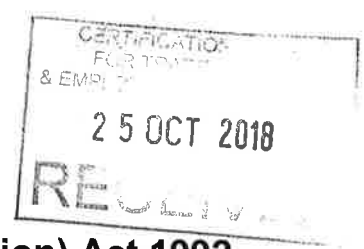


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# FORM AR27

Trade Union and Labour Relations (Consolidation) Act 1992



## ANNUAL RETURN FOR AN EMPLOYERS' ASSOCIATION

Name of Employers' Association: Association of Colleges

Year ended: 31<sup>st</sup> March 2018

List No: 15856

Head or Main Office: 2-5 Stedham Place  
London  
WC1A 1HU

Website address (if available) www.aoc.co.uk

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

General Secretary: David Hughes, Chief Executive

Contact name for queries regarding the completion of this return: Ami Hartigan

Telephone Number: 020 7034 9900

e-mail: Ami.hartigan@aoc.co.uk

**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: 0330 109 3602

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  
Lower Ground Floor, Fleetbank House, 2-6 Salisbury Square, London EC4Y 8JX

**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
<b>350</b>				<b>350</b>

## 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
Board Member Board Member	K Webb M David		05 December 2017 08 March 2018
Board Member	N Davison		05 December 2017



# ACCOUNTS OTHER THAN THE REVENUE ACCOUNT/GENERAL FUND

(see notes 17 to 18)

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







# ANALYSIS OF INVESTMENTS

(see note 22)

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

\* 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)

<b>Does the association, or any constituent part of the association, have a controlling interest in any limited company?</b>		YES	NO
If YES name the relevant companies:			
COMPANY NAME	COMPANY REGISTRATION NUMBER (if not registered in England & Wales, state where registered)		
<b>INCORPORATED EMPLOYERS' ASSOCIATIONS</b>			
<b>Are the shares which are controlled by the association registered in the association's name</b>		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		
<b>UNINCORPORATED EMPLOYERS ASSOCIATIONS</b>			
<b>Are the shares which are controlled by the association registered in the names of the association's trustees?</b>		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 £
<b>INCOME</b>			
From Members	5,020,808		5,020,808
From Investments	(283,778)		(283,778)
Other Income (including increases by revaluation of assets)	5,414,404		5,414,404
<b>Total Income</b>	10,151,434		10,151,434
<b>EXPENDITURE</b> (including decreases by revaluation of assets)	9,300,184		9,300,184
<b>Total Expenditure</b>	9,300,184		9,300,184
<b>Funds at beginning of year</b> (including reserves)	(8,965,722)		(8,965,722)
<b>Funds at end of year</b> (including reserves)	(8,114,472)		(8,114,472)
<b>ASSETS</b>			
Fixed Assets			262,053
Investment Assets			101
Other Assets			6,372,467
		<b>Total Assets</b>	6,634,621
<b>LIABILITIES</b>			
		<b>Total Liabilities</b>	14,749,093
<b>NET ASSETS (Total Assets less Total Liabilities)</b>			(8,114,472)

# 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 Statements for the Year Ended 31<sup>st</sup> March 2018.

# ACCOUNTING POLICIES


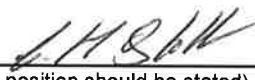
(see notes 37 and 38)

Please see Directors Report and Financial Statements for the Year Ended 31<sup>st</sup> March 2018.

## SIGNATURES TO THE ANNUAL RETURN

(see notes 39 and 40)

including the accounts and balance sheet contained in the return.

Secretary's Signature: <u></u> Name: <u>J_Edwards</u> Date: <u>3.9.2018</u>	Chairman's Signature: <u></u> (or other official whose position should be stated) Name: <u>C_Stott</u> Date: <u>4.11.2018</u>
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## 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.

THE CHECKLIST BELOW IS FOR GUIDANCE. A REPORT IS STILL REQUIRED EITHER SET OUT OVERLEAF OR BY WAY OF AN ATTACHED AUDITOR'S REPORT THAT COVERS THE ABOVE 1992 ACT REQUIREMENTS.

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)

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Signature(s) of auditor or auditors:	<i>Ben S. Little</i>	
Name(s):	RSM UK Audit LLP	
Profession(s) or Calling(s):	Chartered Accountants	
Address(es):	25 Farringdon Street London EC4A 4AB	
Date:	<i>21 September 2018</i>	
Contact name and telephone number:	<i>0121 214 3123</i>	

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 2018**

Registered number: 03216271



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## Directors and Advisers

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

President & Vice-Chair: A Birkinshaw

Deputy Chair: K Webb – EC – resigned 5<sup>th</sup> December 2017

Directors:

- C Booth – AoC Create, F&GP
- M David – F&GP – resigned 8<sup>th</sup> March 2018
- P Phillips – EC, RC
- N Davison – AC – resigned 5<sup>th</sup> December 2017
- N Leigh – RC
- G McDonald – AC, EC
- J Sharma – AC
- A Stott – GC
- S Frampton – AC
- C Peasgood – AC
- E Tobin – EC
- S Barnes – GC
- Y Williams
- S Duncan
- G Razey
- K Redhead

CEO: D Hughes – AoC Create, ACT, AoC Sport, GC & F&GP

Director of Finance: P J Brophy – AoC Create, ACT, AoC Sport, AoC India & F&GP

Group Company Secretary: J Edwards

**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), Governors' Council (GC) and Remuneration Committee (RC).

**Directors and Advisers** *(continued)*

**Registered Office**

2 - 5 Stedham Place  
London  
WC1A 1HU

**Solicitors**

Eversheds Sutherland  
1 Wood Street  
London  
EV2V 7WS

**Internal Auditor**

Mazars LLP  
Regency House  
3 Grosvenor Square  
Southampton  
SO15 2BE

**Statutory Auditor**

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

**Bankers**

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

## Strategic Report

This strategic report for the year ended 31 March 2018 is to be considered alongside the Accounts and Directors' Report for the same financial period.

### Overview of the AoC

The Association of Colleges (AoC) is the national voice for colleges. Established in 1996 as a not-for-profit company, we exist to promote and further our members' interests. Everything we do is aimed at helping colleges to achieve their purpose.

Every community should be served by a strong and successful college, developing students, delivering skills, and supporting individuals, employers and the local and national economy.

### Our vision

Great colleges transform lives and communities, and meet employer needs through teaching and learning for student success.

### Our mission

To champion and support the sector by enhancing colleges' reputation, leading policy thinking, influencing decision-makers, and advising colleges.

### Our strategic aims

1. Set the agenda for positive policy changes
2. Develop a high profile and strong reputation for colleges
3. Develop expert support, advice and intelligence for members
4. Develop a strong, sustainable, ambitious, and transparent representative body for members.

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

### International

UK colleges work with countries all over the world to deliver education and training. Colleges welcome international students to their campuses, offer summer schools and provide specialist training and consultancy to international education partners.

The Association of Colleges supports colleges with the development of their international activity by working closely with organisations such as the Department for International Trade, the British Council and UKCISA. We operate a series of network meetings for our members and represent college international interests on joint committees with the Home Office.

