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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
386				386

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 President	F McMillan	M Galliers	31 July 2012 01 August 2012
Board Member Board Member	J Bingham H Pegg		31 December 2012 31 July 2012
Board Member		J Short	06 March 2013

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	4,996,982		4,996,982
From Investments	(37,505)		(37,505)
Other Income (including increases by revaluation of assets)	6,170,456		6,170,456
Total Income	11,129,933		11,129,933
EXPENDITURE (including decreases by revaluation of assets)	10,654,455		10,654,455
Total Expenditure	10,654,455		10,654,455
Funds at beginning of year (including reserves)	(2,754,082)		(2,754,082)
Funds at end of year (including reserves)	(2,278,604)		(2,278,604)
ASSETS			
Fixed Assets			189,617
Investment Assets			100
Other Assets			11,510,800
		Total Assets	11,700,517
LIABILITIES		Total Liabilities	13,979,121
NET ASSETS (Total Assets less Total Liabilities)			(2,278,604)

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 2013.

ACCOUNTING POLICIES

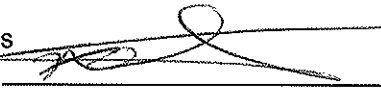
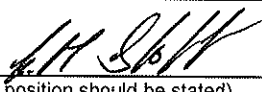
(see notes 37 and 38)

Please see Directors' Report and Financial Statement for the Year Ended 31st March 2013.

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:  (or other official whose position should be stated)
Name: N Lucas _____	Name: C Stott _____
Date: 3 rd September 2013	Date: 3 rd September 2013

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 2013.

Signature(s) of auditor or auditors:

[Handwritten Signature]

Name(s):

Baker Tilly UK Audit LLP

Profession(s) or Calling(s):

Chartered Accountants

Statutory Auditor

Address(es):

**25 Farringdon Street
London
EC4A 4AB**

Date:

2 October 2013

Contact name and telephone number:

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 2013**

Registered number: 3216271

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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

Mazars LLP
Regency House
3 Grosvenor Square
Southampton
SO15 2BE

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 March 2013. 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

- In the Ministerial reshuffle of September 2012, the Prime Minister appointed Matthew Hancock MP as Minister responsible for FE and Sixth Form Colleges. The new Minister has been active in focusing on a number of initiatives including Traineeships for young people which relates to a key national concern which is that there are 1 million 16 to 24 year olds who are not in education, employment or training. As currently described, Traineeships are focused on those who are currently not participating and are designed as a preparation for work or an Apprenticeship. The hope is that the first traineeships will be available from September 2013 with the expectation that Colleges will use existing funding routes to offer a programme involving Maths, English and work experience. AoC has pushed hard in recent years for a pre-Apprenticeship offer so we offered public support while expressing concern about how trainees will access financial support.
- As one-third of A-level students study in AoC member Colleges, we have been active in opposing the Education Secretary's plans to introduce new two-year linear A-levels to be ready for courses starting in 2015. We believe there will be damaging changes to AS- and A-levels and have worked in partnership with the teaching unions and the independent sector to raise concerns that people from disadvantaged backgrounds will be less likely to take A-levels which help them gain access to the best universities.
- Matthew Hancock finally confirmed this year that Colleges can enrol 14 to 16 year olds on a full-time basis and claim funding directly from the Education Funding Agency (EFA). AoC asked for this reform in our manifesto for the 2010 General Election, persuaded Alison Wolf that it would help improve the quality of 14-19 vocational education and worked with Department for Education (DfE) officials on the details. We ran a successful conference in January 2013 to help Colleges think through the issues and expect about ten Colleges to admit 14 year olds in September.
- The Department for Education published Key Stage 5 performance tables in January 2013 on the same day as the Key Stage 4 tables but, this year, the 16-18 information attracted most interest and comment because of the inclusion of new measures including the so-called A-Bacc measure; this reports the number of students achieving A-level grades at AAB in ten facilitating subjects. AoC took a complaint to the UK Statistics Authority about the way in which the design, presentation and publication of this information falls short of the standards expected of official statistics.

Strong Parliamentary and media reputation

- AoC has lobbied extensively, utilising the expertise of its Learning Difficulties and Disabilities Portfolio Group, on the Children and Families Bill which is reforming the way in which special education needs provision is

managed. The Chair of the Group gave evidence to two House of Commons Committees considering the legislation.

