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FORM AR27

Trade Union and Labour Relations (Consolidation) Act 1992

ANNUAL RETURN FOR AN EMPLOYERS' ASSOCIATION

Name of Employers' Association:

Year ended:

List No:

Head or Main Office:

Website address (if available)

Has the address changed during the year to which the return relates? Yes No (Tick as appropriate)

General Secretary:

Contact name for queries regarding the completion of this return:

Telephone Number:

e-mail:

PLEASE FOLLOW THE GUIDANCE NOTES IN THE COMPLETION OF THIS RETURN.
Any difficulties or problems in the completion of this return should be directed to the Certification Office as below or by telephone to: 020 7210 3734

The address to which returns and other documents should be sent are:

For Employers' Associations based in England and Wales:
Certification Office for Trade Unions and Employers' Associations
22nd Floor, Euston Tower, 286 Euston Road, London NW1 3JJ

For Employers' Associations based in Scotland:
Certification Office for Trade Unions and Employers' Associations
Melrose House, 69a George Street, Edinburgh EH2 2JG

RETURN OF MEMBERS

(see note 9)

NUMBER OF MEMBERS AT THE END OF THE YEAR				
Great Britain	Northern Ireland	Irish Republic	Elsewhere Abroad (including Channel Islands)	TOTALS
383				383

OFFICERS IN POST

(see note 10)

Please attach as an annexe to this form a complete list of all officers in post at the end of the year to which this form relates, with the title of each persons office.

CHANGE OF OFFICERS

Please complete the following to record any changes of officers during the twelve months covered by this return.

Title of Office	Name of Officer ceasing to hold office	Name of Officer Appointed	Date of Change
President Board Member	A Alderman	F McMillan	01 August 2011 31 January 2012
Board Member Board Member	P Bacon	F Donohue	31 December 2011 01 April 2011
Board Member Board Member	C Morecroft	P Ryder	28 September 2011 01 April 2011
Board Member Secretary	J Wilkinson D Stych		31 December 2011 31 May 2011
Secretary		N Lucas	08 June 2011

REVENUE ACCOUNT/GENERAL FUND

(see notes 11 to 16)

Previous Year		£	£
	INCOME		
	From Members Subscriptions, levies, etc		
	Investment income Interest and dividends (gross) Bank interest (gross) Other (specify)		
	Other income Rents received Insurance commission Consultancy fees Publications/Seminars Miscellaneous receipts (specify)		
	TOTAL INCOME		
	EXPENDITURE		
	Administrative expenses Remuneration and expenses of staff Occupancy costs Printing, Stationery, Post Telephones Legal and Professional fees Miscellaneous (specify)		
	Other charges Bank charges Depreciation Sums written off Affiliation fees Donations Conference and meeting fees Expenses Miscellaneous (specify)		
	Taxation		
	TOTAL EXPENDITURE		
	Surplus/Deficit for year		
	Amount of fund at beginning of year		
	Amount of fund at end of year		

ACCOUNTS OTHER THAN THE REVENUE ACCOUNT/GENERAL FUND

(see notes 17 to 18)

ACCOUNT 2		Fund Account	
Name of account:		£	£
Income	From members Investment income Other income (specify)		
	Total Income		
Expenditure	Administrative expenses Other expenditure (specify)		
	Total Expenditure		
	Surplus (Deficit) for the year		
	Amount of fund at beginning of year		
	Amount of fund at the end of year (as Balance Sheet)		

ACCOUNT 3		Fund Account	
Name of account:		£	£
Income	From members Investment income Other income (specify)		
	Total Income		
Expenditure	Administrative expenses Other expenditure (specify)		
	Total Expenditure		
	Surplus (Deficit) for the year		
	Amount of fund at beginning of year		
	Amount of fund at the end of year (as Balance Sheet)		

ACCOUNTS OTHER THAN THE REVENUE ACCOUNT/GENERAL FUND

(see notes 17 to 18)

ACCOUNT 4		Fund Account	
Name of account:		£	£
Income	From members		
	Investment income		
	Other income (specify)		
		Total Income	
Expenditure	Administrative expenses		
	Other expenditure (specify)		
			Total Expenditure
		Surplus (Deficit) for the year	
		Amount of fund at beginning of year	
		Amount of fund at the end of year (as Balance Sheet)	

ACCOUNT 5		Fund Account	
Name of account:		£	£
Income	From members		
	Investment income		
	Other income (specify)		
		Total Income	
Expenditure	Administrative expenses		
	Other expenditure (specify)		
			Total Expenditure
		Surplus (Deficit) for the year	
		Amount of fund at beginning of year	
		Amount of fund at the end of year (as Balance Sheet)	

ACCOUNTS OTHER THAN THE REVENUE ACCOUNT/GENERAL FUND

(see notes 17 to 18)

ACCOUNT 6		Fund Account	
Name of account:		£	£
Income	From members Investment income Other income (specify)		
	Total Income		
Expenditure	Administrative expenses Other expenditure (specify)		
	Total Expenditure		
	Surplus (Deficit) for the year		
	Amount of fund at beginning of year		
	Amount of fund at the end of year (as Balance Sheet)		

ACCOUNT 7		Fund Account	
Name of account:		£	£
Income	From members Investment income Other income (specify)		
	Total Income		
Expenditure	Administrative expenses Other expenditure (specify)		
	Total Expenditure		
	Surplus (Deficit) for the year		
	Amount of fund at beginning of year		
	Amount of fund at the end of year (as Balance Sheet)		

FIXED ASSETS ACCOUNT

(see note 21)

	Land & Buildings	Fixtures & Fittings	Motor Vehicles & Equipment	Total
	£	£	£	£
COST OR VALUATION				
At start of period				
Additions during period				
Less: Disposals during period				
Less: DEPRECIATION:				
Total to end of period				
BOOK AMOUNT at end of period				
Freehold				
Leasehold (50 or more years unexpired)				
Leasehold (less than 50 years unexpired)				
AS BALANCE SHEET				

ANALYSIS OF INVESTMENTS

(see note 22)

		Other Funds £
QUOTED	British Government & British Government Guaranteed Securities	
	British Municipal and County Securities	
	Other quoted securities (to be specified)	
	TOTAL QUOTED (as Balance Sheet)	
	*Market Value of Quoted Investments	
UNQUOTED	British Government Securities	
	British Municipal and County Securities	
	Mortgages	
	Other unquoted securities (to be specified)	
	TOTAL QUOTED (as Balance Sheet)	
	*Market Value of Unquoted Investments	

* Market value of investments to be stated where these are different from the figures quoted in the balance sheet

ANALYSIS OF INVESTMENT INCOME (CONTROLLING INTERESTS)

(see notes 23 to 25)