### Highlights include:

- Continued partnership-working with government agencies and stakeholders central to international education (including the Department for International Trade, Home Office, British Council, China-Britain Business Council, Ecorys, UKCISA, English UK, Universities UK International, UK NARIC and NUS).
- Launch of UK Skills Partnership (UKSP) by the Secretary of State for International Trade. UKSP is a collective body intended to more actively and strategically promote the UK's technical, vocational and training expertise overseas. AoC is a board member.
- Launch of AoC's annual survey of college international activity, providing data to benchmark college activity.

## Strategic Report (*continued*)

- Delivery of the International Qualification Programme for 102 Brazilian students of tourism and hospitality sponsored by the Brazilian Ministry of Tourism and taught at 10 UK colleges.
- Updated guidance on college mergers included by UKVI in the Tier 4 visa guidance.
- AoC held its first ever workshops on supporting international students with mental health issues and on bidding/tender-writing for international projects.

## Communications, public affairs, and external partnerships

### *Communications*

The focus of the communications function is to raise the profile of the sector in the media, strengthen the reputation of FE, influence decision-makers, and to amplify the voices of colleges. As part of a 'one AoC' approach, the communications and marketing of all areas of the organisation are now more closely linked with the communications team. In the past year, successes have included:

- Delivering a re-brand across the organisation and subsidiaries
- Launching the new AoC website
- National coverage of the AoC Conference, including on BBC News
- Publishing ['Transforming lives, communities and employers'](#)
- Partnering with WhatUni to launch the first-ever 'FE College' category at the WhatUni Student Choice Awards

### *Public affairs*

The AoC public affairs team lobbies to make sure that government creates policies that are beneficial to member colleges, and suggests amendments to legislation. 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 have briefed principals on how to manage their relationship with their local MPs and advised on opportunities to speak directly to MPs on issues that concern them. We have also put principals forward to provide spoken evidence to select committees.

Key notable achievements include:

- Producing an election manifesto for the General Election and Metro Mayor elections
- Record number of principals lobbying their MPs in the run up to Budget 17
- Visit by Number 10 Policy Unit to a college
- Jeremy Corbyn at annual conference and his hugely successful college visit
- PM giving a speech at Derby College (as a result of Number 10 visit)

### *External partnerships*

2017 saw the introduction of a new external partnerships function at AoC. The team focuses on wider partnership and stakeholder engagement looking to build on our links with business, teachers, students, the wider education sector and more.

During this financial year, AoC launched three public-facing campaigns:

- **Fair.Vote** – the campaign to lower the voting age to 16 across the UK
- **Brexit** – positioning colleges as vital to delivering strong economies and societies once we leave the European Union
- **Fair Funding for Colleges** – highlighting the need to properly fund colleges for them to be able to deliver for students, employers and communities

## Strategic Report *(continued)*

### Subsidiary companies

As reported in Note 11 to the Accounts, the Association has three trading subsidiary companies, AoC Create Ltd, AoC India Ltd and AoC Sport 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 bringing together UK and Indian partners to provide UK vocational education and training programmes to India. In Summer 2016, the Board agreed that this start-up project was complete and as such it was agreed that the subsidiary cease trading.

#### AoC Sport Ltd.

AoC Sport Ltd was created from the merger of British Colleges Sport (BCS), English Colleges FA Ltd and the Sport Policy team from AoC. It commenced trading on 1 August 2014 and it is a wholly-owned subsidiary of AoC. It is a non-profit distributing company with a membership of FE and sixth form colleges. The Company's vision, belief and purpose is:

- To promote college sport and physical activity. We champion the education, employment and health benefits of participation in sport or physical activity.
- To support college sport and physical activity. We are the trusted voice for college sport and physical activity, driving improvement, attracting funding for the sector and shaping the further education sporting landscape.
- To deliver college sport and physical activity. We design and deliver competitions, activities and advice that meet the needs of students, member colleges and external agencies.

#### AoC Charitable Trust

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

#### JISC

AoC is a joint partner of JISC, a company limited by guarantee at £1 per member, with Universities UK and Guild HE. AoC 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. JISC is not part of the AoC group for consolidation purposes.

## Strategic Report *(continued)*

### 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 members, and ETF is not part of AoC group for consolidation purposes.

### ACER and AoSEC Mergers

As one of the more significant feedbacks from the members survey, positive progress was made with a view to merging with the Association of Colleges in the South East (AoSEC) and the Association of Colleges Eastern Region. AoSEC and the AoC merged on the 1<sup>st</sup> April 2018 and ACER and the AoC on the 1<sup>st</sup> August 2018.

Approved by P J Brophy, Director



24 August 2018

## Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 March 2018. Details of the subsidiaries are not shown in the Directors' Report because it is shown in the Strategic Report instead under S414C(11) and Note 11 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.

### Results

The Board reports the Company outturn for the financial year ended 31 March 2018, which is a surplus of £60,975 (2017: deficit £145,613) before tax, adjustments of the Financial Reporting Standard (FRS) 102 requirements, and after contributing £117,827 (2017: £136,349) towards the LPFA deficit in the year.

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 FRS102 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 FRS102 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 £75,500 (2017: £60,500) to the AoC Charitable Trust.

### London Pension Fund Authority

As reported in Note 18 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 FRS102 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 2014, 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. As in the last financial year, the Board agreed an additional discretionary payment towards the deficit of £100,000, over and above the £171,000. This is part of the long-term strategy to fully fund the liabilities.



## **Directors' Report** *(continued)*

### **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 AoC together with other information such as performance against targets, proposed capital expenditure, quality matters and personnel-related matters. The Board meets every three 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 Chairperson 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.

## Directors' Report *(continued)*

### **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.

### **Remuneration Committee**

Throughout the year ended 31 March 2018, 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 2018 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 seven members of the Board. 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.

## Directors' Report (continued)

### 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 2018.

### 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.

The Board considers the defined benefit pension scheme (note 18) as a key principal risk, which has been detailed on page 10. The Board considers there to be no other principal risks.

### 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 areas 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. AoC Sport will continue to promote both participation and competitions to the sector with significant backing from Sport England, the FA and ERFU. AoC India, having achieved its aims when set up, has elected to cease trading in an orderly manner with all creditors and commitments met in full.

### Statement as to Disclosure of Information to Auditor

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.

### Auditor

RSM UK Audit LLP are deemed to be re-appointed under section 487(2) of the Companies Act 2006. A resolution for the re-appointment of RSM UK Audit LLP as auditor of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board.



P J Brophy  
Director

24 August 2018

## 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

### Opinion

We have audited the financial statements of Association of Colleges (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2018 which comprise the Consolidated Statement of Comprehensive Income, the Statements of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2018 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006 and the Trade Union and Labour Relations (Consolidation) Act 1992.

### Basis for opinion

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

### Conclusions relating to going concern

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

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

### Other information

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

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

We have nothing to report in this regard.

### Opinions on other matters prescribed by the Companies Act 2006

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

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

### Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 or the Trade Union and Labour Relations (Consolidation) Act 1992 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.