- Our campaign to ensure 16-18 year olds in FE and Sixth Form Colleges have access to free meals has continued. We have worked with Nic Dakin MP to produce a short Bill, held a photocall in Parliament which attracted over 40 MPs and took our case direct to Department for Education Ministers.
- The Labour Party is now actively developing new policies as the 2015 General Election approaches. AoC has submitted evidence to their working group developing new 'tech bacc' proposals and we met with Jon Cruddas MP, who is leading the review.
- AoC worked closely with a number of research think tanks this year. Policy Exchange produced a report on vocational education for 14-19 year olds and IPPR are working on research to assess the impact of and approach to youth unemployment in different nations including England.
- We launched a new AoC publication, highlighting the more unusual courses that Colleges provide, in Parliament in the summer. The event also welcomed our new President, Maggie Galliers, to her post.

Results

The Board reports the Company outturn for the financial year ending 31 March 2013, which is a deficit of £141,633 (2012 = deficit £107,382) before tax, adjustments of the Financial Reporting Standard (FRS) 17 requirements, and after contributing £63,000 (2012=£63,000) towards the LPFA deficit in the year. A dividend has been received from AoC Create Ltd of £50,000 (2012=£100,000).

During the year, a rigorous cost reduction exercise was carried out and this included identifying savings on staff costs, whilst ensuring that the AoC remains structured to meet the demands and needs of the membership. Disclosed as exceptional expenditure in the Profit and Loss Account, the redundancy programme cost £253,305 for the AoC and £409,385 for the Group.

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 (2012 = £68,500) regarding the Beacon Awards to the AoC Charitable Trust.

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 Companies

As reported in Note 10 to the accounts, the Association has two trading subsidiary companies, AoC Create Ltd and AoC India Ltd.

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 £120,758 before the dividend payment and taxation for the year ended 31 March 2013.

AoC India Ltd

AoC India Ltd, a not-for-profit, limited by Guarantee entity, was formed in 2012 and brings together UK and Indian partners to provide UK vocational education and training programmes to India. It is a partnership of 33 UK FE Colleges that have jointly funded a Delhi-based office. AoC India's team is operated through the 'Launch Pad' scheme managed by Sannam S4. Key activities for AoC India will include:

- Representing AoC India Colleges to key Indian stakeholders, promoting the AoC India brand to potential Indian partners, working closely with key UK stakeholders such as UKTI, the British Council and the Home Office
- Sourcing potential business opportunities for Colleges, communicating business opportunities to participating Colleges and general market information, helping to form appropriate consortiums to best access the India market and specific opportunities

AoC Charitable Trust

In addition to the trading subsidiary, the Association manages the AoC Charitable Trust. Although the AoC exerts control over the Trust, it has not been consolidated into the AoC accounts on the grounds of materiality.

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 outcome for the year ended 31 March 2013.

JISC

AoC is a joint owner of JISC, a company limited by guarantee at £1 per member, with UUK and Guild HE and has one nominated representative on the JISC Board. Resolutions are passed with a simple majority vote. JISC is a registered charity and champions the use of digital technologies in UK education and research

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 2013.

The Board

The members who served on the Board during the year and up to the date of this report 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 1 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 help shape and improve 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. As of June 2013 there are established portfolio groups which concern themselves with the following areas: 14-19 and associated funding, higher education provision and funding in Colleges, performance and quality (standards), skills & training, reputation, sport, technology, governance, sustainable futures, urban Colleges, quality, international, local government, enterprise, sixth form Colleges, learning difficulties & disabilities and academies.

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 2013, 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 2013 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
18th July 2013

2 - 5 Stedham Place
London WC1A 1HU

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.

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 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 2013 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.



PAUL OXTOBY (Senior Statutory Auditor)

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

Chartered Accountants

25 Farringdon Street

London

EC4A 4AB

31 July 2013

Profit and Loss Accounts
for the year ended 31 March 2013

	Notes	31 March 2013		31 March 2012	
		Group £	Company £	Group £	Company £
Turnover		14,623,038	10,178,438	16,110,062	11,606,709
Cost of sales	4	<u>(10,720,410)</u>	<u>(7,452,918)</u>	<u>(12,178,658)</u>	<u>(8,703,971)</u>
Gross profit		3,902,628	2,725,520	3,931,404	2,902,738
Admin expenses	5	(3,826,912)	(2,943,343)	(4,070,025)	(3,137,350)
Exceptional item (redundancy costs)		<u>(409,385)</u>	<u>(253,305)</u>	-	-
Operating loss		(333,669)	(417,128)	(138,621)	(234,612)
Interest receivable or investment income	6a	56,019	105,495	79,064	178,230
Interest payable	6b	<u>(93,000)</u>	<u>(93,000)</u>	-	-
Loss on ordinary activities before taxation		(370,650)	(458,633)	(59,557)	(56,382)
Tax on profit on ordinary activities	7	<u>(31,665)</u>	<u>(4,889)</u>	<u>(42,826)</u>	<u>(19,159)</u>
Retained loss for the financial year	13	<u>(402,315)</u>	<u>(463,522)</u>	<u>(102,383)</u>	<u>(75,541)</u>