Does the association, or any constituent part of the association, have a controlling interest in any limited company?		YES	NO
If YES name the relevant companies:			
COMPANY NAME	COMPANY REGISTRATION NUMBER (if not registered in England & Wales, state where registered)		
INCORPORATED EMPLOYERS' ASSOCIATIONS			
Are the shares which are controlled by the association registered in the association's name		YES	NO
If NO, please state the names of the persons in whom the shares controlled by the association are registered.			
COMPANY NAME	NAMES OF SHAREHOLDERS		
UNINCORPORATED EMPLOYERS ASSOCIATIONS			
Are the shares which are controlled by the association registered in the names of the association's trustees?		YES	NO
If NO, state the names of the persons in whom the shares controlled by the association are registered.			
COMPANY NAME	NAMES OF SHAREHOLDERS		

SUMMARY SHEET

(see notes 26 to 35)

	All funds except Political Funds £	Political Funds £	Total Funds £
INCOME			
From Members	4,827,263		4,827,263
From Investments	78,230		78,230
Other Income (including increases by revaluation of assets)	3,779,444		3,779,444
Total Income	8,684,937		8,684,937
EXPENDITURE (including decreases by revaluation of assets)	11,858,523		11,860,480
Total Expenditure	11,858,823		11,860,480
Funds at beginning of year (including reserves)	421,461		421,461
Funds at end of year (including reserves)	(2,752,125)		(2,754,082)
ASSETS			
Fixed Assets			137,195
Investment Assets			100
Other Assets			12,438,335
		Total Assets	12,575,630
LIABILITIES		Total Liabilities	15,329,712
NET ASSETS (Total Assets less Total Liabilities)			(2,754,082)

NOTES TO THE ACCOUNTS

(see note 36)

All notes to the accounts must be entered on or attached to this part of the return.

Please see Directors' Report and Financial Statement for the Year Ended 31st March 2012.

ACCOUNTING POLICIES

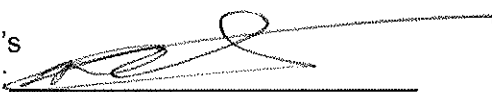
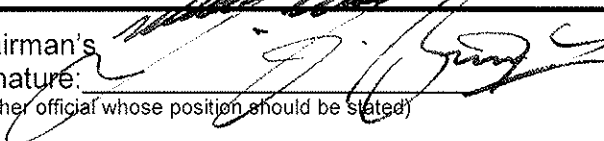
(see notes 37 and 38)

Please see Directors' Report and Financial Statement for the Year Ended 31st March 2012.

SIGNATURES TO THE ANNUAL RETURN

(see notes 39 and 40)

including the accounts and balance sheet contained in the return.

Secretary's Signature: 	Chairman's Signature:  <small>(or other official whose position should be stated)</small>
Name: N Lucas _____	Name: J Bingham _____
Date: 6 th September 2012	Date: 5 th September 2012

CHECK LIST

(see note 41)

(please tick as appropriate)

IS THE RETURN OF OFFICERS ATTACHED? (see Page 3)	YES	✓	NO	
HAS THE RETURN OF CHANGE OF OFFICERS BEEN COMPLETED? (see Page 3)	YES	✓	NO	
HAS THE RETURN BEEN SIGNED? (see Note 38)	YES	✓	NO	
HAS THE AUDITOR'S REPORT BEEN COMPLETED (see Note 39)	YES	✓	NO	
IS A RULE BOOK ENCLOSED? (see Note 40)	YES	✓	NO	
HAS THE SUMMARY SHEET BEEN COMPLETED (see Notes 6 and 25 to 34)	YES	✓	NO	

AUDITOR'S REPORT

(see notes 42 to 47)

made in accordance with section 36 of the Trade Union and Labour Relations (Consolidation) Act 1992.

1. In the opinion of the auditors or auditor do the accounts they have audited and which are contained in this return give a true and fair view of the matters to which they relate?
(See section 36(1) and (2) of the 1992 Act and notes 43 and 44)

YES/~~NO~~

If "No" please explain below.

2. Have the auditors or auditor carried out such investigations in the preparation of their audit report as will enable them to form an opinion as to:
- (a) whether the trade union has kept proper accounting records in accordance with section 28 of the 1992 Act;
 - (b) whether it has maintained a satisfactory system of control over its transactions in accordance with the requirements of that section; and
 - (c) whether the accounts to which the report relates agree with the accounting records?
- (See section 36(3) of the 1992 Act, set out in note 43)

YES/~~NO~~

If "No" please explain below.

3. Are the auditors or auditor of the opinion that the union has complied with section 28 of the 1992 Act and has:
- (a) kept proper accounting records with respect to its transactions and its assets and liabilities; and
 - (b) established and maintained a satisfactory system of control of its accounting records, its cash holding and all its receipts and remittances.
- (See section 36(4) of the 1992 Act set out in note 43)

YES/~~NO~~

If "No" please explain below.

4. Please set out a copy of the report made by the auditors or auditor to the union on the accounts to which this AR27 relates. The report is to set out the basis upon which the audit has been conducted and/or such other statement as the auditor considers appropriate. Such a statement may be provided as a separate document.
(See note 45)

AUDITOR'S REPORT (continued)

Please see Directors' Report and Financial Statement for the Year Ended 31st March 2012.

Signature(s) of auditor or auditors:	<i>Baker Tilly UK Audit LLP</i>	
Name(s):	<i>Baker Tilly UK Audit LLP</i>	
Profession(s) or Calling(s):	<i>Chartered Accountants</i>	Statutory Auditor
Address(es):	<i>25 Farringdon Street London EC4A 4AB</i>	
Date:	<i>5 OCTOBER 2012</i>	
Contact name and telephone number:	<i>SUDHIA SINGH 020 3201 8659</i>	

N.B. When notes to the accounts are referred to in the auditor's report a copy of those notes must accompany



**Association of Colleges
(Limited by guarantee)**

**Directors' report and
financial statements
for the year ended
31 March 2012**

Registered number: 3216271

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Directors and Advisers

Non-Executive Directors – and committees served on

Chair:	J F Bingham – AoC Create, ACT, GC, F&GP & RC	
President & Vice-Chair:	F McMillan (from 01 August 2011)	
Deputy-Chair:	R Atkins – AC, EC, RC	
Directors:	A G Alderman – AoC Create, EC, F&GP, GC & RC	Resigned 31 January 2012
	J Allen – F&GP	
	P Bacon – AoC Create, RC	Resigned 31 December 2011
	N Cave – AoC Create, EC	
	K Clifford – AoC Create, RC	
	S Dicketts – EC	
	N A Hopkins – AC	
	F Donohue – AoC Create	Appointed 01 April 2011
	T Jackson – AC	
	A Khemka – EC	
	C Morecroft	Resigned 28 September 2011
	R Morris – EC, GC	
	A O'Donoghue - EC	
	H Pegg – F&GP, RC	
	D Roberts – AoC Create, F&GP, RC	
	P Ryder	Appointed 01 April 2011
	C Stott – AC, AoC Create, GC, RC	
	G Trow – AC	
	M White – F&GP, GC, RC	
	J F Widdowson – F&GP, RC	
	J Wilkinson – F&GP, GC	Resigned 31 December 2011
	A P Wilson – AC, EC	

Executive Directors

CEO:	M Doel – AoC Create, ACT, GC & F&GP	
Finance:	P J Brophy – AoC Create, ACT, GC & F&GP	
Secretary:	D Stych	Resigned 31 May 2011
	N Lucas	Appointed 08 June 2011

Committees – AoC Create Ltd (AoC Create), AoC Charitable Trust (ACT), Audit Committee (AC), Employment Committee (EC), Finance and General Purposes (F&GP), The Governors' Council (GC), Remuneration Committee (RC).