#### **Responsibilities of directors**

As explained more fully 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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### **Auditor's responsibilities for the audit of the financial statements**

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

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

#### **Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and section 36 of the Trade Union and Labour Relations (Consolidation) Act 1992. 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.



PAUL OXTOBY (Senior Statutory Auditor)  
For and on behalf of RSM UK Audit LLP, Statutory Auditor  
Chartered Accountants  
25 Farringdon Street  
London  
EC4A 4AB

21 September 2018

### Use of our report

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.



PAUL OXTOBY (Senior Statutory Auditor)  
For and on behalf of RSM UK Audit LLP, Statutory Auditor  
Chartered Accountants  
25 Farringdon Street  
London  
EC4A 4AB

21 September 2018

**Consolidated Statement of Comprehensive Income**  
*for the year ended 31 March 2018*

	Notes	31 March 2018		31 March 2017	
		Group £	Company £	Group £	Company £
Turnover		15,256,883	8,891,212	16,899,159	8,997,811
Cost of sales	4	<u>(11,263,490)</u>	<u>(6,589,630)</u>	<u>(12,171,444)</u>	<u>(6,083,366)</u>
<b>Gross profit</b>		<b>3,993,393</b>	<b>2,301,582</b>	<b>4,727,715</b>	<b>2,914,445</b>
Admin expenses	5	<u>(4,332,882)</u>	<u>(2,690,344)</u>	<u>(4,772,066)</u>	<u>(3,221,060)</u>
<b>Operating loss</b>		<b>(339,489)</b>	<b>(388,762)</b>	<b>(44,351)</b>	<b>(306,615)</b>
Interest receivable and similar income	6a	20,931	20,222	10,467	159,002
Interest payable and similar charges	6b	<u>(304,000)</u>	<u>(304,000)</u>	<u>(308,000)</u>	<u>(308,000)</u>
<b>Loss on ordinary activities before taxation</b>	8	<b>(622,558)</b>	<b>(672,540)</b>	<b>(341,884)</b>	<b>(455,613)</b>
Taxation	7	<u>(18,350)</u>	<u>(20,209)</u>	<u>(70,269)</u>	<u>(14,554)</u>
<b>Loss for the financial year</b>	16	<b><u>(640,908)</u></b>	<b><u>(692,749)</u></b>	<b><u>(412,153)</u></b>	<b><u>(470,167)</u></b>
<b>Other comprehensive income (net of tax)</b>					
Actuarial gains/(losses) on defined benefit plans	18	1,544,000	1,544,000	(2,257,000)	(2,257,000)
<b>Loss for the Year</b>		<b><u>(640,908)</u></b>	<b><u>(692,749)</u></b>	<b><u>(412,153)</u></b>	<b><u>(470,167)</u></b>
<b>Total comprehensive income for the year</b>		<b><u>903,092</u></b>	<b><u>851,251</u></b>	<b><u>(2,669,153)</u></b>	<b><u>(2,727,167)</u></b>



## Statements of Financial Position

as at 31 March 2018

	Notes	31 March 2018		31 March 2017	
		Group £	Company £	Group £	Company £
<b>Fixed assets:</b>					
Other intangible assets	9	14,202	-	28,416	-
Tangible fixed assets	10	294,158	262,053	145,048	124,335
Investments	11	-	101	-	101
		<b>308,360</b>	<b>262,154</b>	<b>173,464</b>	<b>124,436</b>
<b>Current assets:</b>					
Debtors due within one year	12	4,013,434	2,197,580	3,003,061	1,730,675
Cash in bank and in hand		4,588,009	4,174,887	5,505,094	4,527,574
		<b>8,601,443</b>	<b>6,372,467</b>	<b>8,508,155</b>	<b>6,258,249</b>
<b>Current Liabilities:</b>					
<b>Creditors:</b> amounts falling due within one year	13	(5,645,735)	(4,349,093)	(5,378,838)	(4,006,288)
<b>Net current assets</b>		<b>2,955,708</b>	<b>2,023,374</b>	<b>3,129,317</b>	<b>2,251,961</b>
<b>Total assets less current liabilities</b>		<b>3,264,068</b>	<b>2,285,528</b>	<b>3,302,781</b>	<b>2,376,397</b>
Provisions for liabilities	14	(7,873)	-	(293,678)	(286,119)
<b>Net assets excluding pensions liability</b>		<b>3,256,195</b>	<b>2,285,528</b>	<b>3,009,103</b>	<b>2,090,278</b>
Defined benefit pension scheme liability	18	(10,400,000)	(10,400,000)	(11,056,000)	(11,056,000)
<b>Net liabilities including pensions liability</b>		<b>(7,143,805)</b>	<b>(8,114,472)</b>	<b>(8,046,897)</b>	<b>(8,965,722)</b>
<b>Capital and Reserves</b>					
Pension reserve		(10,400,000)	(10,400,000)	(11,056,000)	(11,056,000)
Profit and loss account		3,256,195	2,285,528	3,009,103	2,090,278
<b>Total Equity</b>		<b>(7,143,805)</b>	<b>(8,114,472)</b>	<b>(8,046,897)</b>	<b>(8,965,722)</b>

The financial statements on pages 17 – 41 were approved and authorised for issue by the Board of Directors on 27 June 2018 and were signed on its behalf by:

C Stott

Chair

24 August 2018



**Consolidated Statement of Changes in Equity**  
*for the year ended 31 March 2018*

	Pension Reserve £	Profit and loss account £	Total £
<b>Balance at 1 April 2016</b>	<b>(8,489,000)</b>	<b>3,111,256</b>	<b>(5,377,744)</b>
Loss for the year	(310,000)	(102,153)	(412,153)
Other comprehensive income, net of tax: - Actuarial losses on defined benefit plans	(2,257,000)	-	(2,257,000)
<b>Total comprehensive income for the year</b>	<b>(2,567,000)</b>	<b>(102,153)</b>	<b>(2,669,153)</b>
<b>Balance at 31 March 2017</b>	<b>(11,056,000)</b>	<b>3,009,103</b>	<b>(8,046,897)</b>
Loss for the year	(888,000)	247,092	(640,908)
Other comprehensive income, net of tax: - Actuarial gains on defined benefit plans	1,544,000	-	1,544,000
<b>Total comprehensive income for the year</b>	<b>656,000</b>	<b>247,092</b>	<b>903,092</b>
<b>Balance at 31 March 2018</b>	<b>(10,400,000)</b>	<b>3,256,195</b>	<b>(7,143,805)</b>

**Company Statement of Changes in Equity**  
*for the year ended 31 March 2018*

	Pension Reserve £	Profit and loss account £	Total £
<b>Balance at 1 April 2016</b>	<b>(8,489,000)</b>	<b>2,250,445</b>	<b>(6,238,555)</b>
Loss for the year	(310,000)	(160,167)	(470,167)
Other comprehensive income, net of tax: - Actuarial gains on defined benefit plans	(2,257,000)	-	(2,257,000)
<b>Total comprehensive income for the year</b>	<b>(2,567,000)</b>	<b>(160,167)</b>	<b>(2,727,167)</b>
<b>Balance at 31 March 2017</b>	<b>(11,056,000)</b>	<b>2,090,278</b>	<b>(8,965,722)</b>
Loss for the year	(888,000)	195,251	(692,749)
Other comprehensive income, net of tax: - Actuarial losses on defined benefit plans	1,544,000	-	1,544,000
<b>Total comprehensive income for the year</b>	<b>656,000</b>	<b>195,251</b>	<b>851,251</b>
<b>Balance at 31 March 2018</b>	<b>(10,400,000)</b>	<b>2,285,529</b>	<b>(8,114,471)</b>