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

Statements of Total Recognised Gains and Losses
for the year ended 31 March 2013

	Notes	31 March 2013		31 March 2012	
		Group £	Company £	Group £	Company £
Retained loss for the period		(402,315)	(463,522)	(102,383)	(75,541)
Actuarial gain/(loss) on defined benefit pension scheme	15	<u>939,000</u>	<u>939,000</u>	<u>(3,100,000)</u>	<u>(3,100,000)</u>
Total recognised gains/(losses) for the period		<u>536,685</u>	<u>475,478</u>	<u>(3,202,383)</u>	<u>(3,175,541)</u>

Balance Sheets

for the year ended 31 March 2013

Registered number: 3216271

	Notes	31 March 2013		31 March 2012	
		Group £	Company £	Group £	Company £
Fixed assets					
Tangible fixed assets	9	205,311	189,617	160,644	137,195
Investments	10	-	100	-	100
		<u>205,311</u>	<u>189,717</u>	<u>160,644</u>	<u>137,295</u>
Current assets					
Debtors	11	3,107,307	2,504,808	2,770,823	1,913,614
Cash in bank and in hand		<u>9,365,755</u>	<u>9,005,992</u>	<u>10,581,019</u>	<u>10,524,721</u>
		12,473,062	11,510,800	13,351,842	12,438,335
Creditors: amounts falling due within one year	12	10,214,537	9,456,121	10,963,335	10,184,712
		<u>2,258,525</u>	<u>2,054,679</u>	<u>2,388,507</u>	<u>2,253,623</u>
Net current assets					
Net assets excluding pensions liability		<u>2,463,836</u>	<u>2,244,396</u>	<u>2,549,151</u>	<u>2,390,918</u>
Pensions liability	15	(4,523,000)	(4,523,000)	(5,145,000)	(5,145,000)
Net liabilities including pensions liability		<u>(2,059,164)</u>	<u>(2,278,604)</u>	<u>(2,595,849)</u>	<u>(2,754,082)</u>
Accumulated reserve	13b	<u>(2,059,164)</u>	<u>(2,278,604)</u>	<u>(2,595,849)</u>	<u>(2,754,082)</u>

The financial statements on pages 12 – 26 were approved and authorised for issue by the Board of Directors on 12 June 2013 and were signed on its behalf by:

C Stott

Chair 18th July 2013



Cash Flow Statement
for the year ended 31 March 2013

	Notes	31 March 2013		31 March 2012	
		Group £	Company £	Group £	Company £
Cash flow from operating activities	14a	(1,075,098)	(1,458,924)	(4,344,263)	(4,529,014)
Returns on investments and servicing of finance	14b	56,019	105,495	73,064	172,230
Taxation		(31,665)	(4,889)	(42,826)	(19,159)
Capital expenditure and financial investment	14b	<u>(164,519)</u>	<u>(160,411)</u>	<u>(99,645)</u>	<u>(90,093)</u>
Decrease in cash in the period	14c	<u>(1,215,263)</u>	<u>(1,518,729)</u>	<u>(4,413,670)</u>	<u>(4,466,036)</u>

Reconciliation of Net Cash Flow to Movement in Net Funds

	Notes	31 March 2013		31 March 2012	
		Group £	Company £	Group £	Company £
<i>Changes in net funds resulting from cash flows</i>					
Decrease in cash in the period	14c	(1,215,263)	(1,518,729)	(4,413,670)	(4,466,036)
Net funds at 01 April	14d	<u>10,581,019</u>	<u>10,524,721</u>	<u>14,994,689</u>	<u>14,990,757</u>
Net funds at 31 March	14d	<u>9,365,756</u>	<u>9,005,992</u>	<u>10,581,019</u>	<u>10,524,721</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 2013.

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

Going Concern

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. The Board has reviewed and approved a three year budget together with a twelve month cash flow forecast.

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the taxable profits and the results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised in the Statement of Total Recognised Gains and Losses on revaluations where at the balance sheet date there is a binding agreement to sell the asset and the gain or loss expected to arise on sale has been recognised.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis."

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

Notes (continued)

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 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.