Registered Office

2 – 5 Stedham Place
London
WC1A 1HU

Registered Auditor

Baker Tilly UK Audit LLP
Registered Auditor
Chartered Accountants
25 Farringdon Street
London
EC4A 4AB

Solicitors

Mills & Reeve
1 St. James' Court
Whitefriars
Norwich
NR3 1RU

Bankers

Barclays Bank PLC
28th Floor, 1 Churchill Place
Canary Wharf
London
E14 5HP

Internal Auditor

Grant Thornton UK LLP
Melton Street
Euston Square
London
NW1 2EP

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 March 2012. Details of the subsidiaries are provided in the Directors' Report and Note 10 of the accounts.

Principal Activities

The Association of Colleges (AoC) was created in 1996 as the single voice to promote the interests of incorporated further education and sixth form colleges in England and Wales.

AoC exists as the essential, influencing voice of colleges in order to:

- develop and promote an environment in which Colleges can flourish;
- ensure that Colleges are recognised as major contributors to the economic and social prosperity of the nation;
- champion and promote Colleges as central to the development of people, skills and knowledge for the nation;
- support the governors and governing bodies of College Corporations through the establishment of the Governors' Council to sustain and develop good governance practices throughout the sector.

AoC exists to represent and promote the interests of Colleges and to provide members with professional support services. Our work over the past year, in partnership with members, has included:

Influencing Government and agencies

- A campaign led to a complete reversal of proposed Government action to limit funding of qualifications in English for Speakers of Other Languages. AoC was asked to work on the outcomes of this change and also secured £10m for, in the main, Colleges from the Department for Communities and Local Government to fund informal language learning.
- AoC have been proactive in ensuring Ministers and Government Officials are aware of the excellent work that Colleges undertake in support of unemployed people. Our publication 'Back to Work: Colleges Supporting Sustainable Jobs', along with our supporting survey results, helped ensure Ministers did not make any dramatic alterations to policy; this has helped encourage a positive view towards further flexibilities for Colleges.
- Ensure the Department for Education established an Implementation Group, comprising College principals, to drive forward direct recruitment to Colleges at age 14.
- Successful lobbying for more Direct Funding for College HE student numbers – over 10,000 extra places successfully achieved by the College sector.

Securing a strong Parliamentary and media reputation

- Lobbying on the Education Bill as it was considered by both the Commons and the Lords including assurances around careers advice, freedoms and flexibilities for College governing bodies and the rules on opening new Free Schools.
- Working with Lib Dem members of the House of Lords in seeking to persuade Government that Further Education Colleges should have identical access to criminal record data when appointing new staff.
- Continuing to grow AoC's profile in Parliament through regular meetings and briefings with MPs of all Parties.

Results

Association of Colleges

The Board reports the outturn for the financial year ending 31 March 2012, which is a deficit of £107,382 before tax, adjustments in the accounts of the FRS17 reporting requirements, and after contributing £63,000 towards the LPFA deficit in the year. This deficit is 1% of the AoC turnover. A dividend has been received from AoC Create Ltd of £100,000.

In line with the Board's previously stated intention to have reserves that would enable the Association to meet all potential liabilities including those off balance sheet, further very strict monitoring and control of expenditure will continue for the foreseeable future to significantly increase the reserves.

In addition, the Association, in line with all companies, has to comply in full with the reporting requirements of FRS17 and has done so with the impact duly reported as required.

The London Pension Fund Authority (LPFA) deficit is reported on later in this report and the Board, whilst complying with the FRS17 requirements, believes that the pension deficit as reported by the LPFA better reflects the true liabilities faced by the Association rather than those reported under FRS17 requirements. As such the Association continues to make additional contributions as required by the LPFA towards its deficit.

During the year the Association of Colleges made a donation of £53,500 regarding the Beacon Awards to the AoC Charitable Trust. A further donation of £15,000 was made from the procurement and shared services projects to support the smarter procurement award.

Future Developments

The AoC will continue to promote the interests of further education and sixth form Colleges and will seek to bid for further project work in support of those Colleges.

Subsidiary Company

As reported in Note 10 to the accounts, the Association has a trading subsidiary company, AoC Create Ltd, providing distinct services to the sector.

AoC Create Ltd

The principal activity of the company is to provide the best range of highest quality, best value-for-money services needed by further education and associated sectors in England and Wales. These activities include conference, recruitment, training and consultancy services. The Board reports a surplus of £96,000 before the dividend payment and taxation for the year ended 31 March 2012.

AoC Charitable Trust

In addition to the trading subsidiary, the Association manages the AoC Charitable Trust. The Trust is devoted to raising funds and overseeing their application for the benefit of post-16 education. The trust has, since 1994, been administering the annual Beacon Awards. The aim of the Awards is to recognise imaginative and exemplary teaching and learning practice in further education; to draw attention to provision which encourages and supports learners to approach challenges positively and creatively; and to support learning and continuous improvement through the dissemination of Award-bearing practice.

The Trustees were pleased to report a satisfactory outturn for the year ended 31 March 2012.

London Pension Fund Authority

As reported in Note 15 to the accounts, the Association's members of staff are eligible to join the London Pension Fund Authority (LPFA) final salary pension scheme. As previously reported, in line with FRS17 requirements the scheme has been under-funded and in deficit for a number of years.

As a result of the tri-annual valuation of the LPFA in March 2010, the trustees of the fund have been required to seek significant contributions from the relevant employing bodies. The Association of Colleges was notified that it was required to contribute an additional £75,000 annually and this additional funding has been budgeted for in full.

Statement of Corporate Governance

The AoC is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the Association has applied the principles set out in the revised *Combined Code on Corporate Governance* issued by the London Stock Exchange in 2010. Its purpose is to help the reader of the accounts understand how the principles have been applied.

In the opinion of the Board, the AoC complies with all the provisions of the Combined Code in so far as they apply to the further education sector, and it has complied throughout the year ended 31 March 2012.

