-bribery policies.



Estates and Infrastructure Committee which considers the overall strategy for the AA's built and virtual environment, including any recommendation to Council for acquiring and/or disposing of property and improvements.

Nominations and Remuneration Committee which oversees the effective governance of the AA including the recruitment to and composition of the Council and Committees, the recruitment and appointment of the School Director, and the consideration of pay and conditions of service for the School Director.

Council is advised on effective academic governance by the Academic Board. Authority to manage the day-to-day business is delegated to the School Director who, assisted by the SMT, is responsible for ensuring the agreed organisational strategy is implemented.

On a yearly basis, Council endorses the AA School's academic agenda, reviews the educational and cultural development of the organisation, and considers and approves the AA's financial statements and proposed budgets. The Council is advised by the Academic Board on effective academic governance, ratifies all Diplomas and other academic awards, and promotes the work of the AA through participation in its cultural events and support of its fundraising activities.

Key management personnel

Council delegates the day to day operations of the AA to the School Director who together with the SMT works to deliver the strategic objectives of the AA as approved by Council.

The remuneration of the School Director is decided by Council and that of the SMT by the Nominations & Remuneration Committee, SMT remuneration is based on comparisons with similar organisations, the current financial position of the AA and the performance of the individuals.

TRUSTEES

Statement of Trustees' Responsibilities

As the AA is constituted as a charitable company, Council members are both charity trustees and company directors. As such Council members are responsible for preparing the trustees' report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and the group and of the income and expenditure of the group for that period. Under company law, trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and the group and of the income and expenditure of the group for that period.



In preparing these financial statements, trustees are required to:

- ◆ select suitable accounting policies and then apply them consistently;
- ◆ observe the methods and principles in Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Ireland (FRS 102);
- ◆ make judgements and estimates that are reasonable and prudent;
- ◆ state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- ◆ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

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

Each of the trustees confirms that:

- ◆ so far as he or she is aware, there is no relevant audit information of which the charitable company's auditor is unaware; and
- ◆ he or she has taken all the steps that he/she ought to have taken as a trustee in order to make himself/herself aware of any relevant audit information and to establish that the charitable company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Trustees are responsible for the maintenance and integrity of financial information included on the AA's website www.aaschool.ac.uk. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Recruitment and appointment of trustees

Council members are either appointed by Council or elected from the membership of the AA. Those appointed by Council are recruited on the basis of skills and experience required through open advertisement. Those elected from the AA membership represent the architectural profession and related fields. Council members are appointed for a term of three years and may serve a maximum of two terms. Council reserves positions for a staff and student member of Council each of which is elected by and from the relevant constituency of the School Community. Staff and student members of Council may serve one term of three years.



The process is overseen by the Nominations & Remuneration Committee, and any new appointees receive induction training to introduce them to the AA's work and ensure an appropriate level of understanding of charity governance and the legal duties of trustees. Ongoing training is available as and when required, using internal and external resources. The chairs of committees ensure appropriate inductions for new members of their committee.

In accordance with the Articles of Association, Council members are treated as trustees and directors. The Council members, who were members throughout the year except where shown, were:

Council members	Appointed/resigned
John Bird	Resigned 7 February 2018
Professor Mary Bishop	
Joanna Chambers (Vice President)	
Professor Mohammad Dastbaz	
David Gibson	
Eva Franch i Gilabert (new School Director)	Appointed 1 July 2018
Samantha Hardingham (Interim School Director)	7 August 2017 - 31 July 2018
Christine Hawley	Resigned 5 June 2018
Lady Patricia Hopkins	Resigned 31 May 2018
Joel Newman	Appointed 19 March 2018
Dan Marks	Resigned 1 October 2018
Quentin Martin	Resigned 12 December 2017
Timothy O'Hare	Appointed 5 March 2018
Elsie Owusu OBE	Resigned 31 July 2018
David Porter (former President)	
Vicky Richardson	Resigned 2 October 2017
Rory Sherlock	Appointed 5 June 2018
Victoria Thornton OBE (new President)	
Catherine du Toit	
Nick Viner	

Following the year-end, George Sawtell was appointed as a Council member on 1 October 2018.



AUDITOR

The Association's auditor, Buzzacott LLP, is willing to continue in office and a resolution proposing their re-appointment and authorising the Finance & Resources Committee to fix their remuneration will be put to the annual general meeting.

