

Association of Colleges
(Limited by guarantee)

**Directors' report
and
financial statements
for the year ended
31 March 2015**

Registered number: 03216271

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

President & Vice-Chair: M Sutton Resigned 31 July 2014
R Atkins – AoC Sport Appointed 1 August 2014

Deputy Chair: D Roberts – AoC Create, AC, RC

Directors: J S Allen – AoC Create, F&GP Resigned 31 July 2014
C Booth – AoC Create, F&GP
N Cave – AoC Create, AoC India, EC Resigned 1 December 2014
K Clifford – AoC Create, RC
A Constantine - EC
M David – F&GP
S Dicketts – EC Resigned 30 November 2014
A Khemka – AoC India EC
R Morris – EC Resigned 31 December 2014
J Short – AoC Create, F&GP
M White – F&GP, AC, GC, RC, EC
J F Widdowson – F&GP, RC Resigned 30 November 2014
A P Wilson – AoC India, AC, EC Resigned 30 November 2014
P Phillips – EC, RC
P Ryder - Resigned 9 July 2014
N Davison – AC Appointed 12 March 2015
M Hunter - Appointed 9 July 2014
N Leigh – RC Appointed 3 December 2014
R Mann – GC Appointed 12 March 2015
G McDonald – AC, EC Appointed 3 December 2014
J Sharma – AoC India, AC Appointed 12 March 2015
A Stott – GC Appointed 12 March 2015
K Webb – EC Appointed 3 December 2014
D Wood – F&GP Appointed 3 December 2014

CEO: M Doel – AoC Create, ACT, AoC Sport, GC & F&GP

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

Secretary: N Lucas Resigned 14 January 2015
J Edwards Appointed 15 January 2015

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

Committees Audit Committee (AC), Employment Committee (EC), Finance and General Purposes (F&GP),
Governors' Council (GC) and Remuneration Committee (RC).

Registered Office

2 - 5 Stedham Place
London
WC1A 1HU

Solicitors

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

Internal Auditor

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Regency House
3 Grosvenor Square
Southampton
SO15 2BE

Statutory Auditor

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

Bankers

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

Strategic report

This strategic report for the year ended 31 March 2015 is to be considered alongside the Accounts and Directors' Report for the same financial period.

Overview of the AoC

The Association of Colleges (AoC) was created in 1996 as the single voice to promote the interests of incorporated further education and sixth form colleges in England and Wales. It now also provides members with professional support services.

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

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

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

Geographical location and network reach

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

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

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

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

Our members

AoC's 200 national and regional member engagement groups are one of the main ways in which we engage with our member colleges and a key route through which members can influence AoC's policy and activities. Our portfolio groups, national and regional policy groups, regional networks and standing groups enable

members to drive education policy, talk directly to Government officials and share best practice. We have around a dozen portfolio groups, 20 national policy groups and 130 regional policy groups, all of which meet regularly throughout the year. Notes relating to these policy meetings are always available to members through the relevant channels.

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

Annual conference

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

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

Income from members' subscriptions

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

The political landscape

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

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

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

Communicating with the sector

Our recently redesigned website provides an up-to-date overview on the work of AoC. Whilst some of the content is password-protected, much is 'free to view' and accessible to all. All member colleges can access the whole range of information through using their login details. Weekly Chief Executive letters are emailed to all

members each Friday and these contain a summary of policy developments, along with commentary from our Chief Executive, Martin Doel. In addition, a comprehensive range of issue-related briefings are communicated with members and we operate an electronic archive of these publications which is accessible to all members.

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

Our successes in influencing Government

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

We are pleased that there have been many notable successes in the year ended 31 March 2015.

- Our campaigns are often focused around topics that affect students' wellbeing and prospects. A recent example is the success we achieved in getting disadvantaged college students to receive free meals at lunchtime in the same way as their school sixth form peers. Announced by the Deputy Prime Minister in September, this meant that all 16- to 18-year olds were to be treated equally. This was an impressive and important victory for our *No Free Lunch?* Campaign.
- We have lobbied Government and Parliament this year on the need for better careers advice for young people, particularly to ensure they know about vocational education and apprenticeships. We have also launched our *Careers Guidance: Guaranteed* campaign. This aims to ensure all young people have access to careers advice on post-14 education, training and employment options.
- We raised concerns with Ministers about their plans to ensure all students achieve a Level 2 qualification in Maths and English. This meant colleges will need to employ many more teachers with specialisms in these subjects. We were pleased, therefore, when the Government announced new bursaries for potential FE teachers.
- We helped colleges secure £500m in capital grants via the Skills Funding Agency and Education Funding Agency for the two-year period from 2013 to 2015.

Subsidiary companies

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

AoC Create Ltd.

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

AoC India Ltd.

AoC India Ltd, a not-for-profit, limited by guarantee entity, was formed in 2012 and brings together UK and Indian partners to provide UK vocational education and training programmes to India. It is a partnership of UK FE colleges that have jointly funded a Delhi-based office.

