

REGISTERED COMPANY NUMBER: 02832115 (England and Wales)
REGISTERED CHARITY NUMBER: 1023500

Report of the Trustees and
Financial Statements for the Year Ended 31 March 2018
for
AOSEC

Chamberlains Statutory Auditors and Chartered
Accountants
Elm House, Tanshire Park
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CHAIR'S REVIEW

The year was dominated by the Board's decision to merge AOSEC's business into AoC.

In AOSEC's last Annual Report, I explained how, in response to AoC's decision to bring its regional activity in-house, we had consulted widely with our members on whether AOSEC should continue as a standalone business offering a wider range of networks and locally focused activities; how we had regretfully reached the view that in today's cost constrained environment there was unlikely to be sufficient demand to achieve viability; and how after merger discussions with various potential FE partners, we had concluded that a merger of AOSEC into AoC was likely to represent the best outcome for both our membership and our staff.

Our concern has been to make the process of merger as seamless as possible for our members. With AoC's agreement we continued to offer our full range of services up to the end of July 2018, but from April they were badged under the AoC brand. AOSEC ceased trading as an independent business at the beginning of August, vacating its office at Merrist Wood and transferring its files and records to AoC storage. The Board hopes to prepare its final accounts as at 30 September 2018, and this will complete the merger, although we understand AoC may not formally wind the company up for several months beyond that date.

AOSEC has substantial reserves, mainly built up from its part-ownership of the ABC examination body in the period up to 2009. Much of these reserves are offset by pension liabilities for AOSEC staff under the Royal Berkshire Local Government Pension Scheme. AoC has agreed to take over these pension liabilities, and has applied to the Secretary of State for agreement to transfer them to its own LGPS Scheme (Greater London); AoC has arranged an actuarial review of the transfer value as at September 2018. AOSEC has agreed in principle to pay the redundancy costs of any AOSEC staff transferring to AoC under TUPE terms who are then made redundant within a specific time period.

We have agreed with AoC that the balance of reserves as at 30 September 2018, less the provision for pension liability and the redundancy costs of any AOSEC staff transferred to AoC under TUPE terms, shall be transferred to a Restricted Reserve (or equivalent ring-fenced fund) within AoC's accounts. This Reserve will be available to fund certain specified contingent liabilities, but will otherwise be for the exclusive use and benefit of colleges in AOSEC membership as at 30 September 2018. It is expected that most, if not all, the balance will be used to offset the cost to these colleges of continuing membership subscriptions to AoC; but AoC may propose to the beneficiary colleges other uses, including for example locally tailored services.

The AOSEC staff in place at April 2018 are all transferring to AoC, with the exception of Pam Lumsden who took voluntary redundancy at the end of September. I, and the whole AOSEC Board, owe a large debt of gratitude to Pam for her leadership of AOSEC over the last 6 years. During this period she ensured that the organisation achieved an overall better-than-breakeven result, and provided services at a value for money matched by few, if any, other FE organisations. I am particularly grateful to her and to all the AOSEC staff for loyally continuing to provide high class services over the last year despite all the uncertainties they faced. AOSEC's achievements over this period are set out in Pam's CEO Review below.

As part of the transitional arrangements all Board members of AOSEC stood down on 31 March 2018, with the exception of two Governor Directors (Mike Atkinson and Barbara Spittle) and myself. I should like to record my thanks to all these colleagues for their support and wise advice, in some cases over many years. David Hughes and Peter Brophy of AoC joined the AOSEC Board with effect from 1 April.

Mrs SJ Legrave

CHIEF EXECUTIVE'S REVIEW

Achievements for the year to 31st March 2018:

- Merger successfully negotiated with the AoC
- Despite reduced external funding opportunities and the costs of preparing for merger operating loss was limited to £10k (2016/17 surplus of £10k)
- Full portfolio of networks and events, and excellent satisfaction ratings maintained;

2017/18 continued to present challenges for the FE and Sixth Form Colleges in the South-East that comprise AOSEC's membership. As a result of the Area-Based reviews; the continuing financial constraints, no increased funding for 16-18 year olds for the sixth consecutive year; ten colleges underwent mergers and six Sixth Form Colleges converted to Academies.

This financial year saw the implementation of the apprenticeship levy for large employers. The statistics for the period to November 2017 published by the Department for Education (DfE) revealed a significant fall in the number of starts compared with the same period last year. Although some of this fall in numbers might be due to the scale and challenge of the change in policy; it is nevertheless having a financial and logistical impact on colleges. This situation has been compounded for some colleges as a result of a controversial move requiring providers to submit tenders to the ESFA for contracts to deliver apprenticeship training for firms outside the scope of the apprenticeship levy. Several colleges in the SE region with a track record of successfully delivering apprenticeship contracts were unsuccessful.