Approved by Council Members on 21 January 2019 and signed on their behalf by:

Victoria Thornton OBE

President



**Independent auditor's report to the members of Architectural Association
(Incorporated)**

Opinion

We have audited the financial statements of Architectural Association (Incorporated) (the 'charitable parent company') and its subsidiary (the 'group') for the year ended 31 July 2018 which comprise the group statement of financial activities, the group and charitable parent company balance sheets, the group statement of cash flows, the principal accounting policies and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- ◆ give a true and fair view of the state of the affairs of the group and the charitable parent company as at 31 July 2018 and of the group's income and expenditure for the year then ended;
- ◆ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- ◆ have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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



Other information

The trustees are responsible for the other information. The other information comprises the information included in the annual report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- ◆ the information given in the trustees' report, including the strategic report, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- ◆ the trustees' report, including the strategic report, has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the charitable parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the trustees' report, including the strategic report.

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

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



Responsibilities of trustees

As explained more fully in the statement of trustees' responsibilities in the trustees' report, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Avnish Savjani, Senior Statutory Auditor
for and on behalf of Buzzacott LLP, Statutory Auditor
130 Wood Street
London
EC2V 6DL

14 February 2019



Group statement of financial activities (including income and expenditure account)
Year ended 31 July 2018

	Notes	Un-restricted funds £'000	Restricted funds £'000	Total 2017/18 £'000	Un-restricted funds £'000	Restricted funds £'000	Total 2016/17 £'000
Income from:							
Donations and legacies	1	43	1,414	1,457	7	374	381
Investments	2	1	2	3	-	1	1
Trading activities	3	543	-	543	649	-	649
Charitable activities	4	16,862	3	16,865	16,527	-	16,527
Total income		17,449	1,419	18,868	17,183	375	17,558
Expenditure on:							
Raising funds	3	(301)	-	(301)	(527)	-	(527)
Charitable activities	5	(17,462)	(326)	(17,788)	(17,488)	(379)	(17,867)
Total expenditure		(17,763)	(326)	(18,089)	(18,015)	(379)	(18,394)
Net (expenditure) income before investment gains		(314)	1,093	779	(832)	(4)	(836)
Investment (losses) gains	10	-	(8)	(8)	-	16	16
Net (expenditure) income for the year		(314)	1,085	771	(832)	12	(820)
Other recognised gains and losses							
Actuarial gains (losses)	20	121	-	121	(46)	-	(46)
Net movement in funds		(193)	1,085	892	(878)	12	(866)
Reconciliation of funds							
Total funds brought forward		10,891	778	11,669	11,769	766	12,535
Total funds carried forward		10,698	1,863	12,561	10,891	778	11,669

The statement of financial activities has been prepared on the basis that all operations are continuing. Further details of the restricted funds are given in note 18. The notes on pages 24 to 35 form part of these financial statements. The profit (loss) for the year for the purposes of the Companies Act 2006 is the net income (expenditure) for the year.



Balance sheets 31 July 2018

	Notes	Group		Charity	
		2018 £'000	2017 £'000	2018 £'000	2017 £'000
Fixed assets					
Freehold properties	8	2,593	2,546	2,593	2,546
Long leasehold properties	8	14,443	11,574	14,443	11,574
Other tangible assets	9	4,446	4,590	4,446	4,590
Investments	10	63	71	63	71
Investment in subsidiary	10	-	-	50	50
Total fixed assets		21,545	18,781	21,595	18,831
Current assets					
Stock	11	531	544	30	30
Debtors	12	1,799	1,109	2,435	1,771
Cash at bank and in hand		4,313	5,513	4,132	5,287
Total current assets		6,643	7,166	6,597	7,088
Liabilities					
Creditors: amounts falling due within one year	13	(8,794)	(6,772)	(8,798)	(6,744)
Net current (liabilities) assets		(2,151)	394	(2,201)	344
Total assets less current liabilities		19,394	19,175	19,394	19,175
Creditors: amounts falling due after more than one year	14	(6,369)	(6,807)	(6,369)	(6,807)
Net assets excluding pension liability		13,025	12,368	13,025	12,368
Pension liability	20	(464)	(699)	(464)	(699)
Net assets including pension liability		12,561	11,669	12,561	11,669
Funds and reserves					
Restricted funds	18	1,863	778	1,863	778
Unrestricted funds					
General fund		1,527	1,955	1,527	1,955
Pension reserve	20	(464)	(699)	(464)	(699)
		1,063	1,256	1,063	1,256
Revaluation reserve	19	9,635	9,635	9,635	9,635
		10,698	10,891	10,698	10,891
Total funds	17	12,561	11,669	12,561	11,669

The notes on pages 24 to 35 form part of these financial statements.