The Board

The members who served on the Board during the year and subsequent to the year-end are listed on page 3.

It is the Board's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The Board is provided with regular and timely information on the overall financial performance of the AoC together with other information such as performance against targets, proposed capital expenditure, quality matters and personnel-related matters. The Board meets every two months.

The Board conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Board. These committees include those for finance and general purposes, remuneration, employment and audit.

The Company Secretary maintains a register of financial and personal interests of Board members and is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. Formal agendas, papers and reports are supplied to Board members in a timely manner, prior to Board meetings. Briefings are also provided on an ad hoc basis. The Board has a strong and independent non-executive element and no individual or group dominates its decision-making process. The Board considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

There is a clear division of responsibility in that the roles of the Chairman and Chief Executive are separate.

Appointments to the Board

The Association of Colleges holds elections to its Board of Management every year, when one third of the regionally elected Board Members are required to retire. Appointments to the Board are for a three-year term of office.

The President

The AoC President is elected to term between the 01 August and 31 July. The role of the President is to represent the needs of the membership and act as the voice of Colleges on behalf of the AoC.

Governors' Council

The Governors' Council aims to reflect the representation achieved by the AoC Board with elected and co-opted Governors from member Colleges. The AoC Chair, President, Chief Executive and Director of Finance are all ex-officio members of the Council.

The Council's vision is to develop and use the experience and expertise of Governors to represent their views in AoC policy formulation and to promote good college governance, thus contributing to the mission of the AoC.

Governors represent a formidable wealth of diverse experience which can be harnessed to shaping and improving the performance of the FE sector. The Governors' Council provides genuine opportunities for Governors to express their views to inform and influence policy makers and partners.

Board Portfolio Groups

The AoC Board nominates portfolio holders to lead policy work in a number of areas such as further education and higher education curricula, sport, funding, quality, international, local government and sustainable futures.

Each portfolio holder convenes a group of College leaders to develop AoC policy positions to reflect College concerns and interests.

Remuneration Committee

Throughout the year ended 31 March 2012, the AoC's remuneration committee comprised ten members of the Board. The committee's responsibilities are to approve proposals regarding remuneration levels for AoC staff and to make recommendations to the Board on the remuneration and benefits of the Chief Executive.

Details of remuneration for the year ended 31 March 2012 are set out in Notes 2 and 3 to the financial statements.

Audit Committee

The Audit Committee comprises eight members of the Board (excluding the Chair, Chief Executive and Director of Finance). The committee operates in accordance with written terms of reference approved by the Board.

The AoC's internal auditors monitor the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the audit committee. External Auditors also meet with the Audit committee and convey their findings accordingly.

Management is responsible for the implementation of agreed audit recommendations and internal audit undertakes periodic follow-up reviews to ensure such recommendations have been implemented.

Finance and General Purposes Committee (F&GP)

The F & GP Committee comprises ten members of the Board with a co-opted member from the Governors' Council, A J Allen. The committee operates in accordance with written terms of reference approved by the Board and oversees the financial and operational matters relating to the Group.

Employment Committee

The Employment Committee comprises nine members of the Board and operates in accordance with written terms of reference approved by the Board. The Committee oversees research and develops national policy guidance for employment in Colleges, as well as negotiating national joint agreements on employment policy and procedure with nationally recognised trade unions.

Principal Risks

A comprehensive risk register is maintained and reviewed on a regular basis by the Audit Committee and the Board. The key risk is the impact of the current government spending cuts and its impact on the Association and its members. The Board is aware of the key risks to the Association and plans accordingly.

Statement as to Disclosure of Information to Auditors

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. The directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Auditors

Baker Tilly UK Audit LLP has indicated its willingness to continue in office. A resolution for the re-appointment of Baker Tilly UK Audit LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board.



P J Brophy
Director of Finance

2 – 5 Stedham Place
London
WC1A 1HU

05 September 2012

Statement of Directors' Responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and the group and the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. state whether all applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the 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 group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report to the Members of Association of Colleges

We have audited the group and parent company financial statements (the "financial statements") on pages 12 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the 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 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

a) Respective responsibilities of directors and auditor

As more fully explained in the Statement of Directors' Responsibilities set out on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent company's affairs as at 31 March 2012 and of the group's loss 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.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Baker Tilly UK Audit LLP

SUDHIR SINGH (Senior Statutory Auditor)

For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor

Chartered Accountants

25 Farringdon Street

London

EC4A 4AB

12 September 2012

Profit and Loss Account
for the year ended 31 March 2012

	Notes	31 March 2012		31 March 2011	
		Group £	Company £	Group £	Company £
Turnover		16,110,062	11,606,709	13,169,781	8,681,025
Cost of sales	4	<u>(12,178,658)</u>	<u>(8,703,971)</u>	<u>(8,742,201)</u>	<u>(5,281,801)</u>
Gross profit		3,931,404	2,902,738	4,427,580	3,399,224
Admin expenses	5	<u>(4,070,025)</u>	<u>(3,137,350)</u>	<u>(3,568,265)</u>	<u>(2,689,216)</u>
Operating (deficit)/profit		(138,621)	(234,612)	859,315	710,008
Interest receivable or investment income	6	<u>79,064</u>	<u>178,230</u>	<u>(173,370)</u>	<u>324,087</u>
(Deficit)/Profit on ordinary activities before taxation		(59,557)	(56,382)	685,945	1,034,095
Tax on profit on ordinary activities	7	<u>(42,826)</u>	<u>(19,159)</u>	<u>(29,789)</u>	<u>2,014</u>
Retained (deficit)/profit for the financial year	13	(102,383)	(75,541)	656,156	1,036,109

The deficit for the year arises from the company's continuing operations.

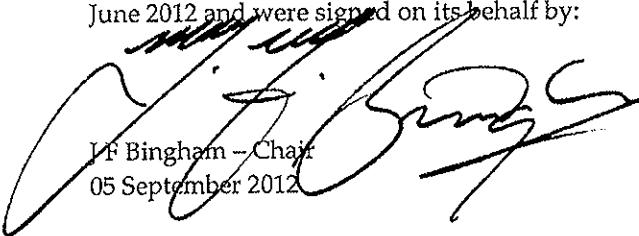
Statement of Total Recognised Gains and Losses
for the year ended 31 March 2012

	Notes	31 March 2012		31 March 2011	
		Group £	Company £	Group £	Company £
Retained surplus for the period		(102,383)	(75,541)	656,156	1,036,109
Actuarial (loss) / surplus on defined benefit pension scheme	15	(3,100,000)	(3,100,000)	2,719,000	2,719,000
Total recognised (losses) / gains for the period		(3,202,383)	(3,175,541)	3,375,156	3,755,109