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

AoC Sport Ltd.

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

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

AoC Charitable Trust

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

JISC

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

ETF

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

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2015. 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 10 of the accounts.

Principal activities

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

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

Securing Parliamentary and media reputation

- The political parties are preparing for the 2015 General Election and have actively started to develop policies. We are working with all three major parties, suggesting our ideas and commenting on their draft policies.
- We have worked hard to secure coverage in the media for the issues colleges are concerned about. Examples include a warning about the decline in the number of part-time students in the Telegraph in October, a recent report on a membership survey on careers advice and guidance covered by the Observer in April 2014 and a story about funding cuts for 18-year-olds in the Guardian in January 2015.
- AoC and its members worked closely with members of the both the House of Commons and House of Lords to ensure the Children and Families Bill (now Act) took into account the needs of students aged between 16 and 24 with a learning difficulty and/or disability. We briefed Parliamentarians on parts of the Bill that were of concern and suggested ways in which it could be changed.

Results

The Board reports the Company outturn for the financial year ended 31 March 2015, which is a surplus of £62,981 (2014: £59,535) before tax, adjustments of the Financial Reporting Standard (FRS) 17 requirements, and after contributing £136,349 (2014: £63,000) towards the LPFA deficit in the year. A dividend has been received from AoC Create Ltd of £350,000 (2014: £150,000).

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

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

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

During the year the Association of Colleges made a donation of £60,500 (2014: £63,500) to the AoC Charitable Trust.

London Pension Fund Authority

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

As a result of the tri-annual valuation of the LPFA in March 2013, the trustees of the fund have been required to seek significant contributions from the relevant employing bodies. The Association of Colleges was notified that it was required to contribute an additional £171,100 annually and this additional funding has been budgeted for in full. The Board has asked for a long term strategy to be prepared to address the liabilities associated with the scheme.

The Board

The members who served on the Board during the year and up to the date of this report are listed on page 3.

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

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

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

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

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

Appointments to the Board

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

The President

The AoC President is elected to term between the 1 August and 31 July. The role of the President is to represent the needs of the membership and act as the voice of colleges on behalf of the AoC.

Governors' Council

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

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

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

Board Portfolio Groups

The AoC Board nominates portfolio holders to lead policy work in a number of areas. As of June 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 2015, 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 2015 are set out in Notes 2 and 3 to the financial statements.

Audit Committee

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

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

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

Finance and General Purposes Committee (F&GP)

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

Employment Committee

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

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 2015.

Principal Risks

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

Future developments

The AoC will continue to promote the interests of further education and sixth form colleges and will seek to bid for further project work in support of those colleges. The nine regional offices will continue to represent the interests of their local member colleges, disseminating national policy and providing vital representation around the UK. AoC Create will continue as the commercial arm of AoC, providing high quality professional services to the sector.

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

Baker Tilly 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 Baker Tilly 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
8th July 2015

2 – 5 Stedham Place
London WC1A 1HU

Statement of Directors' Responsibilities

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

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

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

We have audited the group and parent company financial statements (the "financial statements") on pages 17 to 36. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement set out on page 14, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent company's affairs as at 31 March 2015 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

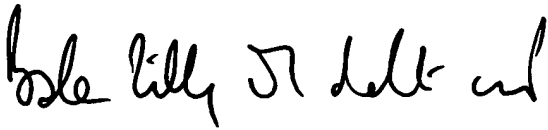
Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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



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

4 August 2015

Profit and Loss Accounts
for the year ended 31 March 2015

	Notes	31 March 2015		31 March 2014	
		Group £	Company £	Group £	Company £
Turnover		19,146,303	11,163,842	16,389,226	11,349,653
Cost of sales	4	<u>(13,573,469)</u>	<u>(8,095,698)</u>	<u>(12,011,439)</u>	<u>(8,502,888)</u>
Gross profit		5,572,834	3,068,144	4,377,787	2,846,765
Admin expenses	5	<u>(4,886,832)</u>	<u>(3,292,162)</u>	<u>(4,057,411)</u>	<u>(3,254,830)</u>
Operating profit/(loss)		686,002	(224,018)	320,376	(408,065)
Interest receivable or investment income	6a	21,966	369,999	42,261	189,601
Interest payable	6b	<u>(6,000)</u>	<u>(6,000)</u>	<u>(98,000)</u>	<u>(98,000)</u>
Profit/(loss) on ordinary activities before taxation		701,968	139,981	264,637	(316,464)
Tax on profit on ordinary activities	7	<u>(204,042)</u>	<u>(23,601)</u>	<u>(185,942)</u>	<u>(18,627)</u>
Retained profit/(loss) for the financial year	13	<u>497,926</u>	<u>116,380</u>	<u>78,695</u>	<u>(335,091)</u>

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

Statements of Total Recognised Gains and Losses <i>for the year ended 31 March 2015</i>