Approved by the trustees and signed on their behalf by:

Victoria Thornton OBE

AA President

Approved on: 21 January 2019

Company Registration Number: 171402



Group statement of cash flows 31 July 2018

	Notes	2017/18 £'000	2016/17 £'000
Cash flows from operating activities:			
Net cash provided by (used in) operating activities	A	2,421	(697)
Cash flows from investing activities:			
Investment income		3	1
Purchase of tangible fixed assets		(3,198)	(422)
Net cash used in investing activities		(3,195)	(421)
Cash inflow from financing activities:			
Repayments of borrowing		(307)	(291)
Interest paid on borrowing		(119)	(134)
Net cash used in financing activities		(426)	(425)
Change in cash and cash equivalents in the year		(1,200)	(1,543)
Cash and cash equivalents at 1 August 2017	B	5,513	7,056
Cash and cash equivalents at 31 July 2018	B	4,313	5,513

Notes to the statement of cash flows for the year to 31 July 2018

A Reconciliation of net movement in funds to net cash provided by (used in) operating activities

	2017/18 £'000	2016/17 £'000
Net movement in funds, as per the statement of financial activities	892	(866)
Adjustments for:		
Depreciation charge	427	467
Losses (gains) on investments	8	(16)
Investment income	(3)	(1)
Actuarial loss	(121)	46
Defined benefit pension scheme contributions	(131)	(131)
Defined benefit pension scheme interest cost	17	17
Mortgage and long term loan interest	119	134
Decrease (increase) in stocks	13	(73)
(Increase) decrease in debtors	(690)	26
Increase in creditors	1,890	(300)
Net cash provided by (used in) operating activities	2,421	(697)

B Analysis of cash and cash equivalents

	2018 £'000	2017 £'000
Cash at bank and in hand	4,313	5,513
Total cash and cash equivalents	4,313	5,513



The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are laid out below.

Basis of preparation

These financial statements have been prepared for the year to 31 July 2018.

The financial statements have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant accounting policies below or the notes to these financial statements.

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP FRS 102), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

The charity constitutes a public benefit entity as defined by FRS 102.

The financial statements are presented in sterling and are rounded to the nearest thousand pounds.

Critical accounting estimates and areas of judgement

Preparation of the financial statements requires the trustees and management to make significant judgements and estimates.

The items in the financial statements where these judgements and estimates have been made include:

- ◆ the useful economic lives of tangible fixed assets;
- ◆ the pension scheme obligation;
- ◆ the bad debt position;
- ◆ measurement of stock at the lower of cost and net realisable value.

Assessment of going concern

The trustees have assessed whether the use of the going concern assumption is appropriate in preparing these financial statements. The trustees have made this assessment in respect of the period of one year from the date of approval of these financial statements.

The balance sheet shows that net assets are positive but that there is a net current liability position. However, the unrestricted reserves remain positive and the 2-year cash flow forecast shows a positive position. As a result of a cost restructuring exercise in December 2017, and more cautious budgeting for 2018/19, a larger net surplus was planned to enable reserves to be increased. Since then, student enrolment numbers have been stronger than expected and it is likely that 2018/19 will finish with a larger surplus than budgeted. Other sources of income are also being developed which will enhance the longer term position.



The trustees of the charity have concluded that there are no material uncertainties related to events or conditions that may cast significant doubt on the ability of the charity to continue as a going concern. The trustees are of the opinion that the charity will have sufficient resources to meet its liabilities as they fall due.

Basis of consolidation

The results of the Association's wholly owned subsidiary, Architectural Association Publications Limited have been consolidated into these financial statements on a line by line basis.

The charity has taken advantage of the exemptions in the Companies Act not to present a separate statement of financial activities. Before consolidation, the income of the charity itself for the year was £18,734,000 (2017 £17,083,000) and net income for the year was £1,057,000 (2017 net expenditure of £479,000).

Income recognition

Income is recognised in the period in which the charity has entitlement to the income, the amount of income can be measured reliably, and it is probable that the income will be received.

Tuition and membership fees receivable and charges for services and use of premises are accounted for in the period to which they relate. Fees received in advance under the advance fee or deposit scheme are held in the Association bank account and recorded as liabilities until either taken to income in the term when used or else refunded.

Expenditure recognition

Liabilities are recognised as expenditure as soon as there is a legal or constructive obligation committing the charity to make a payment to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably.