**Consolidated Statement of Cash Flows**  
*for the year ended 31 March 2018*

	Notes	31 March 2018		31 March 2017	
		Group £	Company £	Group £	Company £
<b>Operating Activities:</b>					
Cash (used)/generated from operations	17	(652,051)	(74,507)	(4,996)	172,267
Taxation		37,028	(14,902)	(3,842)	(12,138)
<b>Net Cash (Used In)/From Operating Activities</b>		<b>(615,023)</b>	<b>(89,409)</b>	<b>(8,838)</b>	<b>160,129</b>
<b>Investing Activities:</b>					
Purchase of intangible assets		-	-	-	-
Purchase of tangible fixed assets		(322,993)	(283,500)	(51,691)	(51,691)
Dividends received		-	-	-	150,000
Interest received		20,931	20,222	10,467	9,002
<b>Net Cash (Used In)/From Investing Activities</b>		<b>(302,062)</b>	<b>(263,278)</b>	<b>(41,224)</b>	<b>107,311</b>
Net (decrease)/increase in cash and cash equivalents		(917,085)	(352,687)	(50,062)	267,440
Cash and cash equivalents at beginning of year		5,505,094	4,527,574	5,555,156	4,260,134
<b>Cash and cash equivalents at end of year</b>		<b>4,588,009</b>	<b>4,174,887</b>	<b>5,505,094</b>	<b>4,527,574</b>
Relating to:-					
Bank balances and short term deposits included in cash at bank and in hand		4,588,009	4,174,887	5,505,094	4,527,574

*Notes (forming part of the financial statements)*

## 1. Accounting Policies

### General Information

Association of Colleges is a company limited by guarantee domiciled and incorporated in England, registered number: 03216271.

The address of the Company's registered office and principal place of business is 2-5 Stedham Place, London, WC1A 1HU.

The Group consists of Association of Colleges and all of its subsidiaries.

The Company's and the Group's principle activities and nature of operations are disclosed in the Strategic Report.

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

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, and under the historical cost convention.

The company meets the definition of a public benefit entity under FRS 102. Monetary amounts in these financial statements are rounded to the nearest whole pound except where otherwise indicated.

### Basis of Consolidation

The consolidated financial statements incorporate those of Association of Colleges Reporting Group Limited and all of its subsidiaries. All financial statements are made up to 31 March 2018.

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.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

### 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 from the date of signing the accounts and no material uncertainties related to events or conditions that may cast significant doubt about the ability of the company to continue as a going concern have been identified by the directors. 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.

### Functional and Presentational Currencies

The consolidated financial statements are presented in sterling which is also the functional currency of the Company.

## Notes (Continued)

### 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.

Interest income is accrued on a time-apportioned basis, by reference to the principal outstanding at the effective interest rate.

### Intangible Fixed Assets (Other Than Goodwill)

Intangible assets are initially recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised to profit or loss on a straight-line basis over their useful lives, as follows:

Purchased computer software - 4 years [25% per annum].

The Company's policy is to charge the full year's amortisation in the year of acquisition and charge no amortisation in the year of disposal.

### Tangible Fixed Assets and Depreciation

Tangible fixed assets are initially measured at cost and are subsequently measured at cost less accumulated depreciation and accumulated impairment losses. 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]

The Company's policy is to charge the full year's depreciation in the year of acquisition and charge no depreciation in the year of disposal.

### Impairment of Fixed Assets

An assessment is made at each reporting date of whether there are indications that a fixed asset may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the Company estimates the recoverable amount of the asset or, for goodwill, the recoverable amount of the cash-generating unit to which the goodwill belongs.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use, are recognised as impairment losses. Impairments of revalued assets are treated as a revaluation loss. All other impairment losses are recognised in profit or loss.

## Notes (Continued)

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in profit or loss or, for revalued assets, as a revaluation gain. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

### Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Current and deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

### 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.

### Employee Benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

The best estimate of the expenditure required to settle an obligation for termination benefits is recognised immediately as an expense when the Company and Group is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

### Pension Scheme Arrangements

The Association's employees may elect to be members of the London Pensions Fund Authority (LPFA) pension fund or be auto-enrolled into the Flexible Retirement Plan run by the Pensions Trust. LPFA is a funded defined benefit scheme, whereas the Flexible Retirement Plan is a defined contribution scheme.

For defined contribution schemes the amount charged to the profit and loss account is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

## Notes (Continued)

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 contributions paid in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

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.

Gains or losses recognised in profit or loss are:

- The change in the net defined benefit liability arising from employee service during the year is recognised as an employee cost.
- Net interest on the net defined benefit asset/liability comprises the interest cost on the defined benefit obligation and interest income on the plan assets, calculated by multiplying the fair value of the plan assets at the beginning of the period by the rate used to discount the benefit obligations.

Gains or losses recognised in other comprehensive income are:

- Actuarial gains and losses.
- The difference between the interest income on the plan assets and the actual return on the plan assets.

## Financial Instruments

Association of Colleges has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when Association of Colleges becomes a party to the contractual provisions of the instrument, and are offset only when Association of Colleges currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

- **Financial Assets**  
Trade Debtors – Trade debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.
- **Financial Liabilities**  
Trade Creditors – Trade creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

## Notes (Continued)

### Financial Instruments (continued)

- ***Derecognition of Financial Asset and Liabilities***

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another part that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

### Provisions

Provisions are recognised when Association of Colleges has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and that obligation can be estimated reliably. Provisions are measured at the best estimate of the amounts required to settle the obligation.

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

### Restructuring

Provisions for restructuring costs are recognised when the Company has a legal obligation or a constructive obligation arising from a detailed formal plan for the restructuring which has been notified to affected parties.

### Reserves

Reserves of the Association of Colleges represent the following:

Pension reserve

The cumulative actuarial gains and losses on the defined benefit pension scheme.

Profit and loss account

Cumulative profit and loss net of distributions to owners.

### Critical Accounting Estimates and Areas of Judgement

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

In the opinion of the directors, there were no judgements made that have a significant effect on the amounts recognised in the financial statements nor any key assumptions or estimates made which might cause a material adjustment.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows:



## Notes (Continued)

The defined benefit pension scheme is valued based on a number of assumptions. The details and sensitivities of key assumptions have been reflected in note 18.

The AoC continues to manage a significant number of projects, the beneficiaries of which are in the main member colleges. The AoC Board rightly agrees to a prudent approach with regards to the timing and allocation of overheads, often waiting until the project has successfully concluded.

Project income is recognised against incurred expenditure with indirect contributions to overheads allocated at the conclusion.