2. Staff Numbers

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

By activity	2013		2012	
	Group	Company	Group	Company
Services to members	34	26	37	30
Administration and operations	<u>42</u>	<u>28</u>	<u>43</u>	<u>29</u>
	76	54	80	59

Executive Directors & Officers	2013		2012	
	Group	Company	Group	Company
£60,001 to £70,000	8	8	8	7
£70,001 to £80,000	7	6	7	7
£80,001 to £90,000	1	1	3	2
£90,001 to £100,000	1	1	2	1
£100,001 to £110,000	1	1	2	2
£150,001 to £160,000	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
	19	18	23	20

Notes (continued)

The amount paid to the highest paid director was £158,700 (2012: £158,700); pension costs for this individual were £17,632 (2012: £17,632).

	2013		2012	
	Group 8	Company 6	Group 5	Company 3
Money purchase enhancement				
Defined benefit schemes	53	42	49	40

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

3. Staff Costs

	2013		2012	
	Group £	Company £	Group £	Company £
<i>The aggregate payroll costs were as follows:</i>				
Wages and salaries	3,368,146	2,655,414	3,881,031	2,908,719
Redundancy Costs	409,385	253,305	-	-
FRS17 adjustment	224,000	224,000	(45,000)	(45,000)
Social security costs	394,249	304,091	399,041	304,091
<i>Pension costs</i>				
-London Pension Fund Authority	320,938	256,353	342,068	256,353
-LPFA deficit	75,000	63,141	75,000	63,141
-Personal pension scheme	<u>29,813</u>	<u>20,489</u>	<u>31,516</u>	<u>20,489</u>
	<u>4,821,531</u>	<u>3,776,793</u>	<u>4,683,656</u>	<u>3,507,793</u>

4. Cost of Sales

	2013		2012	
	Group £	Company £	Group £	Company £
Salaries	2,927,904	2,269,000	2,906,886	2,294,808
FRS17 adjustment	129,740	129,740	(26,643)	(26,643)
Legal expenses	56,759	51,714	48,996	48,996
Printing, postage, stationery and publications	59,151	58,779	58,925	58,925
Projects	4,547,896	4,547,896	5,922,863	5,922,863
Press and media	138,135	138,135	177,598	177,598
Research	58,564	58,564	49,334	49,334
Conferences, training and seminars	2,562,410	-	2,862,608	-
Other professional	226,015	185,254	173,022	173,022
Other	<u>13,836</u>	<u>13,836</u>	<u>5,069</u>	<u>5,068</u>
	<u>10,720,410</u>	<u>7,452,918</u>	<u>12,178,658</u>	<u>8,703,971</u>

Notes (continued)

5. Administrative Expenses

	2013		2012	
	Group	Company	Group	Company
	£	£	£	£
Staff and other costs	1,906,002	1,332,043	2,118,223	1,517,908
FRS 17 adjustment	94,260	94,260	(18,357)	(18,357)
LPFA additional contribution	63,141	63,141	75,000	63,141
Travel and meeting costs	455,264	384,370	437,636	418,660
Premises, office and insurance costs	715,442	582,018	755,484	606,456
Telephone costs	96,342	71,389	88,972	64,347
Depreciation	124,530	112,666	151,796	127,476
Irrecoverable VAT	229,926	229,926	283,949	283,949
Consultants	4,095	-	4,331	-
Audit and accountancy	46,987	39,487	38,313	33,813
Print, post and stationery	27,212	-	28,930	-
Bad debt	-	-	34,522	-
Other	<u>63,711</u>	<u>34,043</u>	<u>15,000</u>	=
	<u>3,826,912</u>	<u>2,943,343</u>	<u>4,070,025</u>	<u>3,137,350</u>

6a. Interest Receivable and Investment Income

	2013		2012	
	Group	Company	Group	Company
	£	£	£	£
Income from unlisted fixed asset investments	-	50,000	-	100,000
Bank interest	56,019	55,495	73,064	72,230
Expected return on employer assets, pension scheme (Note 15)	=	=	<u>6,000</u>	<u>6,000</u>
	<u>56,019</u>	<u>105,495</u>	<u>79,064</u>	<u>178,230</u>

6b. Interest Payable

	2013		2012	
	Group	Company	Group	Company
	£	£	£	£
Interest payable on employer assets, pension scheme (Note 15)	<u>(93,000)</u>	<u>(93,000)</u>	=	=

Notes (continued)