Balance Sheet
as at 31 March 2012

	Notes	31 March 2012		31 March 2011	
		Group £	Company £	Group £	Company £
Fixed assets					
Tangible fixed assets	9	160,644	137,195 ✓	212,795	174,578
Investments	10	-	100 ✓	-	100
		<u>160,644</u>	<u>137,295</u>	<u>212,795</u>	<u>174,678</u>
Current assets					
Debtors	11	2,770,823	1,913,614	1,718,706	857,337
Cash in bank and in hand		<u>10,581,019</u>	<u>10,524,721</u>	<u>14,994,689</u>	<u>14,990,757</u>
		13,351,842	12,438,335 ✓	16,713,395	15,848,094
Creditors: amounts falling due within one year	12	10,963,335	10,184,712	14,223,656	13,505,311
Net current assets		2,388,507	2,253,623	2,489,739	2,342,783
Net assets excluding pensions liability		2,549,151	2,390,918	2,702,534	2,517,461
Pensions liability	15	(5,145,000)	(5,145,000)	(2,096,000)	(2,096,000)
Net assets including pensions liability		(2,595,849)	(2,754,082)	606,534	421,461
Accumulated reserve	13	(2,595,849)	(2,754,082)	606,534	421,461

The financial statements on pages 12 – 27 were approved and authorised for issue by the Board of Directors on 07 June 2012 and were signed on its behalf by:


JF Bingham – Chair
05 September 2012

Cash Flow Statement <i>for the year ended 31 March 2012</i>					
	Note	31 March 2012		31 March 2011	
		£ Group	£ Company	£ Group	£ Company
Cash flow from operating activities	14a	(4,344,263)	(4,529,014)	10,419,101	10,142,220
Returns on investments and servicing of finance	14b	73,064	172,230	29,630	527,087
Taxation		(42,826)	(19,159)	(29,788)	2,014
Capital expenditure and financial investment	14b	<u>(99,645)</u>	<u>(90,093)</u>	<u>(91,303)</u>	<u>(68,517)</u>
(Decrease)/increase in cash in the period	14c	<u>(4,413,670)</u>	<u>(4,466,036)</u>	<u>10,327,640</u>	<u>10,602,804</u>

Reconciliation of Net Cash Flow to Movement in Net Funds					
	Note	31 March 2012		31 March 2011	
		Group £	Company £	Group £	Company £
Changes in net funds resulting from cash flows					
Increase in cash in the period	14c	(4,413,670)	(4,466,036)	10,327,640	10,602,804
Net funds at 01 April	14d	<u>14,994,689</u>	<u>14,990,757</u>	<u>4,667,049</u>	<u>4,387,953</u>
Net funds at 31 March	14d	<u>10,581,019</u>	<u>10,524,721</u>	<u>14,994,689</u>	<u>14,990,757</u>

Notes (forming part of the financial statements)

1. Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of Preparation

Prepared under historical cost convention and in accordance with the UK GAAP, the consolidated financial statements incorporate those of Association of Colleges and its subsidiary undertakings for the year. All financial statements are made up to 31 March 2012.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless transaction provides evidence of an impairment of the asset transferred.

The financial statements have been prepared on the assumption that the Company will continue as a going concern. The company will be able to meet its obligations in full for the next 12 months and beyond.

Fixed Assets and Depreciation

Depreciation is provided to write off the cost by equal instalments over their estimated useful economic lives as follows:

Motor vehicles - 4 years [25% per annum]
Office equipment - 4 years [25% per annum]

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Operating Lease

Rental costs arising under operating leases are charged to the income and expenditure account on a straight line basis over the period of the lease.

Pension Scheme Arrangements

The Association's employees may elect to hold a personal money purchase scheme to which the Association will contribute, or they may elect to be members of the London Pensions Fund Authority (LPFA) pension fund. LPFA is a funded defined benefit scheme.

For defined benefit schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The interest cost and expected return on assets are included within investment income.

Actuarial gains and losses arising from new valuations and from updating valuations to the balance sheet date are recognised in the statement of total recognised gains and losses.

The assets of the scheme are held separately from the company in separate trustee-administered funds. Full actuarial valuations, by a professionally qualified actuary, are obtained at least every three years, and updated to reflect current conditions at each balance sheet date. The pension scheme assets are measured at fair value. The pension scheme liabilities are measured using the projected unit method and discounted at the current rate of

Notes (continued)

6. Investment Income				
	2012		2011	
	Group £	Company £	Group £	Company £
Income from unlisted fixed asset investments	-	100,000	-	500,000
Bank interest	73,064	72,230	29,630	27,087
Expected return on employer assets, pension scheme (Note 15)	<u>6,000</u>	<u>6,000</u>	<u>(203,000)</u>	<u>(203,000)</u>
	<u>79,064</u>	<u>178,230</u>	<u>(173,370)</u>	<u>324,087</u>

7. Taxation				
	2012		2011	
	Group £	Company £	Group £	Company £
Current tax:				
UK corporation tax at 20%	42,826	19,159	40,488	8,685
Adjustments in respect of previous periods	=	=	<u>(10,699)</u>	<u>(10,699)</u>
Total current tax	<u>42,826</u>	<u>19,159</u>	<u>29,789</u>	<u>(2,014)</u>
<i>FRS19 reconciliation of current tax charge</i>				
Profit / (loss) on ordinary activities before tax	41,444	(55,382)	685,945	1,034,095
Tax on profit on ordinary activities at standard CT rate (20%)	8,289	(11,076)	259,678	217,160
Expenses / (Income) not deductible for tax purposes	50,283	50,235	(103,313)	(103,475)
Group income	(20,000)	(20,000)	(105,000)	(105,000)
Marginal relief	-	-	(10,482)	-
Adjustments to tax charge in respect of previous periods	-	-	(10,699)	(10,699)
Depreciation in excess of Capital allowances	2,865	-	(395)	-
Other short term timing differences	<u>1,389</u>	=	=	=
Current tax charge/(credit) for the period	<u>42,826</u>	<u>19,159</u>	<u>29,789</u>	<u>(2,014)</u>

8. Profit on Ordinary Activities Before Taxation				
	2012		2011	
	Group £	Company £	Group £	Company £
Profit is stated after crediting:				
Profit/(loss) on disposal of tangible fixed assets	-	-	(5,823)	(5,823)
And after charging:				
Operating lease rentals on land & buildings	216,500	216,500	216,500	216,500
Depreciation	151,796	127,476	139,073	117,141
Auditor's remuneration – audit services	24,500	20,000	26,750	22,250
Auditor's remuneration – non-audit services	13,813	13,813	22,266	22,266

Notes (continued)

return on a high quality corporate bond of equivalent term and currency. A pension scheme asset is recognised on the balance sheet only to the extent that the surplus may be recovered by reduced future contributions or to the extent that the trustees have agreed a refund from the scheme at the balance sheet date. A pension scheme liability is recognised to the extent that the company has a legal or constructive obligation to settle the liability.

