

DO NOT STAPLE
PRINT ON ONE SIDE ONLY

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:

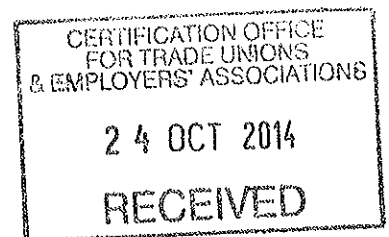
e-mail:

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
351				351

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	M Galliers	M Sutton	31 July 2013 01 August 2013
Deputy Chair Board Member	R Atkins	C Booth	30 November 2013 4 December 2013
Board Member Board Member		A Constantine M David	4 December 2013 13 March 2014
Board Member Board Member	F Donohue N A Hopkins		31 July 2013 31 July 2013
Board Member Board Member	T Jackson A O'Donoghue		4 December 2013 18 September 2013
Board Member Board Member	G Trow	P Phillips	4 December 2013 30 November 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)	

BALANCE SHEET AS AT [

(see notes 19 and 20)

]

Previous Year		£	£
	Fixed Assets (as at page 11)		
	Investments (as per analysis on page 13)		
	Quoted (Market value £)		
	Unquoted		
	Total Investments		
	Other Assets		
	Sundry debtors		
	Cash at bank and in hand		
	Stocks of goods		
	Others (specify)		
	Total of other		
	assets		
		TOTAL ASSETS	
	Fund (Account)		
	Fund (Account)		
	Fund (Account)		
	Revaluation Reserve		
	Liabilities		
	Loans		
	Bank overdraft		
	Tax payable		
	Sundry creditors		
	Accrued expenses		
	Provisions		
	Other liabilities		
		TOTAL LIABILITIES	
		TOTAL ASSETS	

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	5,048,548		5,048,548
From Investments	(58,399)		(58,399)
Other Income (including increases by revaluation of assets)	5,037,105		5,037,105
Total Income	10,027,254		10,027,254
EXPENDITURE (including decreases by revaluation of assets)	11,776,345		11,776,345
Total Expenditure	11,776,345		11,776,345
Funds at beginning of year (including reserves)	(2,278,604)		(2,278,604)
Funds at end of year (including reserves)	(4,027,695)		(4,027,695)
ASSETS			
Fixed Assets			315,483
Investment Assets			100
Other Assets			8,180,297
		Total Assets	8,495,880
LIABILITIES		Total Liabilities	12,523,575
NET ASSETS (Total Assets less Total Liabilities)			(4,027,695)

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 2014.

ACCOUNTING POLICIES

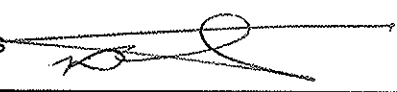
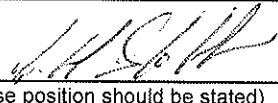
(see notes 37 and 38)

Please see Directors' Report and Financial Statement for the Year Ended 31st March 2014.

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: 24th September 2014	Date: 23 rd September 2014

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

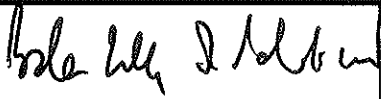
If "No" please explain below.

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 2014.

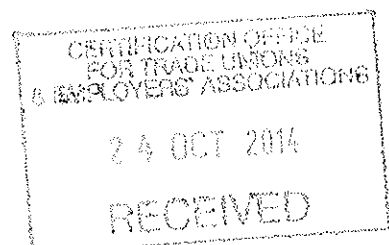
Signature(s) of auditor or auditors:		
Name(s):	<i>Baker Tilly UK Audit LLP</i>	
Profession(s) or Calling(s):	<i>Chartered Accountants</i>	Statutory Auditor
Address(es):	<i>25 Farringdon Street London EC4A 4AB</i>	
Date:	<i>23 October 2014</i>	
Contact name and telephone number:		

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

Association of Colleges
(Limited by guarantee)

**Directors' report
and
financial statements
for the year ended
31 March 2014**

Registered number: 3216271



Contents

Directors and Advisers	3-4
Strategic Report	5-8
Directors' Report	9-12
Statement of Directors' Responsibilities	13
Independent Auditor's Report to the Members of Association of Colleges	14
Profit and Loss Account	15
Statement of Total Recognised Gains & Losses	16
Balance Sheet	17
Cash Flow Statement	18
Notes to the Accounts	19-32

Directors and Advisers

Non-Executive Directors – and committees served on

Chair: C Stott - AoC Create, ACT, GC, F&GP & RC

President &
Vice-Chair: M Sutton – Appointed 1 August 2013
M Galliers – Resigned 31 July 2013

Deputy-Chair:
D Roberts – AoC Create, F&GP, RC
R Atkins – Resigned 30 November 2013

Directors: J Allen – F&GP
C Booth – Appointed 4 December 2013
N Cave – AoC Create, EC
K Clifford – AoC Create, RC
A Constantine – Appointed 4 December 2013
M David – Appointed 13 March 2014
S Dicketts – EC
F Donohue – Resigned 31 July 2013
N A Hopkins – Resigned 31 July 2013
T Jackson – Resigned 4 December 2013
A Khemka – EC
R Morris – EC, GC
A O'Donoghue – Resigned 18 September 2013
P Phillips – EC (Appointed 4 December 2013)
P Ryder
J Short – AoC Create, F&GP
G Trow – Resigned 30 November 2013
M White – F&GP, GC, RC
J F Widdowson – F&GP, RC
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: N Lucas

Boards – AoC Create Ltd (AoC Create), AoC India Ltd (AoC India) and AoC Charitable Trust (ACT).