Investments policy – The AoC Board adopts a prudent investment policy with surplus funds in the main placed on fixed term treasury deposits. No investments are made that risk capital exposure.

### 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	2018		2017	
	Group	Company	Group	Company
Services to members	41	25	52	30
Administration and operations	56	20	56	27
	<b>97</b>	<b>45</b>	<b>108</b>	<b>57</b>

#### Executive Directors & Officers

	2018		2017	
	Group	Company	Group	Company
£60,001 to £70,000	1	0	4	3
£70,001 to £80,000	5	5	6	5
£80,001 to £90,000	6	3	7	4
£90,001 to £100,000	2	1	1	1
£100,001 to £110,000	0	0	1	1
£110,001 to £120,000	3	2	2	2
£160,001 to £170,000	1	1	-	-
	<b>18</b>	<b>12</b>	<b>21</b>	<b>16</b>

The amount paid to the highest paid director was £167,500 (2017: £113,978); pension costs for this individual were £23,410 (2017: £19,034).

The CEO pay to median pay ratio for the AoC group is 5.5.

	2018		2017	
	Group	Company	Group	Company
Money purchase enhancement	51	15	62	25
Defined benefit schemes	39	30	51	41

**Notes (continued)**

The three executive directors (2017: three) of which two were members of the defined benefit scheme during the year. Total directors' remuneration amounted to £313,434 (2017: £294,987) and the pensions costs were £38,154 (2017: 46,497).

	2018		2017	
	Group	Company	Group	Company
<i>The aggregate payroll costs were as follows:</i>	£	£	£	£
Wages and salaries	4,323,781	2,485,692	5,237,134	3,229,303
Pension adjustment	584,000	584,000	2,000	2,000
Social security costs	440,751	249,558	554,574	343,736
<i>Pension costs</i>				
London Pension Fund Authority	385,506	270,554	496,719	355,965
LPFA deficit	222,716	117,827	271,166	136,349
Defined Contribution Scheme	124,620	33,659	147,095	50,016
	<b>6,081,374</b>	<b>3,741,290</b>	<b>6,708,688</b>	<b>4,117,369</b>

Notes (continued)

	2018		2017	
	Group	Company	Group	Company
	£	£	£	£
Salaries	3,555,689	2,211,770	4,107,397	2,516,514
Pension adjustment	381,703	381,703	1,245	1,245
Legal expenses	54,344	54,344	54,143	54,143
Professional HR advice service	115,000	115,000	-	-
Printing, postage, stationery and publications	23,174	23,174	38,627	38,627
Projects	3,363,318	3,363,318	3,005,831	3,005,831
Press and media	124,947	124,947	119,903	119,903
Research	147,443	147,443	142,785	142,785
Commercial activities	3,329,941	-	4,497,195	-
Other professional	167,931	167,931	204,318	204,318
	<b>11,263,490</b>	<b>6,589,630</b>	<b>12,171,444</b>	<b>6,083,366</b>

Notes (continued)

**5. Administrative expenses**

	2018		2017	
	Group	Company	Group	Company
	£	£	£	£
Staff and other costs	1,934,596	964,380	2,598,063	1,675,001
Pension adjustment	202,297	202,297	755	755
LPFA additional contribution	222,716	117,827	271,166	136,349
Travel and meeting costs	373,694	262,111	437,175	308,802
Premises, office and insurance costs	823,671	661,515	805,019	629,968
Telephone costs	88,453	59,793	99,243	66,364
Depreciation	192,587	150,278	184,418	149,359
Irrecoverable VAT	237,823	212,514	203,270	169,884
Consultants	10,889	-	10,637	-
Audit and accountancy	65,113	51,663	70,329	56,184
Print, post and stationery	21,002	-	23,677	-
Bad debt	13,069	-	26,190	-
Other	49,726	7,966	42,124	28,394
Exceptional item: redundancy costs	97,246	-	-	-
	<b>4,332,882</b>	<b>2,690,344</b>	<b>4,772,066</b>	<b>3,221,060</b>

**6a. Interest receivable and similar income**

	2018		2017	
	Group	Company	Group	Company
	£	£	£	£
Income from unlisted fixed asset investments	-	-	-	150,000
Bank interest	20,931	20,222	10,467	9,002
	<b>20,931</b>	<b>20,222</b>	<b>10,467</b>	<b>159,002</b>

Notes (continued)

**6b. Interest payable and similar charges**

	2018		2017	
	Group	Company	Group	Company
	£	£	£	£
Interest arising from:				
Net interest on the net defined benefit pension liability	(304,000)	(304,000)	(308,000)	(308,000)
	<b>(304,000)</b>	<b>(304,000)</b>	<b>(308,000)</b>	<b>(308,000)</b>

**7. Taxation**

	2018		2017	
	Group	Company	Group	Company
	£	£	£	£
Current tax:				
UK corporation tax	21,486	20,209	77,668	14,554
Adjustments in respect of previous periods	(3,450)	-	(2,266)	-
Total current tax	<b>18,036</b>	<b>20,209</b>	<b>75,402</b>	<b>14,554</b>
Deferred tax:				
Origin and reversal of timing differences	314	-	(4,428)	-
Effect of tax rate change on opening balance	-	-	(705)	-
Total deferred tax	<b>314</b>	<b>-</b>	<b>(5,133)</b>	<b>-</b>
Total tax on profit on ordinary activities	<b>18,350</b>	<b>20,209</b>	<b>70,269</b>	<b>14,554</b>
<b>Factors affecting the tax charge for the year:</b>				
Loss on ordinary activities before taxation	<b>(622,558)</b>	<b>(672,540)</b>	<b>(341,884)</b>	<b>(455,613)</b>
Tax on loss on ordinary activities at standard CT rate 19% (2017: 20%)	<b>(118,286)</b>	<b>(127,782)</b>	<b>(68,377)</b>	<b>(91,123)</b>
Expenses not deductible for tax purposes	<b>139,004</b>	<b>147,992</b>	<b>165,703</b>	<b>135,676</b>
Group income		-	<b>(30,000)</b>	<b>(30,000)</b>
Marginal relief		-	-	-
Adjustments to tax charge in respect of previous periods	<b>(2,362)</b>	-	<b>(2,266)</b>	-
Depreciation in excess of Capital allowances		-	<b>5,038</b>	-
Other short term timing differences		-	<b>171</b>	-
Unexplained difference	<b>(6)</b>	<b>(1)</b>	-	<b>1</b>
Current tax charge for the period	<b>18,350</b>	<b>20,209</b>	<b>70,269</b>	<b>14,554</b>

The corporation tax rate of 19% relates to the company only.

**Factors affecting tax charges for future periods**

The company has a deferred tax liability of £0 (2017: £7,559). This is shown at a corporation tax rate of 17% (2017: 23%). This has been analysed in Provisions for liabilities (see note 14).