Income Recognition

Turnover represents the amounts (excluding value added tax) derived from the provision of services to members.

Turnover is made up of Subscription income from members, income for project related work and the turnover of Create Ltd resulting from its commercial activities.

External funding is received for national projects. These projects generally tend to have a lifespan of two to three years. The Project income is released in to the Profit and loss account in the financial year in which the relevant expenditure is incurred.

Subscription income is recognised in the profit and loss account for the year to which it relates. Subscription income relating to subsequent accounting periods is deferred.

Staff Numbers

The average monthly number of persons employed by the company (including directors) during the twelve-month period was as follows:

	2012		2011	
	Group	Company	Group	Company
By activity				
Services to members	37	30	39	30
Administration and operations	<u>43</u>	<u>29</u>	<u>41</u>	<u>25</u>
	80	59	80	55

Executive Directors & Officers

	2012		2011	
	Group	Company	Group	Company
£60,001 to £70,000	8	7	7	6
£70,001 to £80,000	7	7	7	7
£80,001 to £90,000	3	2	1	-
£90,001 to £100,000	2	1	2	1
£100,001 to £110,000	2	2	2	2
£150,001 to £160,000	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
	23	20	20	17

The amount paid to the highest paid director was £158,700 (2011: £154,272); pension costs for this individual were £17,632 (2011: £20,624).

	2012		2011	
	Group	Company	Group	Company
Money purchase enhancement	5	3	2	1
Defined benefit schemes	49	40	18	16

The two executive directors are both members of the defined benefit scheme.

Notes (continued)

The aggregate payroll costs were as follows:

	2012		2011	
	Group	Company	Group	Company
	£	£	£	£
Wages and salaries	3,881,031	2,908,719	3,857,644	2,730,034
FRS 17 adjustment	(45,000)	(45,000)	(1,242,000)	(1,242,000)
Social security costs	399,041	304,091	361,194	274,299
Pension costs				
- London Pension Fund Authority	342,068	256,353	399,118	308,395
- LPFA deficit	75,000	63,141	140,640	121,644
- Personal pension scheme	<u>31,516</u>	<u>20,489</u>	<u>21,038</u>	<u>10,726</u>
	<u>4,683,656</u>	<u>3,507,793</u>	<u>3,537,633</u>	<u>2,203,098</u>

	2012		2011	
	Group	Company	Group	Company
	£	£	£	£
Salaries	2,906,886	2,294,808	2,934,545	2,196,633
FRS17 adjustment	(26,643)	(26,643)	(750,692)	(750,692)
Legal expenses	48,996	48,996	55,839	55,839
Printing, postage, stationery and publications	58,925	58,925	78,442	78,442
Projects	5,922,863	5,922,863	3,250,096	3,250,096
Press and media	177,598	177,598	221,119	221,119
Research	49,334	49,334	45,869	45,869
Conferences, training and seminars	2,862,608	-	2,722,488	-
Other professional	173,022	173,022	176,233	176,233
Other	<u>5,069</u>	<u>5,068</u>	<u>8,262</u>	<u>8,262</u>
	<u>12,178,658</u>	<u>8,703,971</u>	<u>8,742,201</u>	<u>5,281,801</u>

	2012		2011	
	Group	Company	Group	Company
	£	£	£	£
Staff and other costs	2,118,223	1,517,908	1,989,999	1,377,284
FRS 17 adjustment	(18,357)	(18,357)	(491,308)	(491,308)
LPFA additional contribution	75,000	63,141	140,640	121,644
Travel and meeting costs	437,636	418,660	454,073	430,447
Premises, office and insurance costs	755,484	606,456	864,534	749,496
Telephone costs	88,972	64,347	110,179	81,431
Depreciation	151,796	127,476	139,073	117,141
Irrecoverable VAT	283,949	283,949	209,794	209,794
Consultants	4,331	-	13,796	-
Audit and accountancy	38,313	33,813	46,766	42,266
Print, post and stationery	28,930	-	20,463	-
Charity donations	15,000	-	50	-
Bad debt	34,522	-	-	-
Other	<u>56,226</u>	<u>39,957</u>	<u>70,206</u>	<u>51,021</u>
	<u>4,070,025</u>	<u>3,137,350</u>	<u>3,568,265</u>	<u>2,689,216</u>

Notes (continued)

9. Tangible Fixed Assets						
	Group			Company		
	Office Equipment	Motor Vehicles	Total	Office Equipment	Motor Vehicles	Total
	£	£	£	£	£	£
Cost						
As at 01 April 2011	629,676	54,459	684,135	541,949	54,459	596,408
Additions	99,645	-	99,645	90,093	-	90,093
Disposals	-	-	-	-	-	-
As at 31 March 2012	729,321	54,459	783,780	632,042	54,459	686,501
Depreciation						
As a 01 April 2011	439,366	31,974	471,340	389,856	31,974	421,830
Disposal	-	-	-	-	-	-
Charge for year	138,191	13,605	151,796	113,871	13,605	127,476
As at 31 March 2012	577,557	45,579	623,136	503,727	45,579	549,306
Net book value						
As at 31 March 2012	151,764	8,880	160,644	128,315	8,880	137,195
As at 31 March 2011	190,310	22,485	212,795	152,093	22,485	174,578

10. Subsidiary Undertakings		
	2012	2011
	£	£
Fixed asset investments		
AoC Create Ltd.	100	100
Trading results – profit for the period/year		
AoC Create Ltd.	73,159	120,046
Reserves – as at 31 March		
AoC Create Ltd.	158,535	185,376

The Company owns 100% of the £100 equity shareholding in AoC Create Ltd, a company registered in England and Wales on 22 July 1994. The Company made a profit before tax and dividend paid for the year ended 31 March 2012 of £96,826 (2011: £151,849). The nature of the business of the company is to provide recruitment, conferencing, consultancy and related services to further education and sixth form colleges in England and Wales.

Notes (continued)

The company also controls AoC Charitable Trust, a charity registered in England and Wales, and Scotland. The Charitable Trust is not included in the Group's Consolidated Accounts and a copy of those accounts is available from the company's website.