Committees – 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

Solicitors

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

Registered Auditor

Mazars LLP
Regency House
3 Grosvenor Square
Southampton
SO15 2BE

Statutory Auditor

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

Bankers

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

Strategic report

This strategic report for the year ended March 2014 is to be considered alongside the Accounts and Directors' Report for the same financial period.

Overview of the AoC

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. It now also provides members with professional support services.

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.

These principal activities are set out in the Association's founding constitution.

Geographical Location and Network Reach

From its national office in London, AoC, a not-for-profit company limited by guarantee, works with a network of nine regional offices throughout the UK. These comprise: North East, North West, Yorkshire & Humber, East, East Midlands, West Midlands, South East, London and South West. AoC London is a region in its own right and is not to be confused with AoC. Each regional office is led by a Regional Director.

This regional spread enables the voice of colleges to be heard across England. It also means that AoC remains close to our member colleges and responsive to their needs. In each area, the Regional Director and their team champion and promote their colleges and the contribution they make to local economic and social prosperity.

Regional offices work to ensure that colleges are represented on relevant decision-making bodies and that their views are understood by local partners, including Local Enterprise Partnerships (LEPs). Our regional structure also means we can provide a range of professional development networks, events, information and advice that supports college excellence and helps them grow and flourish. We manage around 400 regional network meetings each year, giving a chance for everyone to participate. Regional offices are a key way of ensuring that members' views shape and influence AoC policy at all levels, vital in a body which prides itself on being a highly membership-focused organisation.

AoC Charitable Trust and our wholly owned commercial subsidiary, AoC Create, are also based in London. AoC India is a wholly owned subsidiary company with office space in Delhi, India.

Our Members

AoC's 200 national and regional member engagement groups are one of the main ways in which we engage with our member colleges and a key route through which members can influence AoC's policy and activities. Our portfolio groups, national and regional policy groups, regional networks and standing groups enable members to drive education policy, talk directly to Government officials and share best practice. We have around a dozen portfolio groups, 20 national policy groups and 130 regional policy groups, which all meet regularly throughout the year. Notes relating to these policy meetings are always available to members through the relevant channels.

Over 70% of AoC members are engaged in our national portfolio groups. We invite external stakeholders such as employer representatives or Ofsted members to meet AoC alongside college principals, governors and other senior college staff. The groups then discuss how policy is emerging and how it translates into practice.

Annual Conference

The Association holds an annual conference and exhibition each November, bringing together the further education sector under one roof to learn, develop, influence, exchange information and network. In recent years, this has been held in Birmingham where not only are there first-class conference and exhibition facilities but the central location makes the event as accessible as possible for the majority of delegates.

Featuring keynote speakers, plenary sessions, breakout sessions, workshops and networking events, this informative and stimulating event is highly regarded by our membership and is the highlight of AoC's events calendar.

Income from Members' Subscriptions

Funded by a mix of membership subscriptions and commercially generated revenue, we aim to be transparent in our affairs. Our board, which meets on average four times a year, sets our direction and approves major spends. Subscription rates are calculated on the basis of the size and income of each FE or sixth form college.

Board Portfolio Groups

The AoC Board nominates portfolio holders to lead policy work in a number of areas. As of June 2014 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.

The Political Landscape

AoC's public affairs team has over 25 years' experience of working with MPs in Westminster and with Government departments in Whitehall. Liaising with all political parties (not just the party or parties in Government), we lobby to make sure they create policies that are beneficial to member colleges and suggest amendments to legislation. We undertake our work with the help of college principals and sometimes with chairs of governors.

As well as maintaining good contacts with key MPs from all major political parties, regular activities include suggesting Parliamentary Questions, submitting written evidence to select committees and producing briefings for MPs and Peers to inform debates in both Houses. We brief principals on how to manage their relationship with their local MPs and advise on opportunities to speak directly to MPs on issues that concern them. We also put principals forward to provide spoken evidence to select committees. We are delighted whenever an MP pays tribute to the work their local college is doing or a Minister speaks highly of the sector.

The General Election in 2015 means that AoC has much vital work to do in influencing the education element of the main parties' manifestos. We are working with all three major parties as they actively start to develop policies, suggesting our ideas and commenting on their draft policies.

Communicating with the Sector

Our recently redesigned website provides an up-to-date overview on the work of AoC. Whilst some of the content is password-protected, much is 'free to view' and accessible to all. All member colleges can access the whole range of information through using their login details. Weekly Chief Executive letters are emailed to all members each Friday and these contain a summary of policy developments, along with commentary from our Chief Executive, Martin Doel. In addition, a comprehensive range of issue-related briefings are communicated with members and we operate an electronic archive of these publications which is accessible to all members.