Notes (continued)

**8. Profit on ordinary activities before taxation**

	2018		2017	
	Group £	Company £	Group £	Company £
Profit is stated after crediting:				
Profit on disposal of tangible fixed assets	-	-	6,262	6,262
And after charging:				
Operating lease rentals on land & buildings	231,353	218,777	240,840	229,000
Depreciation on tangible fixed assets	192,587	150,278	184,418	149,359
Amortisation on other intangible fixed assets	14,208	-	14,208	-
Auditor's remuneration – audit services	44,000	21,450	33,150	21,450
Auditor's remuneration – non-audit services	33,213	30,213	37,179	34,734
Bad debt	13,069	-	26,190	-

**9. Other intangible assets (group)**

	Purchased Computer Software £	Total £
<b>Cost</b>		
1 April 2017	56,832	56,832
Additions – separately acquired	-	-
<b>As at 31 March 2018</b>	<b>56,832</b>	<b>56,832</b>
<b>Amortisation and impairment</b>		
1 April 2017	28,416	28,416
Amortisation charged in the year	14,214	14,214
<b>As at 31 March 2018</b>	<b>42,630</b>	<b>42,630</b>
<b>Carrying amount</b>		
<b>As at 31 March 2018</b>	<b>14,202</b>	<b>14,202</b>
As at 31 March 2017	28,416	28,416

Other intangible assets relate to the AoC Create website. The amortisation charges for the year are recognised within administrative expenses.

Notes (continued)

**10. Tangible fixed assets**

	Group			Company		
	Office Equipment £	Motor Vehicles £	Total £	Office Equipment £	Motor Vehicles £	Total £
<b>Cost</b>						
As at 31 March 2017	623,890	56,105	679,995	540,487	56,105	596,592
Additions	341,697	-	341,697	287,996	-	287,996
Disposals	(10,500)	-	(10,500)	-	-	-
<b>As at 31 March 2018</b>	<b>955,087</b>	<b>56,105</b>	<b>1,011,192</b>	<b>828,483</b>	<b>56,105</b>	<b>884,588</b>
<b>Depreciation</b>						
As at 31 March 2017	499,742	35,205	534,947	437,052	35,205	472,257
Disposal	(10,500)	-	(10,500)	-	-	-
Charge for year	178,561	14,026	192,587	136,252	14,026	150,278
<b>As at 31 March 2018</b>	<b>667,803</b>	<b>49,231</b>	<b>717,034</b>	<b>573,304</b>	<b>49,231</b>	<b>622,535</b>
<b>Net book value</b>						
As at 31 March 2018	287,284	6,874	294,158	255,179	6,874	262,053
As at 31 March 2017	124,148	20,900	145,048	103,435	20,900	124,335

**11. Subsidiary undertakings**

	2018 £	2017 £
<b>Fixed asset investments</b>		
AoC Create Ltd.	100	100
AoC Sport Ltd.	1	1
<b>Trading results – profit/(loss) for the year</b>		
AoC Create Ltd.	(272)	195,769
AoC India Ltd.	-	(23,416)
AoC Sport Ltd.	52,113	35,658
<b>Reserves – as at 31 March</b>		
AoC Create Ltd.	855,130	855,402
AoC India Ltd.	-	-
AoC Sport Ltd.	115,835	63,723

Notes (continued)

**11. Subsidiary undertakings (continued)**

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 loss before tax and dividend paid for the year ended 31 March 2018 of £1,141 (2017: profit £246,420). AoC India Ltd and AoC Sport Ltd are not-for-profit companies limited by guarantee.

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.

**12. Debtors: amounts falling due within one year**

	2018		2017	
	Group £	Company £	Group £	Company £
Accrued income	224,294	-	116,235	-
Trade debtors	3,164,287	1,163,222	2,406,979	731,233
Amounts owed by subsidiary undertakings	-	537,312	-	713,375
Amounts owed by AoC Charitable Trust	4,940	2,522	8,578	8,578
VAT	-	26,807	-	-
Prepayments	213,553	62,440	246,117	59,552
Other debtors	406,360	405,277	225,152	217,937
	<b>4,013,434</b>	<b>2,197,580</b>	<b>3,003,061</b>	<b>1,730,675</b>

**13. Creditors: amounts falling due within one year**

	2018		2017	
	Group £	Company £	Group £	Company £
Deferred income	2,686,433	1,909,999	2,671,985	1,867,051
Trade creditors	754,665	561,429	289,558	183,346
Amounts owed to subsidiaries	-	-	-	5,503
Corporation tax	16,569	16,470	74,276	11,163
Other taxation and social security	152,267	135,710	150,537	133,993
VAT	161,543	-	227,536	9,740
Other creditors	1,616,942	1,545,027	1,727,743	1,726,176
Accruals	257,316	180,458	237,203	69,316
	<b>5,645,735</b>	<b>4,349,093</b>	<b>5,378,838</b>	<b>4,006,288</b>

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. Deferred income is fully released to income in the subsequent year.



**Notes (continued)**

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 £43,793 (2017: £80,850). This has been paid since the year end.

**14. Provisions for liabilities**

GROUP	Restructuring Provision £	Deferred Tax £	Total £
1 April 2017	286,119	7,559	293,678
Utilised in year	(286,119)	314	(285,805)
<b>31 March 2018</b>	<b>-</b>	<b>7,873</b>	<b>7,873</b>

COMPANY	Restructuring Provision £	Total £
1 April 2017	286,119	286,119
<b>31 March 2018</b>	<b>-</b>	<b>-</b>

**GROUP**

Provisions for deferred tax has been made as follows:

	2018 £	2017 £
Deferred tax liabilities	7,873	7,559
<b>Total</b>	<b>7,873</b>	<b>7,559</b>

The major deferred tax liabilities and assets recognised by the Group are:

	2018 £	2017 £
Accelerated capital allowances	7,873	8,649
Other	-	(1,090)
<b>Total</b>	<b>7,873</b>	<b>7,559</b>

**Notes (continued)**

The deferred tax liability of £7,873 (2017: £7,559) is expect to reverse within 12 months and relates to fixed asset timing differences and pension creditor.

The movement in deferred tax comprises of:

	2018	2017
	£	£
Opening deferred tax liability/(asset)	7,559	12,692
Charged to profit or loss	314	(5,133)
Closing deferred tax liability/(asset)	7,873	7,559

There was no unprovided deferred taxation at 31 March 2018 (2017: nil).