11. Debtors: Amounts Falling Due Within One Year				
	2012		2011	
	Group	Company	Group	Company
	£		£	
Trade debtors	2,012,547	1,409,633	1,193,685	179,356
Amounts owed by subsidiary	-	73,584	-	310,245
Amounts owed by AoC Charitable Trust	89,431	89,431	16,274	13,669
VAT	-	-	20,703	20,703
Prepayments	299,059	98,213	199,150	101,963
Other debtors	<u>369,786</u>	<u>242,753</u>	<u>288,894</u>	<u>231,401</u>
	<u>2,770,823</u>	<u>1,913,614</u>	<u>1,718,706</u>	<u>857,337</u>

12. Creditors: Amounts Falling Due Within One Year				
	2012		2011	
	Group	Company	Group	Company
	£		£	
Deferred income	1,900,367	1,687,150	1,816,971	1,587,094
Trade creditors	1,022,225	601,055	995,324	603,539
Corporation tax	42,826	19,159	39,624	7,617
Taxation and social security	210,593	136,413	137,297	123,955
Other creditors	3,897,137	3,893,622	5,433,390	5,429,317
Amounts held on behalf of third parties	3,738,605	3,738,605	5,648,919	5,648,919
Accruals	<u>151,582</u>	<u>108,708</u>	<u>152,131</u>	<u>104,870</u>
	<u>10,963,335</u>	<u>10,184,713</u>	<u>14,223,656</u>	<u>13,505,311</u>

The membership subscription period for the Association runs from the 01 August to the 31 July and, as such, four months of the subscription is treated as deferred income.

Other creditors include deferred project income carried forward. During the year the Association successfully bid for a significant number of projects and hence the substantial level of funds carried forward. These balances represent income relating to specific projects that have a timescale to completion of several years. Included within other creditors is an amount due to the LPFA pension fund of £56,544 (2011: £62,548). This has been paid since the year end.

Notes (continued)

13a. Accumulated Reserve

	2012	
	Group	Company
	£	£
01 April	1,984,533	1,799,459
Retained deficit for the year	<u>(102,383)</u>	<u>(75,543)</u>
31 March	<u>1,882,150</u>	<u>1,723,916</u>

	2012		2011	
	Group	Company	Group	Company
	£	£	£	£
(Deficit)/Surplus for the year	(102,383)	(75,541)	656,156	1,036,109
Opening Members' fund	<u>606,534</u>	<u>421,461</u>	<u>(2,768,622)</u>	<u>(3,333,648)</u>
	504,151	345,920	(2,112,466)	(2,297,539)
FRS17 Actuarial (loss)/gain	<u>(3,100,000)</u>	<u>(3,100,000)</u>	<u>2,719,000</u>	<u>2,719,000</u>
	<u>(2,595,849)</u>	<u>(2,754,082)</u>	<u>606,534</u>	<u>421,461</u>

14a. Reconciliation of Operating Profit to Net Cash (Outflow)/Inflow from Operating Activities

	2012		2011	
	Group	Company	Group	Company
	£	£	£	£
Operating (deficit) / surplus	(138,621)	(234,612)	859,315	710,008
Depreciation charges	151,796	127,476	139,073	117,141
(Increase) / decrease in debtors	(1,052,117)	(1,056,279)	677,969	694,593
(Decrease) / increase in creditors	(3,260,321)	(3,320,599)	9,978,921	9,856,655
Loss/(profit) on sale of fixed asset	-	-	5,823	5,823
Excess of current service costs over pension	<u>(45,000)</u>	<u>(45,000)</u>	<u>(1,242,000)</u>	<u>(1,242,000)</u>
Net cash inflow from operating activities	<u>(4,344,263)</u>	<u>(4,529,014)</u>	<u>10,419,101</u>	<u>10,142,220</u>

14b. Analysis of Cash Flows for Headings Netted in the Cash Flow Statement

	2012		2011	
	Group	Company	Group	Company
	£	£	£	£
Returns on investments and				
Dividends received	-	100,000	-	500,000
Interest received	<u>73,064</u>	<u>72,230</u>	<u>29,630</u>	<u>27,087</u>
Net cash inflow for returns on servicing of finance	<u>73,064</u>	<u>172,230</u>	<u>29,630</u>	<u>527,087</u>
Capital expenditure and financial				
Purchase of tangible fixed assets	(99,645)	(90,093)	(99,803)	(77,017)
Receipts from sale of tangible fixed	-	-	<u>8,500</u>	<u>8,500</u>
Net cash outflow for capital financial investment	<u>(99,645)</u>	<u>(90,093)</u>	<u>(91,303)</u>	<u>(68,517)</u>

Notes (continued)

	14c. Reconciliation of Net Cash Flow to Movement in Net Funds			
	2012		2011	
	Group £	Company £	Group £	Company £
(Decrease) / increase in cash in the	(4,413,670)	(4,466,036)	10,327,640	10,602,804
Net funds at 31 March 2011	<u>14,994,689</u>	<u>14,990,757</u>	<u>4,667,049</u>	<u>4,387,953</u>
Net funds at 31 March 2012	<u>10,581,019</u>	<u>10,524,721</u>	<u>14,994,689</u>	<u>14,990,757</u>

	14d. Analysis of Changes in Net Funds			
	At 31 March 2011 £	Cash Flows £	Other non cash changes £	At 31 March 2012 £
	Cash at bank & in hand	Group Company	(4,413,670) (4,466,036)	- -

15. Pensions and Similar Obligations – Group and Company

The Association's employees may elect to hold a personal money purchase scheme to which the Association will contribute, or they may elect to be members of the London Pensions Fund Authority (LPFA) pension fund.

LPFA

LPFA is a funded defined benefit scheme, with the assets held in separate trustee-administered funds. The pension cost is assessed every three years in accordance with the advice of an independent qualified actuary. The latest available actuarial valuation of the scheme was performed as at 31 March 2010 using the market-related method. The valuation was carried out by Barnett Waddingham and a summary of the relevant sections of their report follows.

The agreed contribution rates for future years are 11.7% (2011: 11.7%) for employers and range between 5.5% - 7.5% for employees, depending on pensionable salary. The total contribution expected to be made to the LPFA by AoC for the year to March 2013 is £450,000.

The AoC has adopted the amendment to FRS17 (retirement benefits). As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid-price rather than mid-market price.

Valuation Assumptions

The major categories of plan assets as a percentage of total plan assets as at 31 March 2012 are shown below:

Year Ended:	31 Mar 2012	31 Mar 2011
Equities	73%	69%
Target return funds	12%	12%
Alternative assets	14%	14%
Cash	1%	3%
Other bonds	0%	2%

Notes (continued)

The London Pension Fund Authority Retirement Benefits Scheme is an independently administered pension scheme. It is a defined benefit scheme based on final pensionable salary. Life expectancy is based on the PFA92 and PMA92 tables, projected to calendar year 2033 for non-pensioners and 2017 for pensioners. Based on these assumptions, the average future life expectancies at age 65 are summarised as below:-

	Males	Females
Current pensioners	22.2 years	24.1 years
Future pensioners	24.2 years	26.0 years

The pension cost is assessed in accordance with the advice of an independent professionally qualified actuary using the projected accrued benefit method and is not materially different from that arising from the current employer's contribution rate.