7. Taxation

	2013		2012	
	Group £	Company £	Group £	Company £
Current tax:				
UK corporation tax	37,201	10,425	42,826	19,159
Adjustments in respect of previous periods	<u>(5,536)</u>	<u>(5,536)</u>	=	=
Total current tax	<u>31,665</u>	<u>4,889</u>	<u>42,826</u>	<u>19,159</u>
<i>FRS19 reconciliation of current tax charge</i>				
(Loss)/Profit ordinary activities before tax	<u>(370,650)</u>	<u>(458,633)</u>	<u>(59,557)</u>	<u>(56,382)</u>
Tax on profit on ordinary activities at standard CT rate (20%)	(59,300)	(91,727)	8,289	(11,076)
Expenses not deductible for tax purposes	108,869	112,152	50,283	50,235
Group income	(10,000)	(10,000)	(20,000)	(20,000)
Marginal relief	(3,731)	-	-	-
Adjustments to tax charge in respect of previous periods	(5,536)	(5,536)	-	-
Depreciation in excess of Capital allowances	1,785	-	2,865	-
Other short term timing differences	<u>(422)</u>	=	<u>1,389</u>	=
Current tax charge for the period	<u>31,665</u>	<u>4,889</u>	<u>42,826</u>	<u>19,159</u>

8. Profit on Ordinary Activities Before Taxation

	2013		2012	
	Group £	Company £	Group £	Company £
Profit is stated after crediting:				
Profit on disposal of tangible fixed assets	4,250	4,250	-	-
And after charging:				
Operating lease rentals on land & buildings	216,500	216,500	216,500	216,500
Depreciation	124,530	112,666	151,796	127,476
Auditor's remuneration – audit services	27,500	20,000	24,500	20,000
Auditor's remuneration – non-audit services	19,487	19,487	13,813	13,813

Notes (continued)

9. Tangible Fixed Assets						
	Group			Company		
	Office Equipment £	Motor Vehicles £	Total £	Office Equipment £	Motor Vehicles £	Total £
Cost						
As at 01 April 2012	729,321	54,459	783,780	632,042	54,459	686,501
Additions	151,278	23,991	175,269	147,170	23,991	171,161
Disposals	-	(25,960)	(25,960)	-	(25,960)	(25,960)
As at 31 March 2013	880,599	52,490	933,089	779,212	52,490	831,702
Depreciation						
As a 01 April 2012	577,139	45,579	622,718	503,310	45,579	548,889
Disposal		(19,470)	(19,470)	-	(19,470)	(19,470)
Charge for year	116,141	8,389	124,530	104,277	8,389	112,666
As at 31 March 2013	693,280	34,498	727,778	607,587	34,498	642,085
Net book value						
As at 31 March 2013	187,319	17,992	205,311	171,625	17,992	189,617
As at 31 March 2012	151,764	8,880	160,644	128,315	8,880	137,195

10. Subsidiary Undertakings		
	2013 £	2012 £
Fixed asset investments		
AoC Create Ltd.	100	100
Trading results – profit/surplus for the period/year		
AoC Create Ltd.	94,025	73,159
AoC India Ltd.	17,182	-
Reserves – as at 31 March		
AoC Create Ltd.	229,293	158,535
AoC India Ltd.	17,182	-

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 2013 of £125,706 (2012: £96,826). AoC India Ltd is a not-for-profit company limited by guarantee. The Charitable Trust has not been consolidated as it is immaterial to the group and AoC.

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 are available from the company's website.

11. Debtors: Amounts Falling Due Within One Year				
	2013		2012	
	Group	Company	Group	Company
	£		£	
Accrued Income	1,149,042	993,795		
Trade debtors	1,184,488	657,923	2,012,547	1,409,633
Amounts owed by subsidiary undertakings	-	157,237	-	73,584
Amounts owed by AoC Charitable Trust	114,770	144,632	89,431	89,431
VAT	129,940	248,487	-	-
Prepayments	278,192	74,363	299,059	98,213
Other debtors	<u>250,875</u>	<u>228,371</u>	<u>369,786</u>	<u>242,753</u>
	<u>3,107,307</u>	<u>2,504,808</u>	<u>2,770,823</u>	<u>1,913,614</u>

12. Creditors: Amounts Falling Due Within One Year				
	2013		2012	
	Group	Company	Group	Company
	£		£	
Deferred income	2,193,371	1,749,070	1,900,367	1,687,150
Trade creditors	620,853	413,267	1,022,225	601,055
Corporation tax	31,622	4,889	42,826	19,159
Other taxation and social security	125,054	125,054	210,593	136,413
Other creditors	5,697,332	5,695,999	3,897,137	3,893,622
Amounts held on behalf of third parties	1,362,049	1,362,049	3,738,605	3,738,605
Accruals	<u>184,256</u>	<u>105,793</u>	<u>151,582</u>	<u>108,708</u>
	<u>10,214,537</u>	<u>9,456,121</u>	<u>10,963,335</u>	<u>10,184,712</u>

The membership subscription period for the Association runs from the 1 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 £51,109 (2012: £56,544). This has been paid since the year end.