Expenditure is recognised on an accruals basis, inclusive of VAT which cannot be recovered. Certain expenditure is directly attributable to specific activities and has been included in those cost categories. Certain other costs, which are attributable to more than one activity, are apportioned across cost categories on the basis of an estimate of the proportion of time spent by staff on those activities.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to FRS 102 (1 August 2014) are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

On adoption of FRS 102, the charity followed the transitional provision to retain the book value of certain classes of tangible fixed assets as deemed cost but not to adopt a policy of revaluations of these assets in the future.



Assets costing £500 or more are capitalised as tangible fixed assets.

Depreciation on freehold buildings is calculated on a reducing balance basis at 2% on cost/valuation for each full year of occupation. No depreciation is charged on freehold land.

Depreciation on long leasehold buildings is calculated on a reducing balance basis over the life of the lease.

A review for impairment of a building is carried out if events or changes in circumstances indicate that the carrying value of the building may not be recoverable.

Depreciation on owned furniture, fittings and equipment is calculated on a straight line basis at 20% per annum.

Library books, video collection and slide library are included at the book amounts of previous independent professional valuations, subject to reviews for impairment. No depreciation is provided on these assets. The trustees consider that this shows a true and fair view because estimated residual value is equal to current use value. Costs incurred in maintaining the condition of these assets are charged to the statement of financial activities.

Assets in the course of construction are included at cost. Depreciation on these assets is not charged until they are brought into use.

Listed investments

Listed investments are stated at market value. Gains and losses on disposal and revaluation of investments are charged or credited to the statement of financial activities.

Stock

Stock is valued at the lower of cost and estimated net realisable value.

Debtors

Debtors are recognised at their settlement amount, less any provision for non-recoverability. Prepayments are valued at the amount prepaid. They have been discounted to the present value of the future cash receipt where such discounting is material.

Cash at bank and in hand

Cash at bank and in hand represents such financial statements and instruments that are available on demand or have a maturity of less than three months from the date of acquisition.

Creditors and provisions

Creditors and provisions are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Creditors and provisions are recognised at the amount the charity anticipates it will pay to settle the debt. They have been discounted to the present value of the future cash payment where such discounting is material.



Pension schemes

Defined benefit scheme

The Association operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Association. This scheme is being accounted for under FRS 102, with the annually calculated notional surplus or deficit on the funding of the scheme shown in the financial statements as a designated fund entitled "pension reserve" which is deducted from unrestricted funds in the balance sheet. Any surplus or deficit in the scheme at the year end is shown separately on the balance sheet. Independent qualified actuaries complete valuations at least every three years and in accordance with their recommendations, annual contributions are paid to the scheme so as to secure the benefits set out in the rules. The trustees note that the calculated notional deficit or surplus can vary greatly from year to year depending on the assumptions made at the valuation date, but with normally little or no effect on short term cash flows. This scheme is now closed to the accrual of future benefits.

Group personal pension scheme

Contributions payable to the group personal pension scheme are charged to the statement of financial activities in the period to which they relate.

Operating leases

Rentals payable under operating leases are charged on a straight line basis over the term of the lease.

Hire purchase assets

Assets purchased under hire purchase are capitalised as tangible fixed assets. Obligations under such agreements are included in creditors. The difference between the capitalised cost and the total obligation over the duration of the agreement represents the finance charge. Finance charges are written off to the statement of financial activities over the hire term so as to produce a constant periodic rate of change.

Taxation

The company is a registered charity and is not liable to United Kingdom income tax or corporation tax on charitable activities.

Fund structure

Restricted funds comprise monies raised for, or which have their use restricted to, a specific purpose, or contributions subject to donor-imposed conditions.

Unrestricted funds represent those monies which are freely available for application towards achieving any charitable purpose that falls within the charity's charitable objects.

The revaluation reserve is shown separately to general unrestricted funds.

Pension liabilities that are considered to be very long term are deducted from the general unrestricted funds to show the general reserves available in the short and medium term.

**1 Donations and legacies (Group)**

	Unrestricted funds £'000	Restricted funds £'000	Total 2017/18 £'000	Unrestricted funds £'000	Restricted funds £'000	Total 2016/17 £'000
Donations re bursaries and scholarships	43	198	241	7	197	204
Donations re DPL project	-	1,098	1,098	-	177	177
Other	-	118	118	-	-	-
Total	43	1,414	1,457	7	374	381

2 Income from investments (Group)

	Unrestricted funds £'000	Restricted funds £'000	Total 2017/18 £'000	Unrestricted funds £'000	Restricted funds £'000	Total 2016/17 £'000
Bank interest	-	-	-	-	-	-
Dividend income	1	2	3	-	1	1
Total	1	2	3	-	1	1

3 Income from trading activities and expenditure on raising funds (Group)

All income from trading activities and expenditure on raising funds relates to trading and is unrestricted (2016/17 unrestricted).