	Notes	31 March 2015		31 March 2014	
		Group	Company	Group	Company
		£	£	£	£
Retained profit/(loss) for the period		497,926	116,380	78,695	(335,091)
Actuarial (loss)/gain on defined benefit pension scheme	15	<u>(3,199,000)</u>	<u>(3,199,000)</u>	<u>(1,414,000)</u>	<u>(1,414,000)</u>
Total recognised (losses)/gains for the period		<u>(2,701,074)</u>	<u>(3,082,620)</u>	<u>(1,335,305)</u>	<u>(1,749,091)</u>

Balance Sheet					
<i>as at 31 March 2015</i>			Registered number: 3216271		
	Notes	31 March 2015 Group £	31 March 2015 Company £	31 March 2014 Group £	31 March 2014 Company £
Fixed assets					
Tangible fixed assets	9	356,657	303,165	327,800	315,483
Investments	10	-	101	-	100
		356,657	303,266	327,800	315,583
Current assets					
Debtors	11	4,739,295	2,474,739	2,511,662	1,280,463
Cash in bank and in hand		5,712,095	4,705,446	7,604,888	6,899,834
		10,451,390	7,180,185	10,116,550	8,180,297
Creditors: amounts falling due within one year	12	(7,469,590)	(5,159,766)	(7,526,819)	(6,211,575)
Net current assets		2,981,800	2,020,419	2,589,731	1,968,722
Net assets excluding pensions liability		3,338,457	2,323,685	2,917,531	2,284,305
Pensions liability	15	(9,434,000)	(9,434,000)	(6,312,000)	(6,312,000)
Net liabilities including pensions liability		(6,095,543)	(7,110,315)	(3,394,469)	(4,027,695)
Accumulated reserve	13b	(6,095,543)	(7,110,315)	(3,394,469)	(4,027,695)

The financial statements on pages 17 – 36 were approved and authorised for issue by the Board of Directors on 8th July 2015 and were signed on its behalf by:



C Stott
Chair
8th July 2015

Cash Flow Statement

for the year ended 31 March 2015

	Notes	31 March 2015		31 March 2014	
		Group £	Company £	Group £	Company £
Cash flow from operating activities	14a	(1,502,968)	(2,382,974)	(1,322,365)	(1,992,811)
Returns on investments and servicing of finance	14b	21,966	369,999	42,261	189,601
Taxation		(186,023)	(18,598)	(185,942)	(18,627)
Capital expenditure and financial investment	14b	(225,768)	(162,815)	(294,821)	(284,321)
Decrease in cash in the period	14c	(1,892,793)	(2,194,388)	(1,760,867)	(2,106,158)

Reconciliation of Net Cash Flow to Movement in Net Funds

	Notes	31 March 2015		31 March 2014	
		Group £	Company £	Group £	Company £
<i>Changes in net funds resulting from cash flows</i>					
Decrease in cash in the period	14c	(1,892,793)	(2,194,388)	(1,760,867)	(2,106,158)
Net funds at 1 April	14d	<u>7,604,888</u>	<u>6,899,834</u>	<u>9,365,755</u>	<u>9,005,992</u>
Net funds at 31 March	14d	<u>5,712,095</u>	<u>4,705,446</u>	<u>7,604,888</u>	<u>6,899,834</u>

Notes (forming part of the financial statements)

1. Accounting Policies

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

Basis of Preparation

Prepared under historical cost convention and in accordance with UK GAAP, the consolidated financial statements incorporate those of the Association of Colleges and its subsidiary undertakings for the year. All financial statements are made up to 31 March 2015.

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

Going Concern

The financial statements have been prepared on the assumption that the Company will continue as a going concern. The company will be able to meet its obligations in full for the next 12 months and beyond. The Board has reviewed and approved a three-year budget together with twelve-month cash flow forecast. The Board receives monthly management accounts with cash flow forecasts for the group.

Fixed Assets and Depreciation

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

Motor vehicles - 4 years [25% per annum]

Office equipment - 4 years [25% per annum]

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.

Taxation

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

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

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

Operating Lease

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

Notes (continued)

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

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

The assets of the scheme are held separately from the company in separate trustee-administered funds. Full actuarial valuations, by a professionally qualified actuary, are obtained at least every three years, and updated to reflect current conditions at each balance sheet date. The pension scheme assets are measured at fair value. The pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency. A pension scheme asset is recognised on the balance sheet only to the extent that the surplus may be recovered by reduced future contributions or to the extent that the trustees have agreed a refund from the scheme at the balance sheet date. A pension scheme liability is recognised to the extent that the company has a legal or constructive obligation to settle the liability.

Income Recognition

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

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

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

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

2. Staff Numbers

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

By activity	2015		2014	
	Group	Company	Group	Company
Services to members	46	28	38	27
Administration and operations	62	28	40	28
	108	56	78	55

Notes (continued)

Executive Directors & Officers

	2015		2014	
	Group	Company	Group	Company
£60,001 to £70,000	9	7		
£70,001 to £80,000	6	4	6	5
£80,001 to £90,000	1	1	5	2
£90,001 to £100,000	1	1	0	0
£100,001 to £110,000	2	1	2	2
£110,001 to £120,000	2	2	1	1
£160,001 to £170,000	1	1	1	1
	22	17	15	11

The amount paid to the highest paid director was £160,700 (2014: £160,700); pension costs for this individual were £25,167 (2014: £18,802).