Recent member surveys praised the in-depth analysis provided by AoC as well as the frequent and relevant policy papers, briefings and reports from the directorates within AoC.

Our Successes in Influencing Government

As a representative organisation, we measure our success by how effectively we are able to positively influence government policy for the improvement of the further education and sixth form college sector. On behalf of our members, we promote issues to Parliament, the media and the public. Campaigns enable us to work with people and organisations who are outside our core audience. Everyone can sign our e-petitions and get involved and this inclusivity is at the heart of how AoC Operates. AoC campaigns also raise the profile of the colleges.

We are pleased that there have been many notable successes in the year ended March 2014.

- Our campaigns are often focused around topics that affect students' wellbeing and prospects. A recent example is the success we achieved in getting disadvantaged college students to receive free meals at lunchtime in the same way as their school sixth form peers. Announced by the Deputy Prime Minister in September, this meant that all 16- to 18-year olds were to be treated equally. This was an impressive and important victory for our *No Free Lunch?* Campaign.
- We have lobbied Government and Parliament this year on the need for better careers advice for young people, particularly to ensure they know about vocational education and apprenticeships. We have also launched our *Careers Guidance: Guaranteed* campaign.
- 2013-14 has seen a succession of policy announcements from the Coalition Government which have a current and future impact on colleges and their students. In particular, there have been reductions in funding including a cut of 17.5% for educating students aged 18 and a 9% cut in the adult skills budget and a further reduction of 11% next year. We have raised our concerns with Ministers and civil servants consistently and succeeded in securing some mitigation for colleges in relation to the cut in funding for 18-year-olds.
- We raised concerns with Ministers about their plans to ensure all students achieve a Level 2 qualification in maths and English. This meant colleges will need to employ many more teachers with specialisms in these subjects. We were pleased, therefore, when the Government announced new bursaries for potential FE teachers.
- We helped colleges secure £500m in capital grants via the Skills Funding Agency and Education Funding Agency for the two year period from 2013 to 2015. Our latest campaign, *Careers Guidance: Guaranteed*, aims to ensure all young people have access to careers advice on post-14 education, training and employment options.

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.

AoC Create Ltd is a trading subsidiary of AoC. 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 and all the money earned is invested back to benefit AoC member colleges.

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.

- 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 UK Trade & Investment, 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. 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.

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.

ETF

AoC is one of three founding members of the ETF, a company limited by guarantee at £1 per member with the Association of Employment and Learning Providers (AELP) and the Association of Adult Education and Training Organisations (which operates under the name of HOLEX). AoC is entitled to appoint three of the twelve directors on the Board and Board resolutions are passed with a simple majority vote. ETF is a registered charity and as such operates for the public benefit. AoC does not have a participating interest in ETF and does not derive any benefit from its membership.

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 2014.

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.

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. The nine regional offices will continue to represent the interests of their local member colleges, disseminating national policy and providing vital representation around the UK. AoC Create will continue as the commercial arm of AoC, providing high quality professional services to the sector.

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 March 2014. Details of the subsidiaries are provided in the Strategic 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. Details of the principal activities are provided in the strategic report.

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:

Securing Parliamentary and media reputation

- The political parties are preparing for the 2015 General Election and have actively started to develop policies. We are working with all three major parties, suggesting our ideas and commenting on their draft policies.
- We have worked hard to secure coverage in the media for the issues colleges are concerned about. Examples include a warning about the decline in the number of part-time students in the [Telegraph](#) in October, a recent report on a membership survey on careers advice and guidance covered by the [Observer](#) in April and a story about funding cuts for 18-year-olds in the [Guardian](#) in January.
- AoC and its members worked closely with members of the both the House of Commons and House of Lords to ensure the Children and Families Bill (now Act) took into account the needs of students aged between 16 and 24 with a learning difficulty and/or disability. We briefed Parliamentarians on parts of the Bill that were of concern and suggested ways in which it could be changed.

Results

The Board reports the Company outturn for the financial year ended 31 March 2014, which is a surplus of £59,535 (2013: deficit £141,633) before tax, adjustments of the Financial Reporting Standard (FRS) 17 requirements, and after contributing £63,000 (2013: £63,000) towards the LPFA deficit in the year. A dividend has been received from AoC Create Ltd of £150,000 (2013: £50,000).

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 £63,500 (2013: £53,500) regarding the Beacon Awards to the AoC Charitable Trust.

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 2013, 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 £171,100 annually and this additional funding has been budgeted for in full. The Board has asked for a long term strategy to be prepared to address the liabilities associated with the scheme.

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 2014, 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 2014 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 an 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.

A handwritten signature in black ink, appearing to be 'P. J. Brophy', with a horizontal line underneath the signature.

P J Brophy
Director of Finance
18 September 2014

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 15 to 31. 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 Directors' Responsibilities Statement set out on page 13, 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 Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

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 2014 and of the group's profit 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.