4 Income from charitable activities (Group)

	Unrestricted funds £'000	Restricted funds £'000	Total 2017/18 £'000	Unrestricted funds £'000	Restricted funds £'000	Total 2016/17 £'000
School fees	15,619	-	15,619	15,743	-	15,743
Membership subscriptions	214	-	214	213	-	213
Print Centre	243	-	243	213	-	213
Catering income	176	-	176	185	-	185
Other income	610	3	613	173	-	173
Total funds	16,862	3	16,865	16,527	-	16,527



5 Expenditure on charitable activities (Group)

	Unrestricted funds £'000	Restricted funds £'000	Total 2017/18 £'000	Unrestricted funds £'000	Restricted funds £'000	Total 2016/17 £'000
Cost of charitable activities						
. School expenses	15,180	85	15,265	14,967	176	15,143
. Member services	242	-	242	181	-	181
. Book and slide library	497	-	497	526	-	526
. Print Centre (formerly drawing materials shop)	314	-	314	311	-	311
. Publications and print studio	581	-	581	691	-	691
. Exhibitions	170	-	170	351	-	351
. Catering	478	-	478	461	-	461
. Trust fund awards	-	241	241	-	203	203
Total funds	17,462	326	17,788	17,488	379	17,867

Included in school expenses above:

	Total 2017/18 £'000	Total 2016/17 £'000
Interest payable and similar charges		
. Long term loan interest	62	67
. Mortgage loan interest	53	63
. Hire purchase loan interest	3	5

6 Staff costs (Group)

Staff costs during the year were as follows:

	2017/18 £'000	2016/17 £'000
Wages and salaries	7,748	7,240
Social security costs	693	683
Pension costs	415	385
	8,856	8,308
Redundancy costs	178	-
Total	9,034	8,308

The average number of employees for the year, including full time equivalents (FTE) was:

	2017/18 FTE	2017/18 No.	2016/17 FTE	2016/17 No.
Academic staff	65	168	57	146
Non-academic staff	108	118	104	112
Publications staff	2	2	3	3
	175	288	164	261

**6 Staff costs (continued)**

The number of employees with emoluments (including taxable benefits but excluding employer's national insurance and pension contributions) within the following ranges was:

	Total 2017/18 No	Total 2016/17 No
£60,001 – £70,000	8	6
£70,001 – £80,000	4	6
£80,001 – £90,000	3	2
£90,001 – £100,000	1	1
£110,001 – £120,000	1	-
£120,001 – £130,000	1	-
£170,001 – £180,000	-	1

Contributions of £75,000 (2016/17 £83,000) were also made to a personal pension scheme in respect of higher paid staff. These contributions were in respect of 13 employees (2016/17 13).

The key management personnel of the charity in charge of directing and controlling, running and operating the charity on a day to day basis comprised the Council members, the Director and the Senior Management Team. The total remuneration (including taxable benefits, employer's national insurance and pension contributions) of the key management personnel for the year was £877,000 (2016/17 £893,000).

No trustees received any remuneration for their duties as a trustee from the group or charity during the year (2016/17 none). As permitted under Article 6(b) of the AA's Articles of Association, three trustees were in receipt of remuneration from the AA during the year. The total paid in respect of such trustees was £197,352 calculated as the aggregate of salary, pension contribution and employers national insurance contributions.

Travel and subsistence expenses reimbursed to two members of the Council amounted to £1,922 (2016/17 £326).

7 Net income (expenditure) for the year (Group)

Net income (expenditure) for the year is stated after charging:

	Total 2017/18 £'000	Total 2016/17 £'000
Depreciation		
· Freehold buildings	42	40
· Long leaseholds	109	108
· Other tangible fixed assets	276	319
Auditor's remuneration		
· Statutory audit	43	42
· Other services	17	8
Operating leases	1,867	1,868



8 Properties (Group and Charity)

Freehold land and buildings – Hooke Park

Group and charity	Land £'000	Buildings £'000	Assets under construction £'000	Total £'000
Cost or deemed cost				
At 1 August 2017	600	1,990	108	2,698
Additions	-	41	48	89
At 31 July 2018	600	2,031	156	2,787
Depreciation				
At 1 August 2017	-	152	-	152
Charge for the year	-	42	-	42
At 31 July 2018	-	194	-	194
Net book value				
At 31 July 2018	600	1,837	156	2,593
At 31 July 2017	600	1,838	108	2,546

During the year ended 31 July 2011 the freehold land and buildings had been valued by Savills Commercial Ltd, Chartered Surveyors, on an existing use basis at a value of £800,000. As permitted under FRS 102, this has been treated as the deemed cost as at 1 August 2014.