This year was equally tumultuous for AOSEC. In 2016/17 the AoC embarked on a review of its organisation which culminated in the announcement in March 2017 of a restructure and refocusing of its service. While AOSEC is an independent organisation, it has for many years provided regional services for the AoC, just as ACER and EMFEC do in the Eastern and East Midlands regions respectively; and we have received an annual subvention of £50k from AoC towards the cost. As reported last year, AoC decided to terminate its relationship with the three independent regional offices, and to offer a more limited in-house network service to colleges at regional level. In April 2017 the AOSEC Board conducted a strategic review to work through the implications of the AoC's decision for AOSEC and its staff. In September 2017 the AOSEC Board took the decision to pursue merger with the AoC; to provide greater stability and resilience in the face of the changing policy and funding landscape within the education and training sector.

Against this background we continued to deliver a full range of services throughout 2017/18 to meet the evolving needs of our member colleges. In recognition of our members' financial position, we froze our membership subscription for the seventh consecutive year, while continuing to budget for a breakeven position.

Our major offering continued to be our professional networks of senior and middle college managers. We ran 21 networks, including the AoC core networks, during the year, with the introduction of 5 new networks in response to government policy and member's needs. We withdrew 4 networks where attendance was low. The number of people attending one of the 40 network meetings or the Teaching and Learning Fair was 634. Satisfaction rates have remained consistently high at 98% excellent or good.

Membership of our networks has provided a comprehensive package of support for considerably less than other providers. They have had other spin-off benefits. They create a community within which information on best practice can be shared outside the meetings and they provide an

invaluable source of front-line feedback to inform our lobbying. Apart from our networks, we ran a number of discrete events and projects, and offered consultancy and advice to our members. These are detailed in the Directors Report.

Despite the many challenges we have faced this year we have attempted to minimise the disruption to our services. Nevertheless a significant part of our staff resource has been focussed on preparing for merger and a climate of uncertainty has had an adverse effect on staff morale. We took further steps to cut our costs where possible, nevertheless, as a consequence of the internal changes and a continued reduction in external funding opportunities we recorded a slight loss of £10k in 2017/18 compared with a small surplus the previous year.

Ms PJ Lumsden

DIRECTORS' REPORT
for the year ended 31 March 2018

Introduction

AOSEC is a registered charity, number 1023500, regulated by the Charity Commission under the terms of the Charity Act 2011; and a company limited by guarantee, registered in England and Wales, number 02832115. The guarantee payable by the company's members is £1 each. The company's membership comprises 39 of the 59 FE and Sixth Form Colleges located in the South East.

The Trustees, who are all also the Directors of the Company for the purposes of company law (and are referred to as Directors throughout this Report), present their report and financial statements for the year ended 31 March 2018 in accordance with the Companies Act 2006 and the Charities Act 2011, and confirm that the latter comply with the requirements of the Companies Act 2006, the Charities SORP 2005, and the Charity's Memorandum and Articles of Association.

Directors

Mrs S J Legrave	Principal, Chichester College
Mr M H Atkinson	Governor, Plumpton College
Ms S A S Dicketts	Principal, Activate Learning (Resigned March 2018)
Mr P Hannan	Principal, Hadlow College (Resigned March 2018)
Dr A Murdoch	Principal, Newbury College (Retired Dec 2017)
Dr B M Spittle	Governor, Brooklands College
Mr A J Bravo	Principal, Basingstoke College of Technology (Resigned March 2018)
Mr I K Gibson	Governor, Alton College (Resigned March 2018)
Mr D K Gleed	Principal, North Kent College (Resigned March 2018)
Ms K J Hucker	Principal, Bexhill College (Resigned March 2018)
Mr J Stone	Governor, Guildford College (Resigned March 2018)
Ms. G Walker	Principal, Brooklands College (Resigned March 2018)
Ms D Batchelor	Principal, Abingdon & Witney College (Resigned March 2018)

Company Secretary: Ms P J Lumsden

Registered Office: C/O Merrist Wood College
Worplesdon
Guildford
Surrey
GU3 3PE

Website: www.aosec.org.uk

Auditors: Chamberlains Statutory Auditors and Chartered Accountants
Elm House, Tanshire Park
Shackleford Road, Elstead
Godalming
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Bankers: Barclays Bank

Principal Charitable Objective and Public Benefit

The principal objective of the charitable company is the advancement of the education and training of young persons and adults. Its main business is to represent the interests of Further Education (FE) and Sixth Form Colleges in the South East region (Hampshire, Kent, Thames Valley, Surrey and Sussex), and to provide support for its member colleges in the form of networks, conferencing, and other projects and services of benefit to them.

The public benefit lies in the improved education and training for young people and adults in member colleges through better regulation and policy-making and through improved skills and understanding on the part of college staff and college leadership. The Directors are satisfied that the activities of the charitable company contributed to public benefit during the year.