	2015		2014	
	Group	Company	Group	Company
Money purchase enhancement	46	9	6	5
Defined benefit schemes	62	47	69	50

The two executive directors are both members of the defined benefit scheme. Total directors' remuneration amounted to £285,815 and the pensions costs were £43,773.

3. Staff Costs

	2015		2014	
	Group	Company	Group	Company
	£	£	£	£
The aggregate payroll costs were as follows:				
Wages and salaries	4,821,810	3,053,977	4,278,315	3,285,775
FRS17 adjustment	(83,000)	(83,000)	278,000	278,000
Social security costs	479,869	304,621	416,607	312,788
Pension costs				
London Pension Fund Authority	535,813	366,848	337,687	241,093
LPFA deficit	271,166	136,349	71,139	63,141
Defined Contribution Scheme	125,818	60,038	28,867	20,519
	<u>6,151,476</u>	<u>3,838,833</u>	<u>5,410,615</u>	<u>4,201,316</u>

Notes (continued)

4. Cost of Sales

	2015		2014	
	Group	Company	Group	Company
	£	£	£	£
Salaries	3,715,159	2,339,395	3,191,142	2,272,483
FRS17 adjustment	(46,919)	(46,919)	164,574	164,574
Legal expenses	92,221	92,221	56,984	56,984
Printing, postage, stationery and publications	81,776	81,776	61,595	61,489
Projects	4,989,565	4,989,565	5,514,452	5,514,199
Press and media	155,067	155,067	153,994	153,994
Research	156,429	156,429	54,573	54,573
Commercial activities	4,089,280	-	2,583,883	-
Other professional	261,221	248,494	213,112	207,462
International	79,670	79,670	17,130	17,130
	<u>13,573,469</u>	<u>8,095,698</u>	<u>12,011,439</u>	<u>8,502,888</u>

Notes (continued)

5. Administrative Expenses

	2015		2014	
	Group	Company	Group	Company
	£	£	£	£
Staff and other costs	2,564,371	1,662,634	1,963,232	1,503,085
FRS 17 adjustment	(36,081)	(36,081)	113,426	113,426
LPFA additional contribution	271,166	136,349	63,141	63,141
Travel and meeting costs	499,142	375,274	496,785	426,721
Premises, office and insurance costs	783,423	586,091	669,331	525,028
Telephone costs	132,112	94,569	96,113	70,064
Depreciation	203,586	181,807	172,332	158,455
Irrecoverable VAT	219,018	204,877	277,634	277,634
Consultants	45,545	-	24,975	-
Audit and accountancy	61,973	49,773	77,628	69,378
Print, post and stationery	22,278	-	20,713	-
Bad debt	2,184	-	6,024	-
Other	58,270	36,869	76,077	47,898
Amortisation of Goodwill	59,845	=	=	=
	<u>4,886,832</u>	<u>3,292,162</u>	<u>4,057,411</u>	<u>3,254,830</u>

6a. Interest Receivable and Investment Income

	2015		2014	
	Group	Company	Group	Company
	£	£	£	£
Income from unlisted fixed asset investments	-	350,000	-	150,000
Bank interest	<u>21,966</u>	<u>19,999</u>	<u>42,261</u>	<u>39,601</u>
	<u>21,966</u>	<u>369,999</u>	<u>42,261</u>	<u>189,601</u>

Notes (continued)

6b. Interest Payable

	2015		2014	
	Group	Company	Group	Company
	£	£	£	£
Interest on obligation	(942,000)	(942,000)	(851,000)	(851,000)
Expected return on scheme assets	<u>936,000</u>	<u>936,000</u>	<u>753,000</u>	<u>753,000</u>
Interest payable on employer assets, pension scheme (Note 15)	<u>(6,000)</u>	<u>(6,000)</u>	<u>(98,000)</u>	<u>(98,000)</u>

7. Taxation

	2015		2014	
	Group £	Company £	Group £	Company £
Current tax:				
UK corporation tax	204,042	23,601	185,942	18,627
Adjustments in respect of previous periods	-	-	-	-
Total current tax	<u>204,042</u>	<u>23,601</u>	<u>185,942</u>	<u>18,627</u>
FRS19 reconciliation of current tax charge				
Profit/(Loss) ordinary activities before tax	701,968	139,981	264,637	(316,465)
Tax on profit on ordinary activities at standard CT rate (21%)	220,478	29,396	104,476	(63,293)
Expenses not deductible for tax purposes	102,352	68,353	109,503	111,920
Group income	(115,000)	(73,500)	(30,000)	(30,000)
Marginal relief	(648)	(648)	-	-
Adjustments to tax charge in respect of previous periods	-	-	-	-
Depreciation in excess of Capital allowances	(5,609)	-	718	-
Other short term timing differences	<u>2,469</u>	-	<u>1,245</u>	-
Current tax charge for the period	<u>204,042</u>	<u>23,601</u>	<u>185,942</u>	<u>18,627</u>

The corporation tax rate of 21% relates to the company only.