Long leaseholds

	34-36 Bedford Square		37 Bedford Square	39 Bedford Square	Assets under construction	Total
Group and charity	Restricted fund £'000	Unrestricted fund £'000	Unrestricted fund £'000	Unrestricted fund £'000	Unrestricted fund £'000	£'000
Cost or deemed cost						
At 1 August 2017	540	9,072	1,500	775	305	12,192
Additions	-	46	-	-	2,932	2,978
At 31 July 2018	540	9,118	1,500	775	3,237	15,170
Depreciation						
At 1 August 2017	29	466	81	42	-	618
Charge for the year	5	83	14	7	-	109
At 31 July 2018	34	549	95	49	-	727
Net book value						
At 31 July 2018	506	8,569	1,405	726	3,237	14,443
At 31 July 2017	510	8,607	1,419	733	305	11,574

During the year ended 31 July 2011, the long leasehold interests had been valued by Savills Commercial Limited, Chartered Surveyors, on an existing use basis. As permitted under FRS 102, this has been treated as the deemed cost as at 1 August 2014.

The assets under construction represent the DPL project, which was substantively completed in September 2018. This project, approved in 2016, was funded by a £1.3m donation via the AAF, with the balance from reserves.

**9 Other tangible fixed assets (Group and Charity)**

	Furniture, fittings and equipment £'000	Archives £'000	Library books collection £'000	Slide and video library £'000	Total £'000
Cost or deemed cost					
At 1 August 2017	3,147	280	1,660	1,849	6,936
Additions	132	-	-	-	132
At 31 July 2018	3,279	280	1,660	1,849	7,068
Depreciation					
At 1 August 2017	2,346	-	-	-	2,346
Charge for the year	276	-	-	-	276
At 31 July 2018	2,622	-	-	-	2,622
Net book value					
At 31 July 2018	657	280	1,660	1,849	4,446
At 31 July 2017	801	280	1,660	1,849	4,590

The net book value of plant and machinery included £107,000 (2017: £103,000) in respect of assets held under hire purchase agreements. The amount of depreciation charged for the year in respect of such assets amounted to £74,000 (2017: £56,000).

In July 2014 the library books had been valued at £1,660,000 by The Fine Arts Auction Group.

In July 2013 the net realisable value of the slide and video library had been determined by RIBA British Architectural Library at £1,849,000.

In October 2013 the archives had been valued by Bonhams Auctioneers giving a net realisable value of £280,000.

As permitted under FRS 102, these valuations have been treated as the deemed cost as at 1 August 2014.



10 Investments

Listed investments

	2018 £'000	2016/17 £'000
Group and charity		
Market value at 1 August 2017	71	55
Net unrealised investment (losses) gains	(8)	16
Market value at 31 July 2018	63	71
Historical cost at 31 July 2018	6	6

The following listed investments are considered to be material within the Association's investment portfolio:

	2018 £'000
JPM UK Strategy Income Fund	49

Investments in subsidiary undertakings

	£'000
Charity	
Market value and historical cost at 1 August 2017 and 31 July 2018	50

The fixed asset investment in subsidiary undertakings represents the charitable company's holding in its wholly owned subsidiaries as follows:

Subsidiary undertaking	Principal activities
Architectural Association Publications Limited	Sale and distribution of publications
Hooke Park Educational Trust	Dormant

The results of Architectural Association Publications Limited (company registration number 2475416) are summarised below:

	2017/18 £'000	2016/17 £'000
Turnover	509	866
Cost of sales	(265)	(651)
Gross profit	244	215
Distribution costs	(52)	(59)
Administrative expenses	(150)	(154)
Operating profit	42	2
Gift aid payable	(42)	(2)
Retained profit	-	-
Capital and reserves	50	50

**11 Stock**

	Group		Charity	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Publications stock	406	407	-	-
Bookshop stock	95	107	-	-
Print Centre	9	9	9	9
Catering	3	3	3	3
Digital Prototyping Lab (DPL)	18	18	18	18
	531	544	30	30

12 Debtors

	Group		Charity	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Due within one year				
Trade debtors	174	172	159	150
Other debtors	544	91	511	64
Prepayments and accrued income	1,081	731	1,081	731
Amount due from subsidiary undertaking	-	-	684	711
Amount due from Architectural Association Foundation	-	115	-	115
	1,799	1,109	2,435	1,771

Accrued income includes £380,000 to be invoiced in full to the AAF for the DPL project.