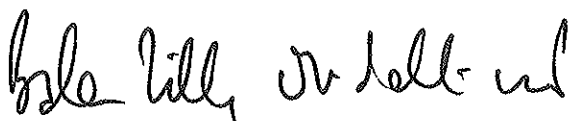
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and 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

26 September 2014

Profit and Loss Accounts
for the year ended 31 March 2014

	Notes	31 March 2014		31 March 2013	
		Group £	Company £	Group £	Company £
Turnover		16,389,226	11,349,653	14,623,038	10,178,438
Cost of sales	4	<u>(12,011,439)</u>	<u>(8,502,888)</u>	<u>(10,720,410)</u>	<u>(7,452,918)</u>
Gross profit		4,377,787	2,846,765	3,902,628	2,725,520
Admin expenses	5	<u>(4,057,411)</u>	<u>(3,254,830)</u>	(3,826,912)	(2,943,343)
Exceptional item (redundancy costs)		=	=	<u>(409,385)</u>	<u>(253,305)</u>
		<u>(4,057,411)</u>	<u>(3,254,830)</u>	<u>(4,236,297)</u>	<u>(3,196,648)</u>
Operating profit/(loss)		320,376	(408,065)	(333,669)	(471,128)
Interest receivable or investment income	6a	42,261	189,601	56,019	105,495
Interest payable	6b	<u>(98,000)</u>	<u>(98,000)</u>	<u>(93,000)</u>	<u>(93,000)</u>
Profit/(loss) on ordinary activities before taxation		264,637	(316,464)	(370,650)	(458,633)
Tax on profit on ordinary activities	7	<u>(185,942)</u>	<u>(18,627)</u>	<u>(31,665)</u>	<u>(4,889)</u>
Retained profit/(loss) for the financial year	13	<u>78,695</u>	<u>(335,091)</u>	<u>(402,315)</u>	<u>(463,522)</u>

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

Statements of Total Recognised Gains and Losses
for the year ended 31 March 2014

	Notes	31 March 2014		31 March 2013	
		Group	Company	Group	Company
		£	£	£	£
Retained profit/(loss) for the period		78,695	(335,091)	(402,315)	(463,522)
Actuarial (loss)/gain on defined benefit pension scheme	15	<u>(1,414,000)</u>	<u>(1,414,000)</u>	<u>939,000</u>	<u>939,000</u>
Total recognised (losses)/gains for the period		<u>(1,335,305)</u>	<u>(1,749,091)</u>	<u>536,685</u>	<u>475,478</u>

Balance Sheet

as at 31 March 2014

Registered number: 3216271

	Notes	31 March 2014		31 March 2013	
		Group £	Company £	Group £	Company £
Fixed assets					
Tangible fixed assets	9	327,800	315,483 ✓	205,311	189,617
Investments	10	-	100 ✓	-	100
		327,800	315,583	205,311	189,717
Current assets					
Debtors	11	2,511,662	1,280,463	3,107,307	2,504,808
Cash in bank and in hand		7,604,888	6,899,834 ✓	9,365,755	9,005,992
		10,116,550	8,180,297 ✓	12,473,062	11,510,800
Creditors: amounts falling due within one year	12	7,526,819	6,211,575	10,214,537	9,456,121
		2,589,731	1,968,722	2,258,525	2,054,679
Net current assets		2,589,731	1,968,722	2,258,525	2,054,679
Net assets excluding pensions liability		2,917,531	2,284,305	2,463,836	2,244,396
Pensions liability	15	(6,312,000)	(6,312,000)	(4,523,000)	(4,523,000)
Net liabilities including pensions liability		(3,394,469)	(4,027,695)	(2,059,164)	(2,278,604)
Accumulated reserve	13b	(3,394,469)	(4,027,695) ✓	(2,059,164)	(2,278,604) ✓

The financial statements on pages 15 – 32 were approved and authorised for issue by the Board of Directors on 9th July 2014 and were signed on its behalf by:



C Stott
Chair
18 September 2014

Cash Flow Statement
for the year ended 31 March 2014

	Notes	31 March 2014		31 March 2013	
		Group £	Company £	Group £	Company £
Cash flow from operating activities	14a	(1,322,366)	(1,992,811)	(1,075,098)	(1,458,924)
Returns on investments and servicing of finance	14b	42,261	189,601	56,019	105,495
Taxation		(185,942)	(18,627)	(31,665)	(4,889)
Capital expenditure and financial investment	14b	<u>(294,821)</u>	<u>(284,321)</u>	<u>(164,519)</u>	<u>(160,411)</u>
Decrease in cash in the period	14c	<u>(1,760,868)</u>	<u>(2,106,158)</u>	<u>(1,215,263)</u>	<u>(1,518,729)</u>

Reconciliation of Net Cash Flow to Movement in Net Funds

<i>Changes in net funds resulting from cash flows</i>	Notes	31 March 2014		31 March 2013	
		Group £	Company £	Group £	Company £
Decrease in cash in the period	14c	(1,760,868)	(2,106,158)	(1,215,263)	(1,518,729)
Net funds at 1 April	14d	<u>9,365,755</u>	<u>9,005,992</u>	<u>10,581,019</u>	<u>10,524,721</u>
Net funds at 31 March	14d	<u>7,604,887</u>	<u>6,899,834</u>	<u>9,365,755</u>	<u>9,005,992</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 UK GAAP, the consolidated financial statements incorporate those of the Association of Colleges and its subsidiary undertakings for the year. All financial statements are made up to 31 March 2014.