Notes (continued)

8. Profit on Ordinary Activities Before Taxation

	2015		2014	
	Group	Company	Group	Company
	£	£	£	£
Profit is stated after crediting:				
Profit on disposal of tangible fixed assets	6,675	6,675	-	-
And after charging:				
Operating lease rentals on land & buildings	236,893	229,000	229,000	229,000
Depreciation	203,586	181,807	172,332	158,455
Auditor's remuneration – audit services	33,650	21,450	28,250	20,000
Auditor's remuneration – non-audit services	28,323	28,323	27,368	27,368

9. Tangible Fixed Assets

	Group			Company		
	Office Equipment	Motor Vehicles	Total	Office Equipment	Motor Vehicles	Total
	£	£	£	£	£	£
Cost						
As at 31 March 2014	719,167	23,990	743,157	607,280	23,990	631,270
Additions	203,833	28,610	232,443	140,880	28,610	169,490
Disposals	=	=	=	=	=	=
As at 31 March 2015	923,000	52,600	975,600	748,160	52,600	800,760
Depreciation						
As at 31 March 2014	403,361	11,996	415,357	303,792	11,996	315,788
Disposal						
Charge for year	190,436	13,150	203,586	168,657	13,150	181,807
As at 31 March 2015	593,797	25,146	618,943	472,449	25,146	497,595
Net book value						
As at 31 March 2015	329,203	27,454	356,657	275,711	27,454	303,165
As at 31 March 2014	315,806	11,994	327,800	303,488	11,994	315,483

Notes (continued)

10. Subsidiary Undertakings

	2015	2014
	£	£
Fixed asset investments		
AoC Create Ltd.	100	100
AoC Sport Ltd.	1	-
Trading results – profit/surplus for the period/year		
AoC Create Ltd.	689,141	551,139
AoC India Ltd.	35,537	12,647
AoC Sport Ltd.	6,867	-
Reserves – as at 31 March		
AoC Create Ltd.	942,840	603,699
AoC India Ltd.	65,366	29,829
AoC Sport Ltd.	6,867	-

The Company owns 100% of the £100 equity shareholding in AoC Create Ltd, a company registered in England and Wales on 22 July 1994. The Company made a profit before tax and dividend paid for the year ended 31 March 2015 of £868,395 (2014: £718,315). AoC India Ltd and AoC Sport Ltd are not-for-profit companies limited by guarantee. The Charitable Trust has not been consolidated as it is immaterial to the group and AoC.

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

11. Debtors: Amounts Falling Due Within One Year

	2015		2014	
	Group	Company	Group	Company
	£	£	£	£
Accrued income	846,419	568,913	63,570	-
Trade debtors	3,260,580	1,194,724	1,841,185	746,813
Amounts owed by subsidiary undertakings	-	269,480	-	248,267
Amounts owed by AoC Charitable Trust	86,030	86,030	57,085	55,190
VAT	-	-	-	(102,250)
Prepayments	245,368	81,153	290,379	77,833
Other debtors	<u>300,898</u>	<u>274,439</u>	<u>259,443</u>	<u>254,610</u>
	<u>4,739,295</u>	<u>2,474,739</u>	<u>2,511,662</u>	<u>1,280,463</u>

Notes (continued)

12. Creditors: Amounts Falling Due Within One Year

	2015		2014	
	Group	Company	Group	Company
	£	£	£	£
Deferred income	3,070,351	1,827,708	1,991,729	1,458,160
Trade creditors	688,228	289,435	509,176	257,387
Amounts owed to AoC Charitable Trust	45,939	-	-	-
Corporation tax	200,666	20,336	182,647	15,333
Other taxation and social security	151,966	151,966	161,107	125,530
VAT	293,645	150,498	125,531	-
Other creditors	2,653,663	2,653,593	4,311,998	4,254,826
Amounts held on behalf of third parties	19,417	19,417	13,219	13,219
Accruals	<u>345,715</u>	<u>46,813</u>	<u>231,412</u>	<u>87,120</u>
	<u>7,469,590</u>	<u>5,159,766</u>	<u>7,526,819</u>	<u>6,211,575</u>

The membership subscription period for the Association runs from the 1 August to the 31 July and, as such, four months of the subscription is treated as deferred income.

Other creditors include deferred project income carried forward. During the year the Association successfully bid for a significant number of projects and hence the substantial level of funds carried forward. These balances represent income relating to specific projects that have a timescale to completion of several years. Included within other creditors is an amount due to the LPFA pension fund of £89,069 (2014: £64,571). This has been paid since the year end.