### 15. Financial instruments

The carrying amount of the Association of Colleges financial instruments at 31 March were:

	2018		2017	
	Group	Company	Group	Company
	£	£	£	£
<b>Financial assets</b>				
Debt instruments measured at amortised cost	3,229,150	1,163,222	2,523,214	731,233
<b>Total</b>	3,229,150	1,163,222	2,523,214	731,233
<b>Financial liabilities</b>				
Measured at amortised cost	901,040	630,745	526,760	252,662
<b>Total</b>	901,040	630,745	526,760	252,662

### 16a. Accumulated reserve

	2018		2017	
	Group	Company	Group	Company
	£	£	£	£
1 April	(8,046,897)	(8,965,722)	(5,377,744)	(6,238,555)
Retained (loss)/profit for the year	(640,908)	(692,749)	(412,153)	(470,167)
<b>31 March</b>	(8,687,805)	(9,658,471)	(5,789,897)	(6,708,722)

Notes (continued)

**16b. Movement in members' fund**

	2018		2017	
	Group	Company	Group	Company
	£	£	£	£
(Loss)/profit for the year	(640,908)	(692,749)	(412,153)	(470,167)
Opening members' fund	(8,046,897)	(8,965,722)	(5,377,744)	(6,238,555)
	(8,687,805)	(9,658,471)	(5,789,897)	(6,708,722)
Pension actuarial gain/(loss)	1,544,000	1,544,000	(2,257,000)	(2,257,000)
	(7,143,805)	(8,114,472)	(8,046,897)	(8,965,722)

**17. Reconciliation of profit after tax to net cash generated from/(used in) operations**

	2018		2017	
	Group	Company	Group	Company
	£	£	£	£
(Loss)/profit after tax	(640,908)	(692,749)	(412,153)	(470,167)
Adjustments for:				
Depreciation of tangible fixed assets	178,379	150,278	170,210	149,359
Amortisation of intangible assets	14,208	-	14,208	-
(Profit) on sale of fixed assets	-	-	(6,262)	(6,262)
Defined benefit pension schemes	584,000	584,000	2,000	2,000
Dividend received	-	-	-	(150,000)
(Decrease)/Increase in provision	(286,119)	(286,119)	286,119	286,119
Interest receivable	(20,931)	(20,222)	(10,467)	(9,002)
Interest payable	304,000	304,000	308,000	308,000
Taxation	18,350	20,209	70,268	14,554
Operating cash flows before movements in working capital	150,979	59,397	421,923	124,601
Decrease/(increase) in debtors	(1,010,373)	(466,905)	156,716	514,133
(Decrease)/increase in creditors	207,343	333,001	(583,635)	(466,467)
Cash generated from/(used in) operations	(652,051)	(74,507)	(4,996)	172,267

Notes (continued)

**Cash and cash equivalents**

	2018		2017	
	Group	Company	Group	Company
	£	£	£	£
Cash and cash equivalents represent:-				
Cash at bank	<u>4,588,009</u>	<u>4,174,887</u>	<u>5,505,094</u>	<u>4,527,574</u>

**18. 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 2017 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 12.03% (2017: 12.03%) 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 2019 is £304,687.

**Valuation assumptions**

The major categories of plan assets as a percentage of total plan assets as at 31 March 2018 are shown below:

Year ended:	31 March 2018	31 March 2017
	% p.a.	% p.a.
Equities	61%	59%
Target return funds	22%	21%
Alternative assets	-	-
Cash	5%	9%
Other bonds	12%	11%

Notes (continued)

**18. Pensions and similar obligations – Group and Company (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 2034 for non-pensioners and 2018 for pensioners. Based on these assumptions, the average future life expectancies at age 65 are summarised as below:

	<b>Males</b>	<b>Females</b>
Current pensioners	22.6 years	24.9 years
Future pensioners	24.9 years	27.2 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.

**Retirement benefits**

Under the transitional requirements of FRS102, 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:

<b>Actuarial assumptions</b>	<b>2018</b>	2017	2016	2015	2014
Discount rate at 31 March	<b>2.55%</b>	2.8%	3.8%	3.4%	4.5%
Salary increase rate	<b>3.8%</b>	4.2%	4.3%	4.3%	4.7%
Pension increase rate/inflation	<b>2.3%</b>	2.7%	2.5%	2.5%	2.9%

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.

<b>Amounts recognised in the balance sheet</b>	<b>2018</b>	2017
	<b>£(000)</b>	£(000)
Fair value of employer assets	<b>21,643</b>	20,525
Present value of funded liabilities	<b>32,043</b>	31,581
<b>Net liability</b>	<b>(10,400)</b>	(11,056)

<b>Amounts recognised in profit or loss accounts</b>	<b>2018</b>	2017
	<b>£(000)</b>	£(000)
Current service cost	<b>1,135</b>	760
Contributions by employer	<b>(578)</b>	(779)
Net interest on the defined liability	<b>304</b>	308
Administration expenses	<b>27</b>	21
<b>Total</b>	<b>888</b>	310

Notes (continued)

**18. Pensions and similar obligations – Group and Company (continued)**

Reconciliation in the present value of the defined benefit obligation	2018 £(000)	2017 £(000)
<b>Opening defined benefit obligation</b>	<b>31,581</b>	25,023
Current service cost	1,135	760
Interest cost	879	941
Contributions by members	254	285
Actuarial gains/(losses)	(980)	5,376
Estimated benefits paid (net of transfers in)	(826)	(804)
<b>Closing defined benefit obligation</b>	<b>32,043</b>	31,581

Reconciliation of fair value of employer assets	2018 £(000)	2017 £(000)
<b>Opening fair value of employer assets</b>	<b>20,525</b>	16,534
Interest on assets	575	633
Contributions by members	254	285
Contributions by employer	578	779
Return on assets less interest	564	3,119
Administration expenses	(27)	(21)
Benefits paid (net of transfers in and including unfunded)	(826)	(804)
<b>Closing fair value of employer assets</b>	<b>21,643</b>	20,525

The total return on the fund assets for the year to 31 March 2018 is £1,139,000 (2017: £3,422,000).

Re-measurements in other comprehensive income		
	2018 £(000)	2017 £(000)
Return on Fund assets in excess of interest	564	2,789
Change in financial assumptions	980	(6,310)

Amounts for the current & previous periods	2018 £(000)	2017 £(000)	2016 £(000)	2015 £(000)	2014 £(000)
Value of plan assets	21,643	20,525	16,534	16,004	14,294
Defined benefit obligation	(32,043)	(31,581)	(25,023)	(25,438)	(20,606)
Deficit	(10,400)	(11,056)	(8,489)	(9,434)	(6,312)
Experience loss/(gains) on liabilities	-	(629)	-	-	788
Experience adjustments on plan assets	-	-	-	28	(144)

**Notes (continued)**

**19. Commitments under operating leases**

The total future minimum lease payments under non-cancellable operating lease rentals are as follows:

	2018		2017	
	Group £	Company £	Group £	Company £
Amounts due:				
Within 1 year	321,576	309,000	303,766	291,926
Between 1 and 5 years	643,750	643,750	664,562	664,562
Total	965,326	952,750	968,328	956,488

**20. Controlling party**

As at 31 March 2018, the Group was not controlled by one single controlling party.

**21. Remuneration of key management personnel**

The total remuneration of the directors and the regional directors, who are considered to be the key management personnel of the Company, was £1,554,374 (2017: £1,798,102), of which national insurance and pension costs were £303,123.

**22. 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, AoC India and AoC Sport Ltd.

The AoC has taken advantage of the exemption available in FRS 102 (33.15) not to provide information relating to transactions between itself as the holding Company and its wholly owned trading subsidiaries, AoC Create Ltd, AoC India Ltd and AoC Sport Ltd.

No guarantees have been given or received.