13 Creditors: Amounts falling due within one year

	Group		Charity	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Trade creditors	396	395	396	377
Deposits from students and fees in advance	6,400	5,174	6,400	5,174
Other creditors and accruals	1,438	694	1,442	684
Mortgage loans	125	114	125	114
Long term loan	200	193	200	193
Other taxes and social security costs	235	202	235	202
	8,794	6,772	8,798	6,744

14 Creditors: Amounts falling due after more than one year

	Group		Charity	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Mortgage loans	422	546	422	546
Long term loan	1,641	1,841	1,641	1,841
Deposits from students	4,306	4,273	4,306	4,273
Other creditors	-	147	-	147
	6,369	6,807	6,369	6,807

Excepting mortgage and long term loans, all debts are due to be repaid in less than 5 years.



14 Creditors: Amounts falling due after more than one year (continued)

Mortgages

During the year ended 31 July 1997, the Association raised funds for the purchase of the lease on the 34-36 Bedford Square premises. An element of the funding for this purchase was in the form of a mortgage secured on the property. The mortgage is repayable over a period of 25 years from May 1997 and the interest is charged at a fixed rate of 9.44% per annum.

During the year ended 31 July 2001, the Association had raised funds for the purchase of the lease on the 37 Bedford Square premises. An element of the funding for this purchase was in the form of a mortgage secured on the property. The mortgage is repayable over a period of 22 years from September 2000 and interest is charged at a fixed rate of 6.88% per annum.

Long term loan

In December 2012, the Association had taken a £2,600,000 long term loan to fund the initial phase of its master plan. This is secured over the Association's freehold and leasehold properties, and is repayable over fifteen years from January 2013 by monthly instalments (including interest) of £18,338. The interest rate is set at 2.8% above the base rate for the term of the loan.

Analysis of debt maturity (Group and Charity)

	2018 £'000	2017 £'000
Amounts payable for mortgage and long term loans		
Between one and two years	328	325
Between two and five years	827	969
In five years or more	903	1,093
	2,058	2,387
In one year or less	325	307
	2,383	2,694

15 Lease commitments - group and charity

The charity has commitments in respect of land and building leases falling due as follows:

	2018 £'000	2017 £'000
Within one year	2,257	2,098
Between two and five years	9,029	8,392
Between five and ten years	11,287	10,489
	22,573	20,979

These consist of a number of leases of different lengths, the longest of which expire in 2122 with rent payable throughout the period of the leases.

**16 Capital commitments (Group and Charity)**

The charity has commitments in respect of capital projects falling due as follows:

	2018 £'000	2017 £'000
Within one year	1,012	-

This represents DPL project costs not accrued as at the year-end. These costs will in part be funded by grants expected from the AA Foundation of approximately £200,000.

17 Analysis of net assets by funds (Group)

	General & revaluation reserves £'000	Restricted funds £'000	Total funds £'000
Freehold properties	2,593	-	2,593
Long leasehold properties	13,219	1,224	14,443
Other tangible fixed assets	4,446	-	4,446
Investments	-	63	63
Net current (liabilities) assets	(2,727)	576	(2,151)
Creditors falling due after more than one year	(6,369)	-	(6,369)
Pension liability	(464)	-	(464)
	10,698	1,863	12,561

18 Restricted funds (Group)

	At 1 August 2017 £'000	Income £'000	Expen- diture £'000	Invest- ment losses £'000	At 31 July 2018 £'000
John Dennys Memorial Fund	98	-	-	(8)	90
Long Leasehold Fund	511	-	(5)	-	506
Hooke Park Fund	169	-	-	-	169
AA Foundation (DPL Fund)	-	1,098	-	-	1,098
Miscellaneous School Activities Fund	-	321	(321)	-	-
Total restricted funds	778	1,419	(326)	(8)	1,863

Further details of restricted funds are as follows:

- John Dennys Memorial Fund – To further the study of architecture by endowing an annual visiting lectureship.
- Long Leasehold Fund – Donations towards the purchase of the lease for 34-36 Bedford Square.
- Hooke Park Fund – To improve facilities for students at Hooke Park, Dorset. The fund was initially created by two generous legacies.
- DPL Fund – represented by donations from the AAF towards the DPL project.
- Miscellaneous School Activities Fund – Sponsorship for specific teaching programmes.



19 Revaluation reserve

Group and charity	£'000
Balance as at 1 August 2017 and 31 July 2018	9,635

This relates to the revaluation of leasehold properties, library collections etc in 2013 or earlier.