13a. Accumulated Reserve		
	2013	
	Group	Company
	£	
1 April 2012	(2,595,849)	(2,754,082)
Retained loss for the year	<u>(402,315)</u>	<u>(463,522)</u>
31 March 2013	<u>(2,998,164)</u>	<u>(3,217,604)</u>

Notes (continued)

13b. Movement in Members' Fund

	2013		2012	
	Group £	Company £	Group £	Company £
Loss for the year	(402,315)	(463,522)	(102,383)	(75,541)
Opening Members' fund	<u>(2,595,849)</u>	<u>(2,754,082)</u>	<u>606,534</u>	<u>421,461</u>
	(2,998,164)	(3,217,604)	504,151	345,920
FRS17 Actuarial gain/(loss)	<u>939,000</u>	<u>939,000</u>	<u>(3,100,000)</u>	<u>(3,100,000)</u>
	<u>(2,059,164)</u>	<u>(2,278,604)</u>	<u>(2,595,849)</u>	<u>(2,754,082)</u>

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

	2013		2012	
	Group £	Company £	Group £	Company £
Operating (loss)	(333,669)	(471,128)	(138,621)	(234,612)
Depreciation charges	124,530	112,666	151,796	127,476
(Increase)/decrease in debtors	(336,484)	(591,194)	(1,052,117)	(1,056,279)
(Decrease)/increase in creditors	(748,798)	(728,591)	(3,260,321)	(3,320,599)
Loss/(profit) on sale of fixed asset	(4,250)	(4,250)	-	-
Excess of current service costs over pension	<u>223,573</u>	<u>223,573</u>	<u>(45,000)</u>	<u>(45,000)</u>
Net cash inflow from operating activities	<u>(1,075,098)</u>	<u>(1,458,924)</u>	<u>(4,344,263)</u>	<u>(4,529,014)</u>

14b. Analysis of Cashflows for headings netted in the Cashflow Statement

	2013		2012	
	Group £	Company £	Group £	Company £
<i>Returns on investments & servicing of finance</i>				
Dividends received	-	50,000	-	100,000
Interest received	<u>56,019</u>	<u>55,495</u>	<u>73,064</u>	<u>72,230</u>
Net cash inflow for returns on servicing of finance	<u>56,019</u>	<u>105,495</u>	<u>73,064</u>	<u>172,230</u>
<i>Capital expenditure & financial investment</i>				
Purchase of tangible fixed assets	(175,269)	(171,161)	(99,645)	(90,093)
Receipts from sale of tangible fixed assets	<u>10,750</u>	<u>10,750</u>	=	=
Net cash outflow for capital expenditure & financial investment	<u>(164,519)</u>	<u>(160,411)</u>	<u>(99,645)</u>	<u>(90,093)</u>

Notes (continued)

14c. Reconciliation of Net Cash Flow to Movement in Net Funds

	2013		2012	
	Group	Company	Group	Company
	£	£	£	£
Decrease in cash in the period	(1,215,263)	(1,518,729)	(4,413,670)	(4,466,036)
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>
Net funds at 31 March 2013	<u>9,365,756</u>	<u>9,005,992</u>	<u>10,581,019</u>	<u>10,524,721</u>

14d. Analysis of Changes in Net Funds

		At 31 March 2012	Cash Flows	Other non-cash Charges	At 31 March 2013
		£	£	£	£
Cash at bank & in hand	Group	10,581,019	(1,215,263)	-	9,365,756
	Company	10,524,721	(1,518,729)	-	9,005,992

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% (2012: 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 2014 is £389,000.

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 2013 are shown below:

Year ended:	31 March 2013	31 March 2012
Equities	73%	73%
Target return funds	10%	12%
Alternative assets	15%	14%
Cash	2%	1%
Other bonds	0%	0%

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	22.3 years	24.2 years
Future pensioners	24.3 years	26.1 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	2013	2012	2011	2010	2009
Discount rate at 31 March	4.7%	4.6%	5.5%	5.5%	6.9%
Salary increase rate	4.3%	4.2%	4.5%	5.4%	4.6%
Pension increase rate/inflation	2.6%	2.5%	2.7%	3.9%	3.1%
Expected return on plan assets at 31 March	5.6%	5.9%	6.7%	6.8%	6.4%