Notes (continued)

**23. Related party transactions (continued)**

**Related Party Transactions**

Director	Related Party	2017/18				2016/17			
		Transactions During Year		Balance Outstanding @ YE		Transactions During Year		Balance Outstanding @ YE	
		AOC	CREATE	AOC	CREATE	AOC	CREATE	AOC	CREATE
S.Barnes	Nelson & Colne College	12,512	3,522	-	7,435	-	809	-	809
A.Birkinshaw	York College	-	12,572	-	11,855	-	-	-	-
C.Booth	Leeds City College	38,500	13,643	-	6,056	-	-	-	-
M.David	Reaseheath College	29,958	14,764	-	959	-	71,529	-	22,165
N.Davison	Bishop Auckland College	12,916	1,782	-	-	13,332	2,426	-	(27)
S.Duncan	East Durham College	-	-	-	-	-	-	-	-
S.Frampton	Portsmouth VI College	4,633	2,004	123	647	4,295	358	-	119
N.Leigh	Stephenson College	13,701	3,378	-	836	14,219	4,836	-	359
G.McDonald	New City College London	38,500	14,858	-	8,725	28,320	6,358	-	(3,533)
C.Peasgood	City College Norwich	24,988	13,515	-	3,310	-	52,073	-	(212)
P.Phillips	Weston College	38,620	13,486	-	6,565	91,463	122,616	-	(5,355)
G. Razey	East Kent & Canterbury College	24,677	1,109	-	629	-	-	-	-
K.Redhead	Derwentside College	-	747	-	(90)	-	-	-	-
J.Sharma	Walsall College	31,691	7,259	-	(276)	30,182	8,834	-	429
A.Stott	RNN Group	22,850	31,752	(1,150)	13,859	39,134	3,235	-	359
C.Stott	Bath College & Worldskills	22,811	10,111	-	6,075	13,903	-	210	-
E.Tobin	Joseph Chamberlain VI College	8,876	1,794	-	-	-	281	-	-
K.Webb	Windsor Forest Group	28,507	5,155	-	(203)	25,032	10,728	1,680	4,403
Y. Williams	Hugh Baird College	19,102	12,735	-	1,799	-	3,299	-	3,000

Director	Related Party	2017/18		2016/17	
		Transactions During Year	Balance Outstanding @	Transactions During Year	Balance Outstanding @
		SPORT	SPORT	SPORT	SPORT
S.Barnes	Nelson & Colne College	1,450	-	1,250	-
A.Birkinshaw	York College	950	-	-	-
C.Booth	Leeds City College	3,992	-	3,512	50
M.David	Reaseheath College	1,958	-	1,618	-
N.Davison	Bishop Auckland College	-	-	-	-
S.Duncan	East Durham College	-	-	-	-
S.Frampton	Portsmouth VI College	1,360	-	1,360	-
N.Leigh	Stephenson College	1,000	-	1,000	-
G.McDonald	New City College London	380	130	-	-
C.Peasgood	City College Norwich	2,126	-	120	-
P.Phillips	Weston College	3,652	-	3,292	-
G. Razey	East Kent & Canterbury College	-	-	-	-
K.Redhead	Derwentside College	-	-	-	-
J.Sharma	Walsall College	2,522	-	2,342	-
A.Stott	RNN Group	200	-	300	-
C.Stott	Bath College & Worldskills	16,937	5,000	6,857	-
E.Tobin	Joseph Chamberlain VI College	1,160	-	1,150	-
K.Webb	Windsor Forest Group	2,154	-	1,124	-
Y. Williams	Hugh Baird College	1,083	-	1,000	-

During the year, the Association contributed £75,500 (2017: £60,500) 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 £1,739,755.16 (2017: £1,882,365) and the balance remaining at the year-end is £nil (2017: £500,905).



**The following does not form part of the financial statements.**

Detailed Income and Expenditure Account				
	2018		2017	
	Group £	Company £	Group £	Company £
<b>Turnover</b>				
Subscriptions	5,373,679	5,020,808	5,472,912	5,082,207
National projects	4,498,470	3,715,310	4,523,719	3,642,682
Commercial Activities	5,229,640	-	6,627,956	-
Other	<u>155,094</u>	<u>155,094</u>	<u>274,572</u>	<u>272,922</u>
	<b>15,256,883</b>	<b>8,891,212</b>	16,899,159	8,997,811
<b>Less: cost of sales</b>				
Salaries	3,555,690	2,211,770	4,107,397	2,516,514
Salaries – FRS 102 adjustment	381,703	381,703	1,245	1,245
Legal expenses	54,344	54,344	54,143	54,143
Professional advice (Irwin Mitchell)	115,000	115,000	-	-
Publications, printing & postage	23,174	23,174	38,627	38,627
Research	147,443	147,443	142,785	142,785
Press & media	124,947	124,947	119,903	119,903
National projects	3,363,318	3,363,318	3,005,831	3,005,831
Commercial Activities	3,329,940	-	4,497,195	-
Other professional	<u>167,931</u>	<u>167,931</u>	<u>204,318</u>	<u>204,318</u>
	<b>11,263,490</b>	<b>6,589,630</b>	12,171,444	6,083,366
<b>Less: administrative expenses</b>				
Salaries & staff costs	1,870,267	911,878	2,525,991	1,606,208
Salaries – FRS 102 adjustment	202,297	202,297	755	755
LPFA additional contribution	222,716	117,827	271,166	136,349
Temporary agency	19,415	7,586	10,050	6,771
Recruitment & training	44,915	44,915	62,022	62,022
Audit & accountancy	65,113	51,663	70,329	56,184
Meeting expenses	79,024	69,454	93,452	80,941
Travel expenses	294,669	192,657	343,723	227,861
Premises costs	470,646	338,302	549,783	403,058
Office costs & insurance	157,237	127,424	146,977	118,651
Computer expenses	198,259	169,915	109,741	108,259
Telephone & facsimile	88,453	59,793	99,243	66,364
Subscriptions	26,878	25,056	31,956	29,794
Bank charges	9,207	818	9,456	1,080
Depreciation	192,587	150,278	184,418	149,359
Irrecoverable VAT	237,824	212,515	203,270	169,884
Other expenses	11,168	7,967	12,365	10,656
(Profit)/loss on disposal	-	-	(6,262)	(6,262)
Rental income	-	-	(6,874)	(6,874)
Consultants	10,889	-	10,638	-
Print, post and stationery	21,003	-	23,677	-
Bad debt	13,069	-	26,190	-
Restructuring/redundancy costs	<u>97,246</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<b>4,332,882</b>	<b>2,690,345</b>	4,772,066	3,221,060
Operating (deficit)/surplus	<b>(339,489)</b>	<b>(388,763)</b>	(44,351)	(306,615)
Dividends receivable	-	-	-	150,000

Interest receivable	20,931	20,222	10,467	9,002
NET FRS102 interest	<u>(304,000)</u>	<u>(304,000)</u>	<u>(308,000)</u>	<u>(308,000)</u>
Profit/(Loss) before tax	<u>(622,558)</u>	<u>(672,540)</u>	<u>(341,884)</u>	<u>(455,613)</u>
Taxation	<u>(18,350)</u>	<u>(20,209)</u>	<u>(70,269)</u>	<u>(14,554)</u>
Retained (deficit)/surplus for the year	<u>(640,908)</u>	<u>(692,749)</u>	<u>(412,153)</u>	<u>(470,167)</u>