20 Pension schemes

Defined benefit scheme

The Association operates a defined benefit plan, which is closed to any future accruals, The Architectural Association (Incorporated) Staff Retirements Benefits Plan.

The contributions are determined on the basis of triennial valuations by a qualified actuary using the defined accrued benefit method. The pension cost amounted to £131,000 (2016/17 £131,000), being the deficit funding contribution.

The most recent triennial valuation was as at 31 July 2015 and showed the market value of the scheme's assets was £3,512,000 and that the ongoing funding level was 79%. The assumptions which have the most significant effect on the results of the valuation are as follows:

- RPI 3.4%
- CPI 2.4%
- Increases to pensions in payments 3.2%

The following information is based upon a full actuarial valuation of the scheme at 31 July 2015, updated to 31 July 2018 by a qualified independent actuary using the FRS 102 guidelines.

The next triennial valuation will be at 31 July 2018 and will be completed in 2019.

Employee benefit obligations

The amounts recognised in the balance sheet are as follows:

	2018 £'000	2017 £'000
Present value of funded obligations	4,029	4,488
Fair value of scheme assets	(3,565)	(3,789)
Deficit in scheme	464	699

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

	2017/18 £'000	2016/17 £'000
Interest on pension plan obligations	111	104
Return on plan assets	(94)	(87)
Total interest expense	17	17

**20 Pension schemes (continued)*****Defined benefit scheme (continued)***

The changes in the pension deficit are as follows:

	2017/18 £'000	2016/17 £'000
Opening pension deficit	(699)	(767)
Net interest	(17)	(17)
Actuarial gain (loss)	121	(46)
Employer contributions	131	131
Closing pension deficit	(464)	(699)

Changes in the present value of the defined benefit obligation are as follows:

	2017/18 £'000	2016/17 £'000
Opening defined benefit obligation	4,488	4,379
Interest cost	111	104
Actuarial (gain) loss	(100)	79
Benefits paid	(76)	(74)
Transfers	(394)	—
Closing defined benefit obligation	4,029	4,488

Changes in the fair value of plan assets are as follows:

	2017/18 £'000	2016/17 £'000
Opening fair value of plan assets	3,789	3,612
Return on assets	94	87
Actuarial gain	21	33
Employer contributions	131	131
Transfers	(394)	—
Benefits paid	(76)	(74)
Closing fair value of plan assets	3,565	3,789

The Association expects to contribute £131,000 to the plan in 2018/19.

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

	2018 %	2017 %
Gilts	19%	19%
Property	7%	6%
Cash	1%	3%
Diversified Growth Fund	73%	72%
	100%	100%



20 Pension schemes (continued)

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2018 %	2017 %
Discount rate	2.7%	2.6%
Rate of increase of pensions in payment	2.4%	2.4%
Rate of increase of pensions in deferment	2.4%	2.4%
Inflation assumption	3.4%	3.4%

The Trustees have based the mortality assumption on the latest published mortality tables.

Group personal pension scheme

With effect from 1 August 2007, the Association had opened a Group Personal Pension Scheme with Scottish Widows which transferred to Aegon in 2012. The employer's contribution rates vary depending upon the employees' length of service. The pension cost charge amounted to £140,000 (2016/17 £165,000) representing the Association's contributions payable for the year.

As from 1 April 2014 an Auto Enrolment Pension Scheme had commenced with Aegon. The pension cost charge this year amounted to £275,000 (2016/17 £259,000) representing the Association's contributions payable for the year.

21 Limited by guarantee

The charitable company's liability is limited by the guarantees of its registered members. Each registered member has agreed to accept a liability not exceeding £1 should the company be wound up. At 31 July 2018 the total of such guarantees amounted to £18 (2017 £18).

22 Related party transactions

During the year, the charity provided services of £47,000 (2016/17: £48,000) and purchased goods and services totalling £375,000 (2016/17 – £391,000) from Architectural Association Publications Limited, a wholly owned subsidiary.

During the year, the charity received one grant of £241,000 (2016/17 – £204,000) from the Architectural Association Foundation, a charity registered in England and Wales (Charity Number 328455) to help fund the studies of individuals through bursaries and scholarships, and donations totalling of £1,098,000.

The charity also made a payment to the Architectural Association Foundation of £102,000 (2016/17 £99,000) under the terms of an agreement dated 1997.

The amounts due from the Architectural Association Foundation and Architectural Association Publications Limited as at 31 July 2018 are shown in note 12.