Financial Reporting Standard 17 – Retirement Benefits

Under the transitional requirements of FRS17, the Association is required to disclose further information on assets and liabilities of the scheme on a market value basis at the end of the accounting period. The information is set out below:

Actuarial assumptions	2012	2011	2010	2009	2008
Discount rate at 31 March	4.6%	5.5%	5.5%	6.9%	6.9%
Salary increase rate	4.2%	4.5%	5.4%	4.6%	5.1%
Pension increase rate/inflation	2.5%	2.7%	3.9%	3.1%	3.6%
Expected return on plan assets at 31 March	5.9%	6.7%	6.8%	6.4%	7.0%

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment portfolio. Expected yields on bonds are based on gross redemption yields at the balance sheet date whilst the expected returns on the equity and property investments reflect the long-term real rates of return experienced in the respective markets.

Expected return on assets	2012	2011
Equities	6.3%	7.4%
Target return funds	4.5%	4.5%
Alternative assets	5.3%	6.4%
Cash	3.0%	3.0%
Other bonds	n/a	5.5%

Amounts recognised in the balance sheet	2012	2011
	£(000)	£(000)
Fair value of employer assets	11,097	9,094
Present value of funded liabilities	(16,242)	(11,190)
Net (liability)	(5,145)	(2,096)

Notes (continued)

Amounts recognised in profit or loss accounts	2012 £(000)	2011 £(000)
Current service cost	507	842
Interest cost	662	757
Expected return on employer assets	(668)	(554)
Past service (gain)	(128)	(1,561)
Total	373	(516)
Actual return on plan assets	98	580

Reconciliation of defined benefit obligation	2012 £(000)	2011 £(000)
Opening defined benefit obligation	11,190	14,281
Current service cost	507	842
Interest cost	662	757
Contributions by members	243	229
Actuarial losses / (gains)	2,531	(3,373)
Losses on curtailments	21	-
Liabilities assumed in a business combination	259	-
Past service (gains)	-	(1,561)
Estimated benefits paid (net of transfers in)	829	15
Closing defined benefit obligation	16,242	11,190

Reconciliation of fair value of employer assets	2012 £(000)	2011 £(000)
Opening fair value of employer assets	9,094	8,427
Expected return on assets	668	554
Contributions by members	243	229
Contributions by employer	424	523
Actuarial (gains)	(569)	(654)
Benefits paid (net of transfers in and including unfunded)	829	15
Receipt of bulk transfer value	408	-
Closing fair value of employer assets	11,097	9,094

Amount recognised in statement of total recognised gains and losses (STRGL)	2012 £(000)	2011 £(000)
Actuarial (losses) / gains current year	(3,100)	2,719
Cumulative actuarial (losses)	(5,014)	(1,914)

Amounts for the current & previous periods	2012 £(000)	2011 £(000)	2010 £(000)	2009 £(000)	2008 £(000)
Value of plan assets	11,097	9,094	8,427	6,039	7,074
Defined benefit obligation	(16,242)	(11,190)	(14,281)	(7,816)	(7,695)
Deficit	(5,145)	(2,096)	(5,854)	(1,777)	(621)
Experience gains on liabilities	-	2,490	-	-	42
Experience adjustments on plan assets	(569)	(654)	1,434	(2,041)	(646)

Notes (continued)

16. Commitments

	2012		2011	
	Group £	Company £	Group £	Company £
Operating lease rentals				
Annual charge on Land and Building leases due to expire in more than one year	216,500	216,500	216,500	216,500

17. Contingent liability

There are no contingent liabilities at the time the accounts were signed.

18. Crescent Purchasing Consortium

In 2009, the Association received a grant from the Learning and Skills Council for £300,000 which was loaned to the Crescent Purchasing Consortium, a sector-owned procurement company, to assist with the start up costs of the Company, which aims to improve the sector's procurement. This loan has now been fully paid off, with the last instalment being paid on 30th June 2012.

19. World Federation of Colleges & Polytechnics (WFCP)

The Association has agreed to act as Treasurer for WFCP and, accordingly, the US Dollar cash balance has been included within the cash balances (at the applicable exchange rate as at the 31 March) in these financial statements and the liability, within creditors as funds held on behalf of third parties.

20. Related Party Transactions

The following transactions occurred during the period and relate to the membership subscriptions payable by the colleges to which each director (during their term as director of the Association of Colleges) relates and for the services provided by AoC Create Ltd.

The AoC has taken advantage of the exemption under FRS8 not to provide information relating to transactions between itself as the holding Company and its wholly owned trading subsidiary, AoC Create Ltd.

A donation of £15,000 (2011: nil) was made by AoC Create Ltd in the year to AoC Charitable Trust, a related company by virtue of its sharing the same Directors as Association of Colleges.

Notes (continued)

Director	Related party	Transactions during the year		Balance Outstanding at 31 March 2012	
		AoC	AoC Create	AoC	AoC Create
J F Bingham	Thomas Rotherham College	7,664	5,107	-	-
R Atkins	Exeter College	24,780	7,694	-	912
A G Alderman	Barnet College to 31/01/12	32,202	6,172	-	-
J Allen	Lincoln College	24,127	4,496	-	-
P Bacon	St Helen's College to 31/12/11	24,255	36,351	-	-
N Cave	Bourneville College	23,267	9,185	-	133
K Clifford	Cirencester College	15,958	1,079	-	-
S Dicketts	Oxford & Cherwell College	27,502	15,196	-	1,697
F Donohue	North Herts College	20,205	2,814	-	-
N A Hopkins	Peter Symonds College	14,972	2,693	-	360
T Jackson	Sparsholt College	1,269	6,106	-	360
A Khemka	West Nottinghamshire College	26,300	17,735	-	-
F McMillan	Bridgewater College	25,082	7,120	-	-
C Morecroft	Worcester College to 28/09/11	24,376	636	-	-
R Morris	Northampton College	23,311	7,557	-	671
W Mills	Preston College	23,728	4,982	-	1,426
A O'Donoghue	City of Sunderland College	26,440	2,530	-	-
H Pegg	City of Stoke on Trent VI Form	7,440	20,181	-	-
D Roberts	Brockenhurst College	22,399	1,764	-	-
P Ryder	Tameside College	22,407	2,414	-	-
C Stott	City Lit	15,913	2,291	-	372
G Trow	Rotherham College	35,635	10,739	-	2,652
M White	Stockton Riverside College	19,720	3,524	-	360
J Widdowson	New College Durham	24,149	4,023	-	648
J Wilkinson	Norton Radstock to 31/12/11	12,215	-	-	-
A Wilson	Westminster Kingsway College	25,281	6,132	-	3,039

21. Grant Income

During the year the Association received a grant from the Department for Business, Innovation & Skills for £40,000 to produce information to underpin the Foundation Code of Governance, including the appointment of a consultant to undertake research and to produce case studies and information for publication on behalf of AoC's Governance Portfolio Group.