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	2013	2012
Equities	6.0%	6.3%
Target return funds	4.6%	4.5%
Alternative assets	5.0%	5.3%
Cash	0.5%	3.0%
Other bonds	n/a	n/a

Amounts recognised in the balance sheet	2013 £(000)	2012 £(000)
Fair value of employer assets	13,227	11,097
Present value of funded liabilities	(17,750)	(16,242)
Net (liability)	(4,523)	(5,145)

Notes (continued)

Amounts recognised in profit or loss accounts	2013 £(000)	2012 £(000)
Current service cost	612	507
Interest cost	764	662
Expected return on employer assets	(671)	(668)
Past service loss/(gain)	16	(128)
Total	721	373
Actual return on plan assets	1,615	98

Reconciliation of defined benefit obligation	2013 £(000)	2012 £(000)
Opening defined benefit obligation	16,242	11,190
Current service cost	612	507
Interest cost	764	662
Contributions by members	192	243
Actuarial losses	6	2,531
Losses on curtailments	16	21
Liabilities assumed in a business combination	-	259
Estimated benefits paid (net of transfers in)	(82)	829
Closing defined benefit obligation	17,750	16,242

Reconciliation of fair value of employer assets	2013 £(000)	2012 £(000)
Opening fair value of employer assets	11,097	9,094
Expected return on assets	671	668
Contributions by members	192	243
Contributions by employer	404	424
Actuarial loss/(gains)	945	(569)
Benefits paid (net of transfers in and including unfunded)	(82)	829
Receipt of bulk transfer value	-	408
Closing fair value of employer assets	13,227	11,097

Amount recognised in statement of total recognised gains and losses (STRGL)		
	2013 £(000)	2012 £(000)
Actuarial gains/(losses) current year	939	(3,100)
Cumulative actuarial (losses)	(4,075)	(5,014)

Amounts for the current & previous periods	2013 £(000)	2012 £(000)	2011 £(000)	2010 £(000)	2009 £(000)
Value of plan assets	13,227	11,097	9,094	8,427	6,039
Defined benefit obligation	(17,750)	(16,242)	(11,190)	(14,281)	(7,816)
Deficit	(4,523)	(5,145)	(2,096)	(5,854)	(1,777)
Experience gains on liabilities	-	-	2,490	-	-
Experience adjustments on plan assets	945	(569)	(654)	1,434	(2,041)

Notes (continued)

16. Commitments

	2013		2012	
	Group	Company	Group	Company
	£	£	£	£
<i>Operating lease rentals</i>				
Annual charge on land & building leases due to expire within 2 - 5 years	216,500	216,500	216,500	216,500

17. Contingent Liability

There are no contingent liabilities at the time the accounts were signed (2012: none).

18. 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.

Notes (continued)

19. 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.

Director	Related party	2013				2012			
		Transactions during year		Balance outstanding at year-end		Transactions during year		Balance outstanding at year-end	
		AoC	AoC Create	AoC	AoC Create	AoC	AoC Create	AoC	AoC Create
J Allen	Lincoln College	26,481	28,187	-	3,634	24,127	4,496	-	-
R Atkins	Exeter College	24,750	83,181	-	6,172	24,780	7,694	-	912
J Bingham	Thomas Rotherham to 31/12/12	6,220	273	-	347	7,664	5,107	-	-
N Cave	Bournville College	24,200	9,323	-	1,874	23,267	9,185	-	133
K Clifford	Cirencester College	13,357	3,747	-	270	15,958	1,079	-	-
S Dicketts	Oxford & Cherwell College	26,727	16,784	26,727	2,349	27,502	15,196	-	1,697
F Donohue	North Herts College	20,140	16,068	-	10,659	20,205	2,814	-	-
M Galliers	Leicester College from 1/8/12	-	18,908	-	306	-	-	-	-
N A Hopkins	Peter Symonds College	14,867	1,728	-	-	14,972	2,693	-	360
T Jackson	Sparsholt College	-	5,055	-	269	1,269	6,106	-	360
A Khemka	West Nottinghamshire College	27,298	42,953	-	12,772	26,300	17,735	-	-
F McMillan	Bridgewater College to 31/7/12	24,750	1,201	-	312	25,082	7,120	-	-
R Morris	Northampton College	24,824	20,729	-	8,327	23,311	7,557	-	671
A O'Donoghue	City of Sunderland College	26,135	3,353	-	617	26,440	2,530	-	-
H Pegg	City Stoke on Trent VI to 31/7/12	7,263	719	-	347	7,440	20,181	-	-
D Roberts	Brockenhurst College	23,976	4,243	-	38	22,399	1,764	-	-
P Ryder	Tameside College	22,411	2,062	-	10	22,407	2,414	-	-
J Short	York College	25,632	1,572	-	384	-	-	-	-
C Stott	City Lit	15,565	4,042	-	654	15,913	2,291	-	372
G Trow	Rotherham College	23,970	3,978	-	522	35,635	10,739	-	2,652
M White	Stockton Riverside College	20,263	3,729	-	509	19,720	3,524	-	360
J Widdowson	New College Durham	23,964	354	-	-	24,149	4,023	-	648
A Wilson	Westminster Kingsway College	24,837	48,738	-	4,740	25,281	6,132	-	3,039