13a. Accumulated Reserve

	2015		2014	
	Group	Company	Group	Company
	£	£	£	£
1 April 2014	<u>(3,394,469)</u>	<u>(4,027,695)</u>	<u>(2,059,164)</u>	<u>(2,278,604)</u>
Retained profit/(loss) for the year	497,926	116,380	78,695	(335,091)
31 March 2015	<u>(2,896,543)</u>	<u>(3,911,315)</u>	<u>(1,980,469)</u>	<u>(2,613,695)</u>

13b. Movement in Members' Fund

	2015		2014	
	Group	Company	Group	Company
	£	£	£	£
Profit/(loss) for the year	497,926	116,380	78,695	(335,091)
Opening members' fund	<u>(3,394,469)</u>	<u>(4,027,695)</u>	<u>(2,059,164)</u>	<u>(2,278,604)</u>
	<u>(2,896,543)</u>	<u>(3,911,315)</u>	<u>(1,980,469)</u>	<u>(2,613,695)</u>
FRS17 actuarial loss	<u>(3,199,000)</u>	<u>(3,199,000)</u>	<u>(1,414,000)</u>	<u>(1,414,000)</u>
	<u>(6,095,543)</u>	<u>(7,110,315)</u>	<u>(3,394,469)</u>	<u>(4,027,695)</u>

Notes (continued)

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

	2015		2014	
	Group	Company	Group	Company
	£	£	£	£
Operating profit/(loss)	686,002	(224,018)	320,376	(408,066)
Depreciation charges	203,586	181,807	172,332	158,455
Goodwill arising from acquisition	(59,845)	-	-	-
Amortisation of goodwill	59,845	-	-	-
Decrease/(increase) in debtors	(2,227,633)	(1,194,276)	595,645	1,224,346
(Decrease) in creditors	(75,248)	(1,056,812)	(2,687,718)	(3,244,546)
(Profit) on sale of fixed asset	(6,675)	(6,675)	-	-
Excess of current service costs over pension	(83,000)	(83,000)	277,000	277,000
Net cash outflow from operating	(1,502,968)	(2,382,974)	(1,322,365)	(1,992,811)

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

	2015		2014	
	Group	Company	Group	Company
	£	£	£	£
Returns on investments & servicing of finance				
Dividends received	-	350,000	-	150,000
Interest received	21,996	19,999	42,261	39,601
Net cash inflow for returns on servicing of finance	21,996	369,999	42,261	189,601
Capital expenditure & financial investment				
Purchase of tangible fixed assets	(232,443)	(169,490)	(294,821)	(284,321)
Receipts from sale of tangible fixed assets	6,675	6,675	-	-
Net cash outflow for capital expenditure & financial investment	(225,768)	(162,815)	(294,821)	(284,321)

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

	2015		2014	
	Group	Company	Group	Company
	£	£	£	£
Decrease in cash in the period	(1,892,793)	(2,194,388)	(1,760,867)	(2,106,158)
Net funds at 31 March 2014	7,604,888	6,899,834	9,365,755	9,005,992
Net funds at 31 March 2015	5,712,095	4,705,446	7,604,888	6,899,834

Notes (continued)

14d. Analysis of Changes in Net Funds

		At 31 March 2014 £	Cash Flows £	At 31 March 2015 £
Cash at bank & in hand	Group Company	7,604,888 6,899,834	(1,892,793) (2,194,388)	5,712,095 4,705,446

15. Pensions and Similar Obligations – Group and Company

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

LPFA

LPFA is a funded defined benefit scheme, with the assets held in separate trustee-administered funds. The pension cost is assessed every three years in accordance with the advice of an independent qualified actuary. The latest available actuarial valuation of the scheme was performed as at 31 March 2014 using the market-related method. The valuation was carried out by Barnett Waddingham and a summary of the relevant sections of their report follows.

The agreed contribution rates for future years are 16.7% (2014: 16.7%) for employers and range between 5.5% - 12.5% for employees, depending on pensionable salary. The total contribution expected to be made to the LPFA by the AoC Group for the year to March 2016 is £995,000.

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

Valuation Assumptions

The major categories of plan assets as a percentage of total plan assets as at 31 March 2015 are shown below:

Year ended:	31 March 2015	31 March 2014
Equities	43%	53%
Target return funds	29%	30%
Alternative assets	9%	8%
Cash	11%	3%
Other bonds	8%	6%

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

Notes (continued)

	Males	Females
Current pensioners	23.2 years	25.4 years
Future pensioners	25.5 years	27.7 years

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

Financial Reporting Standard 17 – Retirement Benefits

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

Actuarial assumptions	2015	2014	2013	2012	2011
Discount rate at 31 March	3.4%	4.5%	4.7%	4.6%	5.5%
Salary increase rate	4.3%	4.7%	4.3%	4.2%	4.5%
Pension increase rate/inflation	2.5%	2.9%	2.6%	2.5%	2.7%
Expected return on plan assets at 31 March	6.4%	6.4%	5.6%	5.9%	6.7%

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

Expected return on assets	2015	2014
Equities	6.5%	6.9%
Target return funds	4.9%	6.3%
Alternative assets	3.9%	5.1%
Cash	2.0%	3.4%
Other bonds	n/a	n/a