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 twelve-month cash flow forecast. The Board receives monthly management accounts with cash flow forecasts for the group.

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 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.

Notes (continued)

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 AoC 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	2014		2013	
	Group	Company	Group	Company
Services to members	38	27	34	26
Administration and operations	40	28	42	28
	78	55	76	54

Executive Directors & Officers	2014		2013	
	Group	Company	Group	Company
£60,001 to £70,000	9	7	8	8
£70,001 to £80,000	6	5	7	6
£80,001 to £90,000	5	2	1	1
£90,001 to £100,000	0	0	1	1
£100,001 to £110,000	2	2	1	1
£110,001 to £120,000	1	1	0	0
£150,001 to £160,000	0	0	1	1
£160,001 to £170,000	1	1	0	0
	24	18	19	18

The amount paid to the highest paid director was £160,700 (2013: £158,700); pension costs for this individual were £18,802 (2013: £17,632).

	2014		2013	
	Group	Company	Group	Company
Money purchase enhancement	6	5	8	6
Defined benefit schemes	69	52	53	42

Notes (continued)

The two executive directors are both members of the defined benefit scheme. Total directors remuneration amounted to £269,589 and pensions costs were £31,542.

3. Staff Costs

	2014		2013	
	Group	Company	Group	Company
	£	£	£	£
<i>The aggregate payroll costs were as follows:</i>				
Wages and salaries	4,278,315	3,285,775	3,368,146	2,655,414
Redundancy costs	-	-	409,385	253,305
FRS17 adjustment	278,000	278,000	224,000	224,000
Social security costs	416,607	312,788	394,249	304,091
<i>Pension costs</i>				
London Pension Fund Authority	337,687	241,093	320,938	256,353
LPFA deficit	71,139	63,141	75,000	63,141
Personal pension scheme	28,867	20,519	29,813	20,489
	<u>5,410,615</u>	<u>4,201,316</u>	<u>4,821,531</u>	<u>3,776,793</u>

4. Cost of Sales

	2014		2013	
	Group	Company	Group	Company
	£	£	£	£
Salaries	3,191,142	2,272,483	2,927,904	2,269,000
FRS17 adjustment	164,574	164,574	129,740	129,740
Legal expenses	56,984	56,984	56,759	51,714
Printing, postage, stationery and publications	61,595	61,489	59,151	58,779
Projects	5,514,452	5,514,199	4,547,896	4,547,896
Press and media	153,994	153,994	138,135	138,135
Research	54,573	54,573	58,564	58,564
Conferences, training and seminars	2,583,883	-	2,562,410	-
Other professional	213,112	207,462	226,015	185,254
Other	17,130	17,130	13,836	13,836
	<u>12,011,439</u>	<u>8,502,888</u>	<u>10,720,410</u>	<u>7,452,918</u>

Notes (continued)

5. Administrative Expenses

	2014		2013	
	Group	Company	Group	Company
	£	£	£	£
Staff and other costs	1,963,232	1,503,085	1,906,002	1,332,043
FRS 17 adjustment	113,426	113,426	94,260	94,260
LPFA additional contribution	63,141	63,141	63,141	63,141
Travel and meeting costs	496,785	426,721	455,264	384,370
Premises, office and insurance costs	669,331	525,028	715,442	582,018
Telephone costs	96,113	70,064	96,342	71,389
Depreciation	172,332	158,455	124,530	112,666
Irrecoverable VAT	277,634	277,634	229,926	229,926
Consultants	24,975	-	4,095	-
Audit and accountancy	77,628	69,378	46,987	39,487
Print, post and stationery	20,713	-	27,212	-
Bad debt	6,024	-	-	-
Other	76,077	47,898	63,711	34,043
	<u>4,057,411</u>	<u>3,254,830</u>	<u>3,826,912</u>	<u>2,943,343</u>

6a. Interest Receivable and Investment Income

	2014		2013	
	Group	Company	Group	Company
	£	£	£	£
Income from unlisted fixed asset investments	-	150,000	-	50,000
Bank interest	42,261	39,601	56,019	55,495
	<u>42,261</u>	<u>189,601</u>	<u>56,019</u>	<u>105,495</u>

Notes (continued)

6b. Interest Payable

	2014		2013	
	Group	Company	Group	Company
	£	£	£	£
Interest on obligation	(851,000)	(851,000)	(764,000)	(764,000)
Expected return on scheme assets	<u>753,000</u>	<u>753,000</u>	<u>671,000</u>	<u>671,000</u>
Interest payable on employer assets, pension scheme (Note 15)	<u>(98,000)</u>	<u>(98,000)</u>	<u>(93,000)</u>	<u>(93,000)</u>