During the year AOSEC's primary sources of regular income are membership subscriptions from its members, subscriptions for membership of its specialist networks, and a subvention (of £50k) from the national Association of Colleges (AoC). AOSEC acts as the regional arm of the AoC in the South East. Additional income from the AoC and other external sources is received from time to time to fund particular projects and events.

BUSINESS REVIEW

The following should be read in conjunction with the Chief Executive's Review set out at page 3

During the year our two primary activities continued to be:

Representational and briefing - representing our members' views to policy-makers at both regional and national level, and ensuring that our members are in turn well informed about developing policy; Support services – developing and delivering services which meet the needs of our members, principally

- Network Service – managing networks of specialist staff in colleges across the region, as a means of sharing best practice and keeping them informed of new developments.
- Peer Review and Development (PRD) Service – facilitating the sharing of practice and the professional exchange of ideas between colleges to raise standards.
- Responsive Events Service - organising and delivering a combination of workshops and targeted training events in response to the evolving needs of our members.

In addition AOSEC undertook a number of events and projects funded by the Education and Training Foundation (ETF), Education and Skills Funding Agency (ESFA) and other sponsors.

Representational Work

As AoC's regional office, we feed the concerns of South East colleges into the AoC's national lobbying; at the same time our direct contacts with the regional staff of regulatory agencies remain very important in supporting colleges, especially where policy implementation is uneven or has perverse impacts.

We have continued to work with the Local Enterprise Partnerships (LEPs) in the region where appropriate. The Chief Executive and the Director of Strategy sit on the EM3 LEP Area Shadow ESI Funds Sub-committee being part of the panel that considers applications and provides advice on their strategic fit. Our members are actively engaged with many of the other, smaller LEPs that fall within the AOSEC region and we provide support to them, as and when required.

During 2015 the Government announced Area-based Reviews (ABRs) of the FE sector across England. The ABR process provided a framework to discussions on mergers, partnerships and other rationalisation activity that in some cases was already under consideration in response to changes in funding and developments in the market-place. In the South East, South Downs and Havant colleges, Chichester and Central Sussex colleges, Aylesbury and Amersham colleges, East Kent and Canterbury colleges, East Berkshire and Strode's colleges, City College Brighton and Hove and Northbrook Colleges and Sussex Coast and Sussex Downs colleges have merged. In the aftermath of the ABR further mergers are being discussed between several other SE colleges. Farnborough, Woking, QMC, Richard Taunton, St Vincent's and Godalming sixth form colleges have also converted to become academies or multi-academy trusts.

Briefing Activity

Keeping colleges informed of the plethora of new policy developments and their implications for the sector was a major challenge for AOSEC during the year. Our senior managers visited dozens of colleges across the region, particularly those most affected by the changes, and worked closely with local FE groupings to ensure that they were fully aware of regional and national developments and to take on board local issues and concerns. At the same time we continued to provide a forum for the agencies to share with senior managers and governors at South East colleges their emerging thinking on policy development. We are particularly grateful to senior HMI at OFSTED and national colleagues at the AoC for their contributions to our members' events.

We have also worked hard to improve the quality of our communication through the web, twitter and electronic briefings. We continued to develop AOSEC Headlines as a weekly on-line briefing note for college managers; and we have also established dedicated fora for ongoing information, discussion and support. Members have reported that these have proved a valuable tool for alerting them about, and directing them to, key documents and information which are critical to their subject area, as well as the broader policy changes that affect them.

SUPPORT SERVICES

Network Services

AOSEC managed 21 networks of college managers and administrators in particular disciplines: We introduced a Mental Health, PREVENT and Safeguarding, Health and Safety, STEM and Work Experience networks in response to government policy and members' needs. The Business and Development network was also replaced by the Apprenticeships and Employer Engagement network. We withdrew our New to FE, Area Based Review Support, Skills Competitions and PAs networks due to low or falling attendance.

AoC Core Networks
Finance Directors
Clerks to the Corporation
HRM and Staff Development
Quality Improvement
Principals

AOSEC Networks
Apprenticeships & Employer Engagement
College-Based HE
Curriculum Development
Digital Learning
English & Maths
Hairdressing & Beauty Therapy
Health and Safety
Learning Resource Centres
MIS
Media & Marketing
Mental Health
PREVENT and Safeguarding
SEND
Sports & Leisure
STEM
Student Support Services
Work Experience

These networks met typically twice (autumn and spring) to share good practice and receive timely updates from various specialists and agencies, including the government departments who work with the sector. In the final term colleagues across all the networks come together for a Teaching and Learning fair which explored the generic themes which emerged across all the specialist networks; as well as providing specialist workshops, presentations and networking opportunities.

The number of people attending at least one of the 40 network meetings or the Teaching and Learning Fