Form AR27

Trade Union and Labour relations (Consolidation) Act 1992

Employers' Association's details

Name of Employers' Association:	Association of Colleges
Year ended:	31.03.2019
List number:	1585E
Head or Main Office:	2-5 Stedham Place London WC1A 1HU
Has the address changed during the year to which the return relates?	Yes [ ] No [X] (Tick as appropriate)
Website address (if available)	www.aoc.co.uk
General Secretary:	David Hughes, Chief Executive
Contact name for queries regarding the completion of this return:	Ami Hartigan
Telephone Number:	02070349900
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.

CERTIFICATION OFFICE FOR TRADE UNIONS & EMPLOYERS' ASSOCIATIONS
26 SEP 2019
RECEIVED

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
270				**270**

Change of officers

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

Position held	Name of Officer ceasing to hold office	Name of Officer Appointed	Date of Change
Chair Chair	C Stott	 J Nerney	31 December 2018 1 January 2019
President & Vice Chair		S Frampton	1 August 2018
Board Member Board Member	A Birkinshaw	 J Nerney	1 August 2018 3 October 2018
Board Member Board Member	K Redhead C Stott		30 November 2018 31 December 2018
Board Member		E Thinnesen	5 December 2018

Officers in post

(see note 10)

Please insert a complete list of all officers in post at the end of the year to which this form relates.

Name of Officer	Position held
J Nerney	Chair
S Frampton	President & Vice Chair
N Leigh	Deputy Chair
S Barnes	Non-Executive Director
C Booth	Non-Executive Director
S Duncan	Non-Executive Director
G McDonald	Non-Executive Director
J Nerney	Non-Executive Director
C Peasgood	Non-Executive Director
P Philips	Non-Executive Director
G Razey	Non-Executive Director
J Sharma	Non-Executive Director
A Stott	Non-Executive Director
E Thinnesen	Non-Executive Director
E Tobin	Non-Executive Director
Y Williams	Non-Executive Director
D Hughes	Executive Director
P Brophy	Executive Director
J Edwards	Company Secretary

Revenue account/General Fund

(see notes 11 to 16)

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

Accounts other than the revenue account/general fund

(See notes 11 to 16)

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

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

Accounts other than the revenue account/general fund

(See notes 11 to 16)

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

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

Accounts other than the revenue account/general fund

(see notes 17 to 18)

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

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

Balance sheet as at [ ]

(see notes 19 and 20)

Previous Year		£	£
	Fixed Assets (as at page 8)		
	Investments (as per analysis on page 9)		
	Quoted (Market value £)		
	Unquoted		
	Total Investments		
	Other Assets		
	Sundry debtors		
	Cash at bank and in hand		
	Stocks of goods		
	Others (specify)		
	Total of other assets		
	Total assets		
	Fund (Account)		
	Fund (Account)		
	Fund (Account)		
	Revaluation Reserve		
	Liabilities		
	Loans		
	Bank overdraft		
	Tax payable		
	Sundry creditors		
	Accrued expenses		
	Provisions		
	Other liabilities		
	Total liabilities		
	Total assets		

Fixed Assets Account

(see note 21)

	Land & Buildings	Fixtures & Fittings	Motor Vehicles & Equipment	Total
	£	£	£	£
Cost or valuation				
At start of period				
Additions during period				
Less: Disposals during period				
Less: DEPRECIATION:				
Total to end of period				
Book amount at end of period				
Freehold				
Leasehold (50 or more years unexpired)				
Leasehold (less than 50 years unexpired)				
As balance sheet				

Analysis of investments

(see note 22)

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

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

Analysis of investment income (controlling interests)

(see notes 23)

Does the association, or any constituent part of the association, have a controlling interest in any limited company? If YES name the relevant companies:	YES ☐	NO ☐

Company name	Company registration number (if not registered in England & Wales, state where registered)

Incorporated Employers' Associations

Are the shares which are controlled by the association registered in the association's name If NO, please state the names of the persons in whom the shares controlled by the association are registered.	YES ☐	NO ☐

Company name	Names of shareholders

Unincorporated Employers' Associations

Are the shares which are controlled by the association registered in the names of the association's trustees? If NO, state the names of the persons in whom the shares controlled by the association are registered.	YES ☐	NO ☐

Company name	Names of shareholders

Summary sheet

(see notes 24 to 33)

	All funds except Political Funds £	Political Funds £	Total Funds £
Income			
From Members	5,255,924		5,255,924
From Investments	(298,978)		(298,978)
Other Income (including increases by revaluation of assets)	4,215,397		4,215,397
Total Income	9,172,343		9,172,343
Expenditure (including decreases by revaluation of assets)	9,077,976		9,077,976
Total Expenditure	9,077,976		9,077,976
Funds at beginning of year (including reserves)	(8,114,472)		(8,114,472)
Funds at end of year (including reserves)	(8,020,105)		(8,020,105)

Assets		
	Fixed Assets	275,524
	Investment Assets	101
	Other Assets	6,218,402
	Total Assets	6,494,027
Liabilities	**Total Liabilities**	14,514,132
Net assets (Total Assets less Total Liabilities)		(8,020,105)

Notes to the accounts

(see note 34)

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 31st March 2019.

Accounting policies

(see notes 35 and 36)

Please see Directors Report and Financial Statements for the Year Ended 31st March 2019.

Signatures to the annual return

including the accounts and balance sheet contained in the return.

(see notes 37 and 38)

Secretary's Signature:	Chairman's Signature: (or other official whose position should be stated)
Name: J Edwards	Name: J Nerney
Date: 8/8/19	Date: 8/8/19

Checklist

(see note 39)

(please tick as appropriate)

Has the return of change of officers been completed? (see Page 2)	Yes	✓	No	
Has the list of officers been completed? (see page 2a)	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 the rule book enclosed? (see Note 40)	Yes	✓	No	
Has the summary sheet been completed? (see Notes 6 and 25 to 34)	Yes	✓	No	

Checklist for auditor's report

(see notes 40 to 44)

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 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)

 Please explain in your report overleaf or attached.

2. 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)

 Please explain in your report overleaf or attached.

3. Your auditors or auditor must include in their report the following wording:

 In our opinion the financial statements:

 - **give a true and fair view of the matters to which they relate to.**
 - **have been prepared in accordance with the requirements of the sections 28, 32 and 36 of the Trade Union and Labour Relations (consolidation) Act 1992.**

RSM

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ASSOCIATION OF COLLEGES

Opinion

We have audited the financial statements of Association of Colleges (the 'union') and its subsidiaries (the 'group') for the year ended 31 March 2019 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 union's affairs as at 31 March 2019 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 to meet the requirements of 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 union 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 director's 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 union'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, 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Trade Union and Labour Relations (Consolidation) Act 1992 requires us to report to you if, in our opinion:

- proper accounting records have not been kept in accordance with the requirements of section 28; or
- a satisfactory system of control over its transactions has not been maintained in accordance with the requirements of that section; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations for which, to the best of our knowledge and belief, we consider necessary for our audit.

Responsibilities of directors

As explained more fully in the director's 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 union'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 union 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 union's members, as a body, in accordance with the Trade Union and Labour Relations (Consolidation Act) 1992. Our audit work has been undertaken so that we might state to the union'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 union and the union's members as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

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

13 September 2019

Auditor's report (continued)

Signature(s) of auditor or auditors:	RSM UK Audit LLP	
Name(s):	RSM UK Audit LLP	
Profession(s) or Calling(s):	Chartered Accountants	
Address(es):	25 Farringdon Street London EC4A 4AB	
Date:	13 September 2019	
Contact name for enquiries and telephone number:	P Ormsby 0121 214 3123	

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 2019

Registered number: 03216271

Contents

Directors and Advisers

Chair:	C Stott – resigned 31 December 2018, F & GP, AoC Create & ACT J Nerney – appointed 1 January 2019
President & Vice-Chair:	S Frampton – appointed 1 August 2018 - AoC Create, AoC Sport, AC
Deputy Chair:	N Leigh – F & GP
Non- Executive Directors:	S Barnes – GC A Birkinshaw – resigned 1 August 2018 C Booth – F & GP S Duncan G McDonald – AC J Nerney – appointed 3 October 2018 C Peasgood – AC P Phillips G Razey – F & GP K Redhead – resigned 30 November 2018 J Sharma – AC A Stott – GC C Stott – resigned 31 December 2018, F & GP, AoC Create & ACT E Thinnesen – appointed 5 December 2018 E Tobin Y Williams
Executive Directors:	CEO: D Hughes – AoC Create, ACT, AoC Sport, GC & F&GP Director of Finance & COO: P J Brophy – AoC Create, ACT, AoC Sport & F&GP
Group Company Secretary:	J Edwards

Boards AoC Create Ltd (AoC Create), AoC Sport (AoC Sport) and AoC Charitable Trust (ACT)

Committees Audit Committee (AC), Finance and General Purposes (F &GP) and Governors' Council (GC)

Directors and Advisers *(continued)*

Registered Office

2 - 5 Stedham Place
London
WC1A 1HU

Statutory Auditor

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

Solicitors

Eversheds Sutherland LLP
1 Wood Street
London
EV2V 7WS

Bankers

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

Internal Auditor

Mazars LLP
Regency House
3 Grosvenor Square
Southampton
SO15 2BE

Strategic Report

This Strategic Report for the year ended 31 March 2019 is to be considered alongside the Accounts and Directors' Report for the same financial period.

Overview of the AoC

Association of Colleges is the national voice for further education, sixth form, tertiary and specialist colleges in England. We are a not-for-profit membership organisation established in 1996 by colleges, for colleges. Our members make up almost 95% of the sector, transforming 2.2 million lives each year.

Acting as the collective voice, we represent and promote the interests of colleges, and provide our members with high-quality professional support services, including training, events and recruitment.

At the heart of every community should be a thriving college, supporting students, delivering skills, transforming communities, promoting social justice, working with employers and growing the 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.

AoC's regional approach

We have a network of seven regional offices throughout England, as well as a national office in London. Our regions are: North East and Yorkshire and Humber, North West, East, East and West Midlands, South East, London, and South West. This allows us to support colleges locally, whilst amplifying their voices nationally, and allows us to remain close to our members and responsive to their needs. It also allows us to offer relevant professional development networks, events and information and advice services.

On 01 April 2018, the Association of South East Colleges (AOSEC) successfully merged with AoC, formally cementing a relationship that has been ongoing for 20 years, and creating the AoC South East region.

Each regional office is led by an Area Director, supported by a recently re-formed regional team structure. Our regional teams work to champion and promote their colleges and the contributions they make to local economic and social prosperity. They work to ensure that colleges are represented on local decision-making bodies and that their views are understood by local partners including local economic partnerships (LEPs). We have excellent relationships with local offices of Ofsted and ESFA, ensuring that we can identify issues swiftly and support colleges effectively, giving them the most up-to-date information and support possible.

Strategic Report *(continued)*

Local and national policy groups

We manage around 200 area network meetings each year, giving as many members as possible the opportunity to participate, and help to shape AoC national policy.

We also run around a dozen national policy groups, with which 50% of AoC members are engaged. We invite external stakeholders – such as representatives from the Department for Education, employer groups and Ofsted – to these groups to meet with college principals, governors and senior staff. These groups discuss, challenge and shape policy of local and national importance.

International work

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); Erasmus+ projects with partners in the Netherlands and Finland; submissions to the Migration Advisory Committee; and the production of the International Activity in Colleges 2018 survey.

Communications, public affairs and external partnerships

Over the last twelve months, AoC has renewed its focus on campaigning with, and on behalf of, the sector – the most noticeable being Love Our Colleges, the campaign for real, sustainable investment for colleges.

Over the last twelve months, almost every member college has undertaken Love Our Colleges activities. Successes include:

- Colleges Week – October 2019
    - 3,000+ attended an event in Westminster
    - National media coverage on the widening skills gap and the vital role of colleges
    - Local coverage in every part of the country on the value of colleges
    - Top trending topics on social media
- Two Westminster Hall debates secured
- A vow from the Chancellor in the Autumn Budget to put technical and vocational education "at the heart of the system"

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.

Strategic Report *(continued)*

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.

External partnerships

The team focuses on wider partnership, sponsorship and stakeholder engagement and looks to build on our links with business, teachers, students, the wider education sector and more.

Subsidiary companies

As reported in Note 11 to the accounts, the Association has two trading subsidiary companies, AoC Create Ltd and AoC Sport Ltd. In addition, one dormant subsidiary company, AoC India Ltd.

AoC Create Ltd.

AoC Create Ltd is a trading subsidiary of AoC. The principal activity of the company is to provide the best range of highest quality, best value-for-money services needed by further education and associated sectors in England and Wales. These activities include conference, recruitment, training and consultancy services and all the money earned is invested back to benefit AoC member colleges.

AoC Sport Ltd.

AoC Sport is the lead organisation for college sport and physical activity. Our vision is every college student participating regularly in sport or physical activity. In 2018/19 up to 18,000 students competed on a weekly basis across eight sports, including 1729 students and 372 staff from 114 colleges taking part in the AoC Sport National Championships. 1766 participants, including 210 with disabilities, were engaged in the This Girl Can campaign; 2514 took part in local development opportunities; £6 million was directed towards colleges in the form of grants, trusts and local and national organisations; 80% of colleges were supported.

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, as well as the Student of the Year 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.

Strategic Report *(continued)*

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.

The Education & Training Foundation (ETF)

AoC is one of three founding members of the Education & Training Foundation (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 the AoC group for consolidation purposes.

ACER and AoSEC Mergers

The last twelve months has seen the successful merging into the AoC of Association of Colleges in the South East (AoSEC) on 01 April 2018, and the Association of Colleges Eastern Region (ACER) on 01 August 2018.

Approved by P J Brophy
Director

8 August 2019

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 March 2019. 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 2019, which is a surplus of £60,969 (2018: surplus £60,975) before tax, adjustments of the Financial Reporting Standard (FRS) 102 requirements, and after contributing £72,661 (2018: £117,827) 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 FRS102 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 £60,000 (2018: £75,500) 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. From 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 2019, 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 2019 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.

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 2019.

Directors' Report *(continued)*

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 9. 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 ceased trading 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
8 August 2019

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 2019 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 2019 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.

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 have 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 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. 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

2019

Consolidated Statement of Comprehensive Income
for the year ended 31 March 2019

	Notes	31 March 2019 Group £	31 March 2019 Company £	31 March 2018 Group £	31 March 2018 Company £
Turnover		**14,304,820**	**7,939,321**	15,256,883	8,891,212
Cost of sales	4	**(9,802,928)**	**(5,061,682)**	(11,263,490)	(6,589,630)
Gross profit		**4,501,892**	**2,877,639**	3,993,393	2,301,582
Admin expenses	5a	**(4,430,040)**	**(2,945,691)**	(4,332,882)	(2,690,344)
Pension liability from merger	5b	**(1,052,000)**	**(1,052,000)**	-	-
Operating deficit		**(980,148)**	**(1,120,052)**	(339,489)	(388,762)
Interest receivable and similar income	6a	**19,926**	**18,022**	20,931	20,222
Interest payable and similar charges	6b	**(317,000)**	**(317,000)**	(304,000)	(304,000)
Loss on ordinary activities before taxation	8	**(1,277,222)**	**(1,419,030)**	(622,558)	(672,540)
Taxation	7	**(37,734)**	**(18,603)**	(18,350)	(20,209)
Loss for the financial year	16	**(1,314,956)**	**(1,437,633)**	(640,908)	(692,749)
Other comprehensive income (net of tax)					
Actuarial gains on defined benefit plans	18	**1,532,000**	**1,532,000**	1,544,000	1,544,000
Loss for the financial year		**(1,314,956)**	**(1,437,633)**	(640,908)	(692,749)
Total comprehensive income for the year		**217,044**	**94,367**	903,092	851,251

Statements of Financial Position

as at 31 March 2019

	Notes	31 March 2019 Group £	31 March 2019 Company £	31 March 2018 Group £	31 March 2018 Company £
Fixed assets:					
Other intangible assets	9	-	-	14,202	-
Tangible fixed assets	10	**301,724**	**275,524**	294,158	262,053
Investments	11	-	**101**	-	101
		301,724	**275,625**	308,360	262,154
Current assets:					
Debtors due within one year	12	**3,526,745**	**1,660,621**	4,013,434	2,197,580
Cash in bank and in hand		**4,971,644**	**4,557,781**	4,588,009	4,174,887
		8,498,389	**6,218,402**	8,601,443	6,372,467
Current liabilities:					
Creditors: amounts falling due within one year	13	**(5,374,955)**	**(4,166,132)**	(5,645,735)	(4,349,093)
Net current assets		**3,123,434**	**2,052,270**	2,955,708	2,023,374
Total assets less current liabilities		**3,425,158**	**2,327,895**	3,264,068	2,285,528
Provisions for liabilities	14	**(3,919)**	-	(7,873)	-
Net assets excluding pensions liability		**3,421,239**	**2,327,895**	3,256,195	2,285,528
Defined benefit pension scheme liability	18	**(10,348,000)**	**(10,348,000)**	(10,400,000)	(10,400,000)
Net liabilities including pensions liability		**(6,926,761)**	**(8,020,105)**	(7,143,805)	(8,114,472)
Capital and Reserves					
Pension reserve		**(10,348,000)**	**(10,348,000)**	(10,400,000)	(10,400,000)
Profit and loss account		**3,421,239**	**2,327,895**	3,256,195	2,285,528
Total Equity		**(6,926,761)**	**(8,020,105)**	(7,143,805)	(8,114,472)

The financial statements on pages 17 – 41 were approved and authorised for issue by the Board of Directors on 26 June 2019 and were signed on its behalf by:

J Nerney, Chair 8 August 2019

Consolidated Statement of Changes in Equity
for the year ended 31 March 2019

	Pension Reserve	Profit and loss account	Total
	£	£	£
Balance at 1 April 2017	**(11,056,000)**	**3,009,103**	**(8,046,897)**
Loss for the year	(888,000)	247,092	(640,908)
Other comprehensive income, net of tax: -			
Actuarial losses on defined benefit plans	1,544,000	-	1,544,000
Total comprehensive income for the year	**656,000**	**247,092**	**903,092**
Balance at 31 March 2018	**(10,400,000)**	**3,256,195**	**(7,143,805)**
Loss for the year	(1,480,000)	165,044	(1,314,956)
Other comprehensive income, net of tax: -			
Actuarial gains on defined benefit plans	1,532,000	-	1,532,000
Total comprehensive income for the year	**52,000**	**165,044**	**217,044**
Balance at 31 March 2019	**(10,348,000)**	**3,421,239**	**(6,926,761)**

August 2019

Company Statement of Changes in Equity
for the year ended 31 March 2019

	Pension Reserve	Profit and loss account	Total
	£	£	£
Balance at 1 April 2017	**(11,056,000)**	**2,090,278**	**(8,965,722)**
Loss for the year	(888,000)	195,251	(692,749)
Other comprehensive income, net of tax: -			
Actuarial gains on defined benefit plans	1,544,000	-	1,544,000
Total comprehensive income for the year	**656,000**	**195,251**	**851,251**
Balance at 31 March 2018	**(10,400,000)**	**2,285,529**	**(8,114,471)**
Loss for the year	(1,480,000)	42,366	(1,437,634)
Other comprehensive income, net of tax: -			
Actuarial losses on defined benefit plans	1,532,000	-	1,532,000
Total comprehensive income for the year	**52,000**	**42,366**	**94,366**
Balance at 31 March 2019	**(10,348,000)**	**2,327,895**	**(8,020,105)**

Consolidated and Company Statement of Cash Flows
for the year ended 31 March 2019

	Notes	31 March 2019		31 March 2018	
		Group	Company	Group	Company
		£	£	£	£
Operating Activities:					
Cash (used)/generated from operations	17	**546,155**	**537,436**	(652,051)	(74,507)
Taxation		**(21,485)**	**(20,209)**	37,028	(14,902)
Net Cash (Used In)/From Operating Activities		**524,670**	**517,227**	(615,023)	(89,409)
Investing Activities:					
Purchase of intangible assets		-	-	-	-
Purchase of tangible fixed assets		**(170,537)**	**(161,931)**	(322,993)	(283,500)
Proceeds on disposal of fixed assets		**9,576**	**9,576**	-	-
Interest received		**19,926**	**18,022**	20,931	20,222
Net Cash (Used In)/From Investing Activities		**(141,035)**	**(134,333)**	(302,062)	(263,278)
Net (decrease)/increase in cash and cash equivalents		**383,635**	**382,894**	(917,085)	(352,687)
Cash and cash equivalents at beginning of year		**4,588,009**	**4,174,887**	5,505,094	4,527,574
Cash and cash equivalents at end of year		**4,971,644**	**4,557,781**	4,588,009	4,174,887
Relating to:-					
Bank balances and short term deposits included in cash at bank and in hand		**4,971,644**	**4,557,781**	4,588,009	4,174,887

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 and all of its subsidiaries. All financial statements are made up to 31 March 2019.

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] in line with IT depreciation policy.

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 of 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.

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. Please refer to note 4.

Project income is recognised against incurred expenditure with indirect contributions to overheads allocated at the conclusion. Please refer to note 4.

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.

Transfer of activities

Transfers of activities during the year from AoSEC and ACER involved the transfer of identifiable assets and liabilities and activities for £nil consideration. The substance of the transfers is that of a gift and they have been accounted for on that basis as set out below and in accordance with paragraph 34.79 of FRS 102.

The assets and liabilities transferred have been valued at their fair value. The fair value has been derived based on that of equivalent items. The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised in the consolidated statement of Comprehensive income under the heading of cost of sales and administrative expenses. Further details of the transaction are set out in note 24.

Notes *(continued)*

2. Staff numbers

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

	2019		2018	
By activity	**Group**	**Company**	Group	Company
Services to members	**44**	**25**	41	25
Administration and operations	**54**	**21**	56	20
	98	**46**	97	45

Executive Directors & Officers	2019		2018	
	Group	**Company**	Group	Company
£60,001 to £70,000	**1**	**1**	1	0
£70,001 to £80,000	**3**	**3**	5	5
£80,001 to £90,000	**5**	**3**	6	3
£90,001 to £100,000	**1**	**1**	2	1
£100,001 to £110,000	**1**	**1**	0	0
£110,001 to £120,000	**1**	**1**	3	2
£120,001 to £130,000	**1**	**1**	-	-
£160,001 to £170,000	**1**	**1**	1	1
	14	**12**	18	12

The amount paid to the highest paid director was £167,500 (2018: £167,500); pension costs for this individual were £20,150 (2018: £23,410).

	2019		2018	
	Group	**Company**	Group	Company
Money purchase enhancement	**52**	**15**	51	15
Defined benefit schemes	**39**	**31**	39	30

The three executive directors (2018: three) were all members of the defined benefit scheme during the year. Total directors' remuneration amounted to £297,162 (2018: £313,434) and the pensions costs were £34,868 (2018: £38,154).

Notes *(continued)*

3. Staff costs

	2019		2018	
	Group	**Company**	Group	Company
The aggregate payroll costs were as follows:	**£**	**£**	£	£
Wages and salaries	**5,040,584**	**3,134,389**	4,717,078	2,878,989
Social security costs	**531,794**	**343,278**	480,708	289,515
Pension costs				
Pension adjustment	**1,163,000**	**1,163,000**	584,000	584,000
London Pension Fund Authority	**282,946**	**282,946**	406,433	291,480
LPFA deficit	**68,252**	**68,252**	222,716	117,827
Defined Contribution Scheme	**97,690**	**41,007**	137,651	46,689
	7,184,266	**5,032,872**	6,548,586	4,208,500

4. Cost of sales

	2019		2018	
	Group	**Company**	Group	Company
	£	**£**	£	£
Salaries	**3,620,919**	**2,253,135**	3,555,689	2,211,770
Pension adjustment	**111,000**	**111,000**	381,703	381,703
Legal expenses	**54,714**	**54,714**	54,344	54,344
Professional HR advice service	**150,000**	**150,000**	115,000	115,000
Printing, postage, stationery and publications	**42,704**	**42,705**	23,174	23,174
Projects	**2,027,646**	**2,027,646**	3,363,318	3,363,318
Press and media	**170,984**	**170,984**	124,947	124,947
Research	**148,807**	**148,807**	147,443	147,443
Commercial activities	**3,373,463**	**-**	3,329,941	-
Other professional	**102,691**	**102,691**	167,931	167,931
	9,802,928	**5,061,682**	11,263,490	6,589,630

Notes *(continued)*

5a. Administrative expenses

	2019		2018	
	Group	**Company**	Group	Company
	£	**£**	£	£
Staff and other costs	**2,229,445**	**1,172,179**	1,934,596	964,380
Pension adjustment	-	-	202,297	202,297
LPFA additional contribution	**73,622**	**73,622**	222,716	117,827
Travel and meeting costs	**404,415**	**309,846**	373,694	262,111
Premises, office and insurance costs	**986,357**	**810,789**	823,671	661,515
Telephone costs	**78,890**	**53,532**	88,453	59,793
Depreciation	**177,106**	**148,388**	192,587	150,278
Irrecoverable VAT	**293,208**	**258,275**	237,823	212,514
Consultants	**23,735**	-	10,889	-
Audit and accountancy	**64,388**	**50,838**	65,113	51,663
Print, post and stationery	**7,302**	-	21,002	-
Bad debt	**9,202**	-	13,069	-
Other	**5,758**	**3,636**	49,726	7,966
Redundancy costs	**76,612**	**64,586**	97,246	-
	4,430,040	**2,945,691**	4,332,882	2,690,344

5b. Transfer of activities

On 1 April 2018 AoSEC transferred certain assets and liabilities for £nil consideration and on 1 August 2018 ACER transferred certain assets and liabilities for £nil consideration. The transfers have been accounted for as a combination that is in substance a gift. The assets and liabilities transferred were valued at their fair values and recognised in the Balance Sheet under the appropriate headings with a corresponding net amount recognised as an expense in the Statement of Comprehensive Income. The transfers were for £nil consideration. The following table sets out the fair values of the identifiable assets and liabilities transferred, which are included in Administrative Expenses in Statement of Comprehensive Income.

Net Liabilities transferred:	**AoSEC** **£**	**ACER** **£**	**Total** **£**
LGPS pension deficit	637,000	415,000	1,052,000

Notes *(continued)*

6a. Interest receivable and similar income

	2019		2018	
	Group	Company	Group	Company
	£	£	£	£
Bank interest	19,926	18,022	20,931	20,222
	19,926	18,022	20,931	20,222

6b. Interest payable and similar charges

	2019		2018	
	Group	Company	Group	Company
	£	£	£	£
Interest arising from:				
Net interest on the net defined benefit	(317,000)	(317,000)	(304,000)	(304,000)
	(317,000)	(317,000)	(304,000)	(304,000)

Notes *(continued)*

7. Taxation

	2019		2018	
	Group	**Company**	Group	Company
	£	**£**	£	£
Current tax:				
UK corporation tax at 19% (PY:19%)	**41,688**	**18,603**	21,486	20,209
Adjustments in respect of previous periods	-	-	(3,450)	-
Total current tax	**41,668**	**18,603**	18,036	20,209
Deferred tax:				
Origination and reversal of timing differences	**(3,954)**	-	314	-
Total deferred tax	**(3,954)**	-	314	-
Tax on profit on ordinary activities	**37,734**	**18,603**	18,350	20,209
Factors affecting the tax charge for the year:				
Profit (loss) on ordinary activities before tax	**(1,277,222)**	**(1,419,030)**	(622,558)	(672,540)
Tax on profit (loss) on ordinary activities at standard CT rate 19% (PY: 19%)	**(242,672)**	**(269,616)**	(118,286)	(127,782)
Expenses not deductible for tax purposes	**279,741**	**288,219**	139,004	147,992
Fixed assets differences	**199**	-		
Group income	-	-		-
Marginal relief	-	-		-
Adjustments to tax charge in respect of previous periods	**466**	-	(2,362)	-
Depreciation in excess of Capital allowances	-	-		-
Other short term timing differences	-	-		-
Unexplained difference	-	-	(6)	(1)
Current tax charge for the period	**37,734**	**18,603**	18,350	20.209

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 (2018: £0). This is shown at a corporation tax rate of 17% (2018: 17%). This has been analysed in Provisions for liabilities (see note 14).

Notes *(continued)*

8. Profit on ordinary activities before taxation

	2019		2018	
	Group	**Company**	Group	Company
	£	£	£	£
Profit is stated after crediting:				
Profit on disposal of tangible fixed assets	**9,503**	**9,503**	-	-
And after charging:				
Operating lease rentals on land & buildings	**183,256**	**170,680**	231,353	218,777
Depreciation on tangible fixed assets	**162,898**	**148,388**	192,587	150,278
Amortisation on other intangible fixed assets	**14,208**	-	14,208	-
Auditor's remuneration – audit services	**45,000**	**21,450**	44,000	21,450
Auditor's remuneration – non-audit services	**38,508**	**20,275**	33,213	30,213
Bad debt	**9,202**	-	13,069	-

9. Other intangible assets (group)

	Purchased Computer Software	Total
	£	£
Cost		
1 April 2018	56,832	56,832
Additions – separately acquired	-	-
As at 31 March 2019	**56,832**	**56,832**
Amortisation and impairment		
1 April 2018	42,624	42,624
Amortisation charged in the year	14,208	14,208
As at 31 March 2019	**56,832**	**56,832**
Carrying amount		
As at 31 March 2019	**Nil**	**Nil**
As at 31 March 2018	14,202	14,202

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
	£	£	£	£	£	£
Cost						
As at 31 March 2018	955,087	56,105	1,011,192	828,483	56,105	884,588
Additions	170,537	-	170,537	161,931	-	161,931
Disposals	(482,258)	(28,610)	(510,868)	(425,200)	(28,610)	(453,810)
As at 31 March 2019	**643,366**	**27,495**	**670,861**	**565,214**	**27,495**	**592,709**
Depreciation						
As at 31 March 2018	667,804	49,231	717,035	573,304	49,231	622,535
Disposal	(482,186)	(28,610)	(510,796)	(425,128)	(28,610)	(453,738)
Charge for year	156,024	6.874	162,898	141,514	6,874	148,388
As at 31 March 2019	**341,642**	**27,495**	**369,137**	**289,690**	**27,495**	**317,185**
Net book value						
As at 31 March 2019	**301,724**	**-**	**301,724**	**275,524**	**-**	**275,524**
As at 31 March 2018	287,284	6,874	294,158	255,179	6,874	262,053

11. Subsidiary undertakings

	2019	2018
	£	£
Fixed asset investments	**100**	100
AoC Sport Ltd.	1	1
Trading results – profit/(loss) for the year		
AoC Create Ltd.	**72,376**	(272)
AoC Sport Ltd.	**50,104**	52,113
Reserves – as at 31 March		
AoC Create Ltd.	**927,406**	855,130
AoC Sport Ltd.	**165,939**	115,835

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 profit before tax for the year ended 31 March 2019 of £89,928 (2018: loss £1,141). AoC Sport Ltd is a not-for-profit company 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

	2019		2018	
	Group	**Company**	Group	Company
	£	**£**	£	£
Accrued income	**88,098**	**-**	224,294	-
Trade debtors	**2,807,458**	**1,201,566**	3,164,287	1,163,222
Amounts owed by subsidiary undertakings	-	**-**	-	537,312
Amounts owed by AoC Charitable Trust	**7,849**	**-**	4,940	2,522
VAT	-	**-**	-	26,807
Prepayments	**232,346**	**70,940**	213,553	62,440
Other debtors	**390,994**	**388,115**	406,360	405,277
	3,526,745	**1,660,621**	4,013,434	2,197,580

Notes *(continued)*

13. Creditors: amounts falling due within one year

	2019		2018	
	Group	**Company**	Group	Company
	£	**£**	£	£
Deferred income	**2,625,408**	**1,862,537**	2,686,433	1,909,999
Trade creditors	**579,906**	**337,745**	754,665	561,429
Amounts owed to subsidiaries		**135,351**	-	-
Amounts owed to AoC Charitable Trust	**10,605**	-	-	-
Corporation tax accrual	**40,510**	**14,865**	16,569	16,470
Other taxation and social security	**149,687**	**135,518**	152,267	135,710
VAT	**141,190**	**249**	161,543	-
Other creditors	**1,578,066**	**1,576,991**	1,616,942	1,545,027
Accruals	**249,583**	**102,876**	257,316	180,458
	5,374,955	**4,166,132**	5,645,735	4,349,093

AoC is party to a group VAT registration with other companies in the group, of which it is a member. At 31 March 2019, the amount due under this arrangement in respect of the group was £141,190 (2018 £161,543)

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.

Other creditors include deferred project income carried forward. During the year the Association successfully bid for a significant number of projects and hence the substantial level of funds carried forward. These balances represent income relating to specific projects that have a timescale to completion of several years. Included within other creditors is an amount due to the LPFA pension fund of £51,566 (2018: £43,793). This has been paid since the year end.

Notes *(continued)*

14. Provisions for liabilities

GROUP	**Deferred Tax**
	£
1 April 2018	7,873
Utilised in year	(3,954)
31 March 2019	**3,919**

GROUP

Provisions for deferred tax has been made as follows:

	2019	**2018**
	£	**£**
Deferred tax liabilities	**3,919**	7,873
Total	**3,919**	7,873

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

	2019	**2018**
	£	**£**
Accelerated capital allowances	**3,919**	7,873
Other	**-**	-
Total	**3,919**	7,873

The deferred tax liability of £3,919 (2018: £7,873) is expect to reverse within 12 months and relates to fixed asset timing differences and pension creditor.

The movement in deferred tax comprises of:

	2019	**2018**
	£	**£**
Opening deferred tax liability/(asset)	**7,873**	7,559
Charged to profit or loss	**(3,954)**	314
Closing deferred tax liability/(asset)	**3,919**	7,873

There was no unprovided deferred taxation at 31 March 2019 (2018: nil).

Notes *(continued)*

15. Financial instruments

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

	2019		2018	
	Group	Company	Group	Company
	£	£	£	£
Financial assets				
Debt instruments measured at amortised	**3,294,324**	**1,589,681**	3,229,150	1,163,222
Total	**3,294,324**	**1,201,566**	3,229,150	1,163,222
Financial liabilities				
Measured at amortised cost	**2,425,838**	**2,152,963**	901,040	630,745
Total	**2,425,838**	**2,152,963**	901,040	630,745

16a. Accumulated reserve

	2019		2018	
	Group	Company	Group	Company
	£	£	£	£
1 April	**(8,687,805)**	**(9,658,471)**	(8,046,897)	(8,965,722)
Retained loss for the year	**(1,314,956)**	**(1,437,633)**	(640,908)	(692,749)
31 March	**(10,002,761)**	**(11,096,104)**	(8,687,805)	(9,658,471)

16b. Movement in members' fund

	2019		2018	
	Group	Company	Group	Company
	£	£	£	£
(Loss)/profit for the year	**(1,314,956)**	**(1,437,633)**	(640,908)	(692,749)
Opening members' fund	**(7,143,805)**	**(8,114,472)**	(8,046,897)	(8,965,722)
	(8,458,761)	**(9,552,105)**	(8,687,805)	(9,658,471)
Pension actuarial gain/(loss)	**1,532,000**	**1,532,000**	1,544,000	1,544,000
	(6,926,761)	**(8,020,105)**	(7,143,805)	(8,114,472)

Notes *(continued)*

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

	2019		2018	
	Group	**Company**	Group	Company
	£	**£**	£	£
(Loss)/profit after tax	**(1,314,956)**	**(1,437,633)**	(640,908)	(692,749)
Adjustments for:				
Depreciation of tangible fixed assets	**162,898**	**148,388**	178,379	150,278
Amortisation of intangible assets	**14,208**	**-**	14,208	-
(Profit) on sale of fixed assets	**(9,503)**	**(9,503)**	-	-
Defined benefit pension schemes	**1,163,000**	**1,163,000**	584,000	584,000
(Decrease)/Increase in provision	**(3,954)**	**-**	(286,119)	(286,119)
Interest receivable	**(19,926)**	**(18,022)**	(20,931)	(20,222)
Interest payable	**317,000**	**317,000**	304,000	304,000
Taxation	**41,688**	**18,603**	18,350	20,209
Operating cash flows before movements in	**350,455**	**181,833**	150,979	59,397
Decrease/(increase) in debtors	**486,689**	**536,959**	(1,010,373)	(466,905)
(Decrease)/increase in creditors	**(290,989)**	**(181,356)**	207,343	333,001
Cash generated from/(used in) operations	**546,155**	**537,436**	(652,051)	(74,507)

Cash and cash equivalents

	2019		2018	
	Group	**Company**	Group	Company
	£	**£**	£	£
Cash and cash equivalents represent:-				
Cash at bank	**4,971,644**	**4,557,781**	4,588,009	4,174,887

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 2018 using the market-related method. The valuation was carried out by Barnett Waddingham and a summary of the relevant sections of their report follows.

Notes *(continued)*

The agreed contribution rates for future years are 12.03% (2018: 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 2020 is £349,800.

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 2019 % p.a.**	31 March 2018 % p.a.
Equities	**54%**	61%
Target return funds	**27%**	22%
Alternative assets	**-**	-
Cash	**4%**	5%
Other bonds	**15%**	12%

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:

	Males	**Females**
Current pensioners	21.6 years	23.9 years
Future pensioners	23.3 years	25.8 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:

Actuarial assumptions	**2019**	2018	2017	2016	2015
Discount rate at 31 March	**2.4%**	2.6%	2.8%	3.8%	3.4%
Salary increase rate	**3.9%**	3.8%	4.2%	4.3%	4.3%
Pension increase rate/inflation	**2.4%**	2.3%	2.7%	2.5%	2.5%

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.

Notes *(continued)*

Amounts recognised in the balance sheet	**2019 £(000)**	2018 £(000)
Fair value of employer assets	**27,167**	21,643
Present value of funded liabilities	**37,515**	32,043
Net liability	**(10,348)**	(10,400)

Amounts recognised in profit or loss accounts	**2019 £(000)**	2018 £(000)
Current service cost	**2,027**	1,135
Contributions by employer	**(892)**	(578)
Net interest on the defined liability	**317**	304
Administration expenses	**28**	27
Total	**1,480**	888

Reconciliation in the present value of the defined benefit obligation	**2019 £(000)**	2018 £(000)
Opening defined benefit obligation	**32,043**	31,581
Current service cost	**975**	1,135
Interest cost	**893**	879
Contributions by members	**257**	254
Actuarial gains/(losses)	**1,817**	(980)
Liabilities assumed/(extinguished) on settlements	**4,189**	-
Estimated benefits paid (net of transfers in)	**(798)**	(826)
Change in demographic assumptions	**(1,861)**	-
Closing defined benefit obligation	**37,515**	32,043

Reconciliation of fair value of employer assets	**2019 £(000)**	2018 £(000)
Opening fair value of employer assets	**21,643**	20,525
Interest on assets	**576**	575
Contributions by members	**257**	254
Contributions by employer	**892**	578
Return on assets less interest	**1,488**	564
Administration expenses	**(28)**	(27)
Benefits paid (net of transfers in and including unfunded)	**(798)**	(826)
Settlement process received/(paid)	**3,137**	-
Closing fair value of employer assets	**27,167**	21,643

The total return on the fund assets for the year to 31 March 2019 is £2,064,000 (2018: £1,139,000).

Notes *(continued)*

Re-measurements in other comprehensive income		
	2019 £(000)	2018 £(000)
Return on Fund assets in excess of interest	**1,488**	564
Change in financial assumptions	**(1,817)**	980

Amounts for the current & previous periods	**2019 £(000)**	2018 £(000)	2017 £(000)	2016 £(000)	2015 £(000)
Value of plan assets	**27,167**	21,643	20,525	16,534	16,004
Defined benefit obligation	**(37,515)**	(32,043)	(31,581)	(25,023)	(25,438)
Deficit	**(10,348)**	(10,400)	(11,056)	(8,489)	(9,434)
Experience loss/(gains) on liabilities	-	-	(629)	-	-
Experience adjustments on plan assets	-	-	-	-	28

19. Commitments under operating leases

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

	2019		**2018**	
	Group £	**Company £**	**Group £**	**Company £**
Amounts due:				
Within 1 year	**309,000**	**309,000**	321,576	309,000
Between 1 and 5 years	**45,715**	**45,715**	643,750	643,750
Total	**354,715**	**354,715**	965,326	952,750

20. Controlling party

As at 31 March 2019, 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 £1,502,574 (2018: £1,554,374), of which national insurance and pension costs were £296,977.

Notes *(continued)*

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 and AoC Sport Ltd.

The AoC has taken advantage of the exemption available in FRS 102 (33.1S) not to provide information relating to transactions between itself as the holding Company and its wholly owned trading subsidiaries, AoC Create Ltd and AoC Sport Ltd.

No guarantees have been given or received.