7. Taxation

	2014		2013	
	Group	Company	Group	Company
	£	£	£	£
Current tax:				
UK corporation tax	185,942	18,627	37,201	10,425
Adjustments in respect of previous periods	=	=	(5,536)	(5,536)
Total current tax	<u>185,942</u>	<u>18,627</u>	<u>31,665</u>	<u>4,889</u>
FRS19 reconciliation of current tax charge				
Profit/(Loss) ordinary activities before tax	264,637	(316,465)	(370,650)	(458,633)
Tax on profit on ordinary activities at standard CT rate (20%)	104,476	(63,293)	(59,300)	(91,727)
Expenses not deductible for tax purposes	109,503	111,920	108,869	112,152
Group income	(30,000)	(30,000)	(10,000)	(10,000)
Marginal relief	-	-	(3,731)	-
Adjustments to tax charge in respect of previous periods	-	-	(5,536)	(5,536)
Depreciation in excess of Capital allowances	718	-	1,785	-
Other short term timing differences	<u>1,245</u>	=	<u>(422)</u>	=
Current tax charge for the period	<u>185,942</u>	<u>18,627</u>	<u>31,665</u>	<u>4,889</u>

The corporation tax rate of 20% relates to the company only.

Notes (continued)

8. Profit on Ordinary Activities Before Taxation

	2014		2013	
	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	229,000	229,000	216,500	216,500
Depreciation	172,332	158,455	124,530	112,666
Auditor's remuneration – audit services	28,250	20,000	27,500	20,000
Auditor's remuneration – non-audit services	27,368	27,368	19,487	19,487

9. Tangible Fixed Assets

	Group			Company		
	Office Equipment	Motor Vehicles	Total	Office Equipment	Motor Vehicles	Total
	£	£	£	£	£	£
Cost						
As at 31 March 2013	880,599	52,490	933,089	779,212	52,490	831,702
Additions	294,821	-	294,821	284,321	-	284,321
Disposals	(456,253)	(28,500)	(484,753)	(456,253)	(28,500)	(484,753)
As at 31 March 2014	719,167	23,990	743,157	607,280	23,990	631,270
Depreciation						
As at 31 March 2013	693,280	34,498	727,778	607,587	34,498	642,085
Disposal	(456,253)	(28,500)	(484,753)	(456,253)	(28,500)	(484,753)
Charge for year	<u>166,334</u>	<u>5,998</u>	<u>172,332</u>	<u>152,458</u>	<u>5,998</u>	<u>158,455</u>
As at 31 March 2014	403,361	11,996	415,357	303,792	11,996	315,787
Net book value						
As at 31 March 2014	315,806	11,994	327,800	303,488	11,994	315,483
As at 31 March 2013	187,319	17,992	205,311	171,625	17,992	189,617

Notes (continued)

10. Subsidiary Undertakings

	2014	2013
	£	£
Fixed asset investments		
AoC Create Ltd.	100	100
Trading results – profit/surplus for the period/year		
AoC Create Ltd.	551,139	94,025
AoC India Ltd.	12,647	17,182
Reserves – as at 31 March		
AoC Create Ltd.	603,699	229,293
AoC India Ltd.	29,829	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 2014 of £718,315 (2013: £125,706). 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.

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 as it is immaterial to the group. A copy of those accounts is available from the company's website.

11. Debtors: Amounts Falling Due Within One Year

	2014		2013	
	Group	Company	Group	Company
		£		£
Accrued income	63,570	-	1,149,042	993,795
Trade debtors	1,841,185	746,813	1,184,488	657,923
Amounts owed by subsidiary undertakings	-	248,267	-	157,237
Amounts owed by AoC Charitable Trust	57,085	55,190	114,770	144,632
VAT	-	(102,250)	129,940	248,487
Prepayments	290,379	77,833	278,192	74,363
Other debtors	259,443	254,610	250,875	228,371
	<u>2,511,662</u>	<u>1,280,463</u>	<u>3,107,307</u>	<u>2,504,808</u>

Notes (continued)

12. Creditors: Amounts Falling Due Within One Year

	2014		2013	
	Group	Company	Group	Company
	£	£	£	£
Deferred income	1,991,729	1,458,160	2,193,371	1,749,070
Trade creditors	509,176	257,387	620,853	413,267
Amounts owed to Group	-	-	-	-
Corporation tax	182,647	15,333	31,622	4,889
Other taxation and social security	161,107	125,530	125,054	125,054
VAT	125,531	-	-	-
Other creditors	4,311,998	4,254,826	5,697,332	5,695,999
Amounts held on behalf of third parties	13,219	13,219	1,362,049	1,362,049
Accruals	<u>231,411</u>	<u>87,120</u>	<u>184,256</u>	<u>105,793</u>
	<u>7,526,818</u>	<u>6,211,575</u>	<u>10,214,537</u>	<u>9,456,121</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 £64,571 (2013: £51,109). This has been paid since the year end.