Director	Related party	2013	
		AoC India	
		Transactions during year	Balance outstanding at year-end
R Atkins	Exeter College	20,000	-
N Cave	Bournville College	20,000	-
A Khemka	West Nottinghamshire College	10,000	-
M White	Stockton Riverside College	10,000	-
J Widdowson	New College Durham	10,000	-
A Wilson	Westminster Kingsway College	20,000	-

AoC India commenced trading in July 2012 and hence no comparative transactions are provided.

During the year, the Association contributed £53,500 (2012: 68,500) to the AoC Charitable Trust

20. Grant Income

During the year the Association received a grant from the Department for Business, Innovation & Skills for £21,666 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.

The following does not form part of the financial statements.

Detailed Income and Expenditure Account
for the year ended 31 March 2013

	2013		2012	
	Group £	Company £	Group £	Company £
<i>Turnover</i>				
Subscriptions	5,146,982	4,996,982	4,827,263	4,827,263
National projects	4,935,276	4,935,276	6,563,186	6,563,186
Conferences, seminars and training	4,287,537	-	4,332,054	-
Other	253,243	246,180	587,660	216,259
	14,623,037	10,178,438	16,310,164	11,606,708
<i>Less: cost of sales</i>				
Salaries	2,927,904	2,269,000	2,906,885	2,294,808
Salaries – FRS 17 adjustment	129,740	129,740	(26,643)	(26,643)
Legal expenses	56,759	51,714	48,996	48,996
Publications, printing & postage	59,151	58,779	58,925	58,925
Research	58,564	58,564	49,334	49,334
Press & media	138,135	138,135	177,598	177,598
National projects	4,547,896	4,547,896	5,922,863	5,922,863
International	13,836	13,836	5,068	5,068
Conferences, seminars and training	2,562,410	-	3,062,712	-
Other professional	226,015	185,254	173,022	173,022
	10,720,410	7,452,918	12,378,760	8,703,971
<i>Less: administrative expenses</i>				
Salaries & staff costs	1,831,019	1,275,281	1,976,886	1,384,715
Salaries – FRS 17 adjustment	94,260	94,260	(18,357)	(18,357)
LPFA additional contribution	75,000	63,141	75,000	63,141
Temporary agency	15,729	9,366	43,683	35,539
Recruitment & training	47,396	47,396	97,654	97,654
Audit & accountancy	46,987	39,487	38,313	33,813
Meeting expenses	122,745	114,523	128,380	124,230
Travel expenses	332,519	269,847	309,256	294,430
Premises costs	449,585	336,678	426,566	319,561
Office costs & insurance	174,353	153,836	215,314	195,363
Computer expenses	110,441	91,504	113,604	91,532
Telephone & facsimile	96,342	71,389	88,972	64,347
Subscriptions	32,753	31,558	29,870	26,732
Bank charges	11,681	1,608	10,940	951
Depreciation	124,530	112,666	151,796	127,476
Irrecoverable VAT	229,926	229,926	283,949	283,948
Other expenses	10,656	11,193	15,416	12,274
(Profit)/loss on disposal	(4,250)	(4,250)	-	-
Rental income	(6,066)	(6,066)	15,000	-
Consultants	4,095	-	4,331	-
Print, post and stationery	27,212	-	28,930	-
Bad debt	-	-	34,522	-
	3,826,912	2,943,343	4,070,025	3,137,349
Exceptional redundancy costs	(409,385)	(253,305)	-	-
Operating loss	(333,669)	(471,128)	(138,621)	(234,612)
Dividends receivable	-	50,000	-	100,000
Interest receivable	56,019	55,495	73,064	72,230
NET FRS17 interest	(93,000)	(93,000)	6,000	6,000
Loss before tax	(370,650)	(458,633)	(59,557)	(56,383)
Taxation	(31,665)	(4,889)	(42,826)	(19,159)
Retained profit for the year	(402,315)	(463,522)	(102,383)	(75,541)