Amounts recognised in the balance sheet	2015 £(000)	2014 £(000)
Fair value of employer assets	16,004	14,294
Present value of funded liabilities	(25,438)	(20,606)
Net (liability)	(9,434)	(6,312)

Amounts recognised in profit or loss accounts	2015 £(000)	2014 £(000)
Current service cost	739	689
Interest cost	942	851
Expected return on employer assets	(936)	(753)
Past service loss	-	-
Total	745	787
Actual return on plan assets	964	461

Notes (continued)

Reconciliation of defined benefit obligation	2015	2014
	£(000)	£(000)
Opening defined benefit obligation	20,606	17,750
Current service cost	739	689
Interest cost	942	851
Contributions by members	310	216
Actuarial losses	3,227	1,269
Losses on curtailments	-	-
Estimated benefits paid (net of transfers in)	(386)	(169)
Closing defined benefit obligation	25,438	20,606

Reconciliation of fair value of employer assets	2015	2014
	£(000)	£(000)
Opening fair value of employer assets	14,294	13,227
Expected return on assets	936	753
Contributions by members	310	216
Contributions by employer	822	411
Actuarial (gains)/loss	28	(144)
Benefits paid (net of transfers in and including unfunded)	(386)	(169)
Closing fair value of employer assets	16,004	14,294

Amount recognised in statement of total recognised gains and losses (STRGL)		
	2015	2014
	£(000)	£(000)
Actuarial (losses)/gains current year	(3,199)	(1,413)
Cumulative actuarial (losses)	(8,687)	(5,488)

Amounts for the current & previous periods	2015	2014	2013	2012	2011
	£(000)	£(000)	£(000)	£(000)	£(000)
Value of plan assets	16,004	14,294	13,227	11,097	9,094
Defined benefit obligation	(25,438)	(20,606)	(17,750)	(16,242)	(11,190)
Deficit	(9,434)	(6,312)	(4,523)	(5,145)	(2,096)
Experience gains on liabilities	-	788	-	-	2,490
Experience adjustments on plan assets	28	(144)	945	(569)	(654)

16. Commitments

	2015		2014	
	Group	Company	Group	Company
	£	£	£	£
Operating lease rentals				
Annual charge on land & building leases due to expire within 2 – 5 years	229,000	229,000	229,000	229,000

Notes (continued)

17. Contingent Liability

There are no contingent liabilities at the time the accounts were signed (2014: none).

18. World Federation of Colleges & Polytechnics (WFCP)

The Association has agreed to act as Treasurer for WFCP and accordingly the US Dollar cash balance has been included within the cash balances (at the applicable exchange rate as at the 31 March 2015) in these financial statements. The liability, within creditors as funds held on behalf of third parties.

19. Post Balance Sheet Event

There are no post balance sheet events to report.

20. Related Party Transactions

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

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

Director	Related Party		2014/15				2013/14			
			Transactions During Year		Balance Outstanding @		Transactions During Year		Balance Outstanding @	
			AOC	CREATE	AOC	CREATE	AOC	CREATE	AOC	CREATE
A J Allen	Newbury College	To 31/07/14	28,909	5,963	-	-	26,601	11,649	-	396
R Atkins	Exeter College	From 01/08/14	34,241	10,220	3,213	(40)	-	-	-	-
C Booth	Barnsley College		35,819	9,254	2,963	693	26,222	8,147	-	1,790
N Cave	Bournville College	To 24/10/14	28,546	3,516	-	-	23,822	18,094	-	574
K Clifford	Cirencester College		13,135	2,141	-	-	11,944	3,366	-	-
A Constantine	Cambridge Regional College		22,810	5,910	-	-	20,340	9,462	-	-
M David	Reaseheath College		-	3,563	-	-	-	384	-	384
N Davison	Bishop Auckland College	From 12/03/15	13,201	8,198	-	50	-	-	-	-
S Dicketts	Oxford & Cherwell College	To 30/11/14	33,644	100,967	33,644	7,879	31,443	13,834	-	2,816
M Hunter	Xaverian College	From 09/07/14	7,038	600	-	600	-	-	-	-
A Khemka	West Notts College		31,560	2,843	-	-	28,554	14,949	-	5,093
N Leigh	Stephenson College	From 03/12/14	-	852	-	-	-	-	-	-
R Mann	Burton & South Derbyshire College	From 12/03/15	-	-	-	-	-	-	-	-
G McDonald	Tower Hamlets	From 03/12/14	-	23,774	-	22,134	-	-	-	-
R Morris	Northampton College	To 31/12/14	27,764	4,238	-	396	25,093	29,877	-	120
P Phillips	Weston College		27,920	17,190	-	6,684	-	280	-	280
D Roberts	Brookenhurst College		22,021	2,144	250	198	25,244	6,683	-	-
P Ryder	Tameside College	To 09/07/14	19,808	5,040	-	-	22,394	2,286	-	90
J Sharma	Walsall College	From 12/03/15	2,106	821	2,106	821	-	-	-	-
J Short	York College		27,615	10,736	-	780	26,173	5,174	-	120
A Stott	North Nottinghamshire College	From 12/03/15	-	347	-	347	-	-	-	-
C Stott	City of Bath College		18,418	21,315	(500)	19,299	35,426	14,390	-	3,948
M Sutton	Bradford College	To 31/07/14	31,937	29,898	750	-	27,212	77,221	596	11,159
K Webb	East Berkshire College	From 03/12/14	-	4,435	-	1,244	-	-	-	-
M White	Stockton Riverside College		16,220	4,253	-	-	19,153	5,736	-	787
J F Widdowson	New College Durham	To 30/11/14	939,459	33,789	-	-	24,331	3,919	-	1,175
A P Wilson	Westminster Kingsway College	To 30/11/14	28,967	32,595	-	-	25,197	229,329	-	96,164
D Wood	Lancaster & Morecambe College	From 03/12/14	-	397	-	397	-	-	-	-