			2018/19				2017/18			
			Transactions During Year		Balance Outstanding @ YE		Transactions During Year		Balance Outstanding @ YE	
Director	Related Party		AOC	CREATE	AOC	CREATE	AOC	CREATE	AOC	CREATE
S.Barnes	Nelson & Colne College		20,397	5,756	-	718	12,512	3,522	-	7,435
A.Birkinshaw	York College	To 31/7/18	29,260	463	-	-	-	12,572	-	11,855
C.Booth	Leeds City College		46,987	21,563	-	12,899	38,500	13,643	-	6,056
S.Duncan	East Durham College		18,320	956	-	598	-	-	-	-
S.Frampton	Portsmouth College (To Dec18)		20,397	4,681	-	-	4,633	2,004	123	647
N.Leigh	Stephenson College		14,701	2,023	-	179	13,701	3,378	-	836
G.McDonald	New City College London		46,987	50,109	-	17,349	38,500	14,858	-	8,725
J. Nerney	Greater Brighton Metropolitan Colle	From 3/10/18	-	5,210	-	1,195				
C.Peasgood	City College Norwich		39,395	11,282	-	(3,516)	24,988	13,515	-	3,310
P.Phillips	Weston College		46,987	9,348	-	2,449	38,620	13,486	-	6,565
G. Razey	East Kent & Canterbury College		43,800	-	-	-	24,677	1,109	-	629
K.Redhead	Derwentside College	To 30/11/18	13,049	2,535	-	-	-	747	-	(90)
J.Sharma	Walsall College		35,325	14,142	-	717	31,691	7,259	-	(276)
A.Stott	RNN Group		46,781	7,999	-	1,160	22,850	31,752	(1,150)	13,859
C.Stott	Bath College & Worldskills	To 31/12/18	24,098	2,189	-	-	22,811	10,111	-	6,075
E.Thinnesen	Sunderland College	From 5/12/18	-	1,088	-	538				
E.Tobin	Joseph Chamberlain VI College		9,876	1,352	-	-	8,876	1,794	-	-
Y. Williams	Hugh Baird College		20,397	5,576	-	718	19,102	12,735	-	1,799

			2018/19		2017/18	
			Transactions During Year	Balance Outstanding @	Transactions During Year	Balance Outstanding @
Director	Related Party		SPORT	SPORT		
S.Barnes	Nelson & Colne College		760	90	1,450	-
A.Birkinshaw	York College	To 31/7/18	-	-	950	-
C.Booth	Leeds City College		840	-	3,992	-
S.Duncan	East Durham College		70	-	-	-
S.Frampton	Portsmouth College (To Dec18)	From 1/8/18	360	-	1,360	-
N.Leigh	Stephenson College		-	-	1,000	-
G.McDonald	New City College London		740	-	380	130
J. Nerney	Greater Brighton Metropolitan Colle	From 3/10/18	-	-		
C.Peasgood	City College Norwich		-	-	2,126	-
P.Phillips	Weston College		590	-	3,652	-
G. Razey	East Kent & Canterbury College		-	-	-	-
K.Redhead	Derwentside College	To 30/11/18	-	-	-	-
J.Sharma	Walsall College		670	-	2,522	-
A.Stott	RNN Group		-	-	200	-
C.Stott	Bath College & Worldskills	To 31/12/18	12,680	-	16,937	5,000
E.Thinnesen	Sunderland College	From 5/12/18	-	-		
E.Tobin	Joseph Chamberlain VI College		200	-	1,160	-
Y. Williams	Hugh Baird College		810	-	1,083	-

During the year, the Association contributed £60,000 (2018: £75,500) 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 £1,241,117 (2018: £1,739,755) and the balance remaining at the year-end is £717,446 (2018: £ nil).

The following does not form part of the financial statements.

Detailed Income and Expenditure Account

	2019		2018	
	Group	Company	Group	Company
	£	£	£	£
Turnover				
Subscriptions	5,616,017	5,255,924	5,373,679	5,020,808
National projects	3,414,816	2,435,887	4,498,470	3,715,310
Commercial Activities	5,157,415	-	5,229,640	-
Other	116,572	247,510	155,094	155,094
	14,304,820	7,939,321	15,256,883	8,891,212
Less: cost of sales				
Salaries	3,620,918	2,253,135	3,555,690	2,211,770
Salaries – FRS 102 adjustment	111,000	111,000	381,703	381,703
Legal expenses	54,714	54,714	54,344	54,344
Professional advice (Irwin Mitchell)	150,000	150,000	115,000	115,000
Publications, printing & postage	42,705	42,705	23,174	23,174
Research	148,807	148,807	147,443	147,443
Press & media	170,984	170,984	124,947	124,947
National projects	2,027,646	2,027,646	3,363,318	3,363,318
Commercial Activities	3,373,463	-	3,329,940	-
Other professional	102,691	102,691	167,931	167,931
	9,802,928	5,061,682	11,263,490	6,589,630
Less: administrative expenses				
Salaries & staff costs	2,149,300	1,093,636	1,870,267	911,878
Salaries – FRS 102 adjustment	1,052,000	1,052,000	202,297	202,297
LPFA additional contribution	73,622	73,622	222,716	117,827
Temporary agency	13,945	12,343	19,415	7,586
Recruitment & training	66,200	66,200	44,915	44,915
Audit & accountancy	64,388	50,838	65,113	51,663
Meeting expenses	105,605	92,752	79,024	69,454
Travel expenses	308,312	226,597	294,669	192,657
Premises costs	529,598	408,486	470,646	338,302
Office costs & insurance	180,759	159,759	157,237	127,424
Computer expenses	221,312	199,889	198,259	169,915
Telephone	78,890	53,532	88,453	59,793
Subscriptions	45,112	42,655	26,878	25,056
Bank charges	9,575	1,080	9,207	818
Depreciation	177,106	148,388	192,587	150,278
Irrecoverable VAT	293,208	258,275	237,824	212,515
Other expenses	5,760	2,556	11,168	7,967
(Profit)/loss on disposal	(9,503)	(9,503)	-	-
Consultants	23,735	-	10,889	-
Print, post and stationery	7,302	-	21,003	-
Bad debt	9,202	-	13,069	-
Redundancy costs	76,612	64,586	97,246	-
	5,482,040	3,997,691	4,332,882	2,690,345
Operating (deficit)/surplus	(980,148)	(1,120,052)	(339,489)	(388,763)
Dividends receivable	-	-	-	-
Interest receivable	19,926	18,022	20,931	20,222

NET FRS102 interest	(317,000)	(317,000)	(304,000)	(304,000)
Profit/(Loss) before tax	(1,277,222)	(1,419,030)	(622,558)	(672,540)
Taxation	(37,734)	(18,603)	(18,350)	(20,209)
Retained (deficit)/surplus for the year	(1,314,956)	(1,437,633)	(640,908)	(692,749)