13a. Accumulated Reserve

	2014	
	Group	Company
	£	£
1 April 2013	<u>(2,998,164)</u>	<u>(3,217,604)</u>
Retained profit/(loss) for the year	<u>78,695</u>	<u>(335,091)</u>
31 March 2014	<u>(2,919,469)</u>	<u>(3,552,695)</u>

13b. Movement in Members' Fund

	2014		2013	
	Group	Company	Group	Company
	£	£	£	£
Profit/(loss) for the year	78,695	(335,091)	(402,315)	(463,522)
Opening members' fund	<u>(2,059,164)</u>	<u>(2,278,604)</u>	<u>(2,595,849)</u>	<u>(2,754,082)</u>
	(1,980,469)	(2,613,695)	(2,998,164)	(3,217,604)
FRS17 actuarial (loss)/gain	<u>(1,414,000)</u>	<u>(1,414,000)</u>	<u>939,000</u>	<u>939,000</u>
	<u>(3,394,469)</u>	<u>(4,027,695)</u>	<u>(2,059,164)</u>	<u>(2,278,604)</u>

Notes (continued)

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

	2014		2013	
	Group	Company	Group	Company
	£	£	£	£
Operating profit/(loss)	320,376	(408,066)	(333,669)	(471,128)
Depreciation charges	172,332	158,455	124,530	112,666
Decrease/(increase) in debtors	595,644	1,224,346	(336,484)	(591,194)
(Decrease) in creditors	(2,687,718)	(3,244,546)	(748,798)	(728,591)
(Profit) on sale of fixed asset	-	-	(4,250)	(4,250)
Excess of current service costs over pension	277,000	277,000	223,573	223,573
Net cash outflow from operating activities	(1,322,366)	(1,992,811)	(1,075,098)	(1,458,924)

14b. Analysis of Cashflows for Headings Netted in the Cashflow Statement

	2014		2013	
	Group	Company	Group	Company
	£	£	£	£
Returns on investments & servicing of finance				
Dividends received	-	150,000	-	50,000
Interest received	42,261	39,601	56,019	55,495
Net cash inflow for returns on servicing of finance	42,261	189,601	56,019	105,495

Notes (continued)

Capital expenditure & financial investment

Purchase of tangible fixed assets	(294,821)	(284,321)	(175,269)	(171,161)
Receipts from sale of tangible fixed assets	=	=	10,750	10,750
Net cash outflow for capital expenditure & financial investment	(294,821)	(284,321)	(164,519)	(160,411)

Notes (continued)

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

	2014		2013	
	Group	Company	Group	Company
	£	£	£	£
Decrease in cash in the period	(1,760,868)	(2,106,158)	(1,215,263)	(1,518,729)
Net funds at 31 March 2013	<u>9,365,755</u>	<u>9,005,992</u>	<u>10,581,019</u>	<u>10,524,721</u>
Net funds at 31 March 2014	<u>7,604,887</u>	<u>6,899,834</u>	<u>9,365,755</u>	<u>9,005,992</u>

14d. Analysis of Changes in Net Funds

		At 31 March 2013	Cash Flows	At 31 March
		£	£	2014
				£
Cash at bank & in hand	Group	9,365,755	(1,760,868)	7,604,887
	Company	9,005,992	(2,106,158)	6,899,834

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 2013 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 16.7% (2013: 11.7%) for employers and range between 5.5% - 12.5% for employees, depending on pensionable salary. The total contribution expected to be made to the LPFA by the AoC Group for the year to March 2015 is £1,095,000.

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.

Notes (continued)

Valuation Assumptions

The major categories of plan assets as a percentage of total plan assets as at 31 March 2014 are shown below:

Year ended:	31 March 2014	31 March 2013
Equities	53%	73%
Target return funds	30%	10%
Alternative assets	8%	15%
Cash	3%	2%
Other bonds	6%	0%

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	23.1 years	25.3 years
Future pensioners	25.4 years	27.6 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	2014	2013	2012	2011	2010
Discount rate at 31 March	4.5%	4.7%	4.6%	5.5%	5.5%
Salary increase rate	4.7%	4.3%	4.2%	4.5%	5.4%
Pension increase rate/inflation	2.9%	2.6%	2.5%	2.7%	3.9%
Expected return on plan assets at 31 March	6.4%	5.6%	5.9%	6.7%	6.8%

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	2014	2013
Equities	6.9%	6.0%
Target return funds	6.3%	4.6%
Alternative assets	18.5%	5.0%
Cash	3.4%	0.5%
Other bonds	n/a	n/a

Notes (continued)

Amounts recognised in the balance sheet	2014 £(000)	2013 £(000)
Fair value of employer assets	14,294	13,227
Present value of funded liabilities	(20,606)	(17,750)
Net (liability)	(6,312)	(4,523)

Amounts recognised in profit or loss accounts	2014 £(000)	2013 £(000)
Current service cost	689	612
Interest cost	851	764
Expected return on employer assets	(753)	(671)
Past service loss	-	16
Total	787	721
Actual return on plan assets	461	1,615

Reconciliation of defined benefit obligation	2014 £(000)	2013 £(000)
Opening defined benefit obligation	17,750	16,242
Current service cost	689	612
Interest cost	851	764
Contributions by members	216	192
Actuarial losses	1,269	6
Losses on curtailments	-	16
Estimated benefits paid (net of transfers in)	(169)	(82)
Closing defined benefit obligation	20,606	17,750