Notes (continued)

Director			2014/15				2013/14			
			Transactions During Year		Balance Outstanding @		Transactions During Year		Balance Outstanding @	
			INDIA	SPORT	INDIA	SPORT	INDIA	SPORT	INDIA	SPORT
A J Allen	Newbury College	To 31/07/14	-	-	-	-	-	-	-	-
R Atkins	Exeter College	From 01/08/14	12,000	12,437	-	236	-	-	-	-
C Booth	Barnsley College		-	3,272	-	456	-	-	-	-
N Cave	Bournville College	To 24/10/14	-	1,353	-	1,303	-	-	-	-
K Clifford	Cirencester College		-	2,140	-	-	-	-	-	-
A Constantine	Cambridge Regional College		-	2,332	-	-	-	-	-	-
M David	Reaseheath College		-	1,180	-	-	-	-	-	-
N Davison	Bishop Auckland College	From 12/03/15	-	-	-	-	-	-	-	-
S Dicketts	Oxford & Cherwell College	To 30/11/14	-	-	-	-	-	-	-	-
M Hunter	Xaverian College	From 09/07/14	-	-	-	-	-	-	-	-
A Khemka	West Notts College		12,000	-	-	-	10,000	-	-	-
N Leigh	Stephenson College	From 03/12/14	-	-	-	-	-	-	-	-
R Mann	Burton & South Derbyshire College	From 12/03/15	12,000	-	-	-	10,000	-	-	-
G McDonald	Tower Hamlets	From 03/12/14	-	-	-	-	-	-	-	-
R Morris	Northampton College	To 31/12/14	-	-	-	-	-	-	-	-
P Phillips	Weston College		-	2,354	-	180	-	-	-	-
D Roberts	Brockenhurst College		-	2,764	-	-	-	-	-	-
P Ryder	Tameside College	To 09/07/14	-	-	-	-	-	-	-	-
J Sharma	Walsall College	From 12/03/15	12,000	-	-	-	-	-	-	-
J Short	York College		-	1,127	-	-	-	-	-	-
A Stott	North Nottinghamshire College	From 12/03/15	-	-	-	-	-	-	-	-
C Stott	City of Bath College		-	1,500	-	-	-	-	-	-
M Sutton	Bradford College	To 31/07/14	-	-	-	-	10,000	-	-	-
K Webb	East Berkshire College	From 03/12/14	-	-	-	-	-	-	-	-
M White	Stockton Riverside College		-	2,250	-	(380)	-	-	-	-
J Widdowson	New College Durham	To 30/11/14	-	1,233	-	-	10,000	-	-	-
A Wilson	Westminster Kingsway College	To 30/11/14	12,000	-	-	-	-	-	-	-
D Wood	Lancaster & Morecambe College	From 03/12/14	-	50	-	50	-	-	-	-

During the year, the Association contributed £60,500 (2014: £63,500) 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 £1,720,396 and the balance remaining at the year end is £396,102.

21. Grant Income

During the year the Association received a grant from the Department for Business, Innovation & Skills for £79,030 to identify how step-up qualifications can be used and funded, examine how new QCF ESOL qualifications can be developed and introduced and to examine with JCP how this provision can be managed across different providers.

Notes (continued)

22. Purchase of Business

On 31 July 2014 AoC Sport Limited acquired the trade and following assets/(liabilities) of British Colleges Sport, a company incorporated in England and Wales.

Net Liability Acquired:	£
Debtors	22,123
Cash at bank and in hand	23,664
Deferred Income	(105,632)
Net Liability Acquired:	<u>(59,845)</u>

The directors have taken the view that as the net liabilities acquired arose as a result of the transfer of deferred income, which has been released to the profit and loss account in the period under review, goodwill arising on the acquisition of £59,845 has been charged to the profit and loss account on acquisition as in the opinion of the directors this represents the period over which the goodwill is expected to give rise to economic benefits.

In the directors' opinion, the fair values of the assets and liabilities acquired, as detailed above, were equal to the book values.