Reconciliation of fair value of employer assets	2014 £(000)	2013 £(000)
Opening fair value of employer assets	13,227	11,097
Expected return on assets	753	671
Contributions by members	216	192
Contributions by employer	411	404
Actuarial (gains)/loss	(144)	945
Benefits paid (net of transfers in and including unfunded)	(169)	(82)
Closing fair value of employer assets	14,294	13,227

Amount recognised in statement of total recognised gains and losses (STRGL)		
	2014 £(000)	2013 £(000)
Actuarial (losses)/gains current year	(1,413)	939
Cumulative actuarial (losses)	(5,488)	(4,075)

Amounts for the current & previous periods	2014 £(000)	2013 £(000)	2012 £(000)	2011 £(000)	2010 £(000)
Value of plan assets	14,294	13,227	11,097	9,094	8,427
Defined benefit obligation	(20,606)	(17,750)	(16,242)	(11,190)	(14,281)
Deficit	(6,312)	(4,523)	(5,145)	(2,096)	(5,854)
Experience gains on liabilities	788	-	-	2,490	-
Experience adjustments on plan assets	(145)	945	(569)	(654)	1,434

Notes (continued)

16. Commitments

	2014		2013	
	Group £	Company £	Group £	Company £
Operating lease rentals				
Annual charge on land & building leases due to expire within 2 – 5 years	229,000	229,000	216,500	216,500

17. Contingent Liability

There are no contingent liabilities at the time the accounts were signed (2013: 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.

19. Post Balance Sheet Event

The Association of Colleges has approved the setting up of a new subsidiary company AoC Sport Ltd to merge British Colleges Sport into the AoC Group.

The merger is to be with effect from the 1st August 2014.

Notes (continued)

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.

Director	Related Party	2013/14				2012/13			
		Transactions During Year		Balance Outstanding @		Transactions During Year		Balance Outstanding @	
		AOC	CREATE	AOC	CREATE	AOC	CREATE	AOC	CREATE
C Stott	City Lit & City of Bath College	35,426	14,390	-	3,948	15,565	4,042	-	654
M Sulton	Bradford College	From 01/08/13	27,212	77,221	596	11,159	-	-	-
M Galliers	City College Coventry	To 31/07/13	20,304	322,859	-	174,232	-	18,908	-
D Roberts	Brockenhurst College		25,244	6,683	-	-	23,976	4,243	-
R Atkins	Exeter College	To 30/11/13	25,729	17,305	-	210	24,750	83,181	-
J Allen	Lincoln College		26,601	11,649	-	396	26,481	23,187	-
C Booth	Barnsley College	From 04/12/13	26,222	8,147	-	1,790	-	-	-
N Cave	Bournville College		23,822	18,094	-	574	24,200	9,323	-
K Clifford	Cirencester College		11,944	3,366	-	-	13,357	3,747	-
A Constantine	Cambridge Regional College	From 04/12/13	20,340	9,462	-	-	-	-	-
M David	Reaseheath College	From 13/03/14	-	384	-	384	-	-	-
S Dicketts	Oxford & Cherwell College		31,443	13,834	-	2,816	26,727	16,784	26,727
F Donohue	North Hertfordshire College	To 31/07/13	20,340	11,981	-	-	20,140	16,068	-
N A Hopkins	Peter Symonds College	To 31/07/13	15,946	888	-	-	14,867	1,728	-
T Jackson	Sparsholt College	To 04/12/13	-	4,643	-	-	-	5,055	-
A Khemka	West Notts College		28,554	14,949	-	5,093	27,298	42,953	-
R Morris	Northampton College		25,093	29,877	-	120	24,824	20,729	-
A O'Donoghue	South Essex College	To 18/09/13	20,340	61,919	-	-	26,135	3,353	-
P Phillips	Weston College	From 04/12/13	-	280	-	280	-	-	-
P Ryder	Tameside College		22,394	2,286	-	90	22,411	2,062	-
J Short	York College		26,173	5,174	-	120	25,632	1,572	-
G Trow	Doncaster College	To 30/11/13	26,616	5,200	-	-	23,970	3,978	-
M White	Stockton Riverside College		19,153	5,736	-	787	20,263	3,729	-
J Widdowson	New College Durham		24,331	3,919	-	1,175	23,964	354	-
A Wilson	Westminster Kingsway College		25,197	229,329	-	96,164	24,837	48,738	-

Director	Related Party	AoC India			
		2013/14		2012/13	
		Transactions During Year	Balance Outstanding @	Transactions During Year	Balance Outstanding @
A Khemka	West Notts College	10,000	-	10,000	-
N Cave	Bournville College	-	-	20,000	-
A Wilson	Westminster Kingsway College	-	-	20,000	-
C Stott	City Lit & City of Bath College	-	-	-	-

During the year, the Association contributed £63,500 (2013: £53,500) to the AoC Charitable Trust.

The AoC has appointed a member to the Board of Education and Training Foundation. As such, the related party transactions during the year have totalled £430,017 and the balance remaining at the yearend is £297,940.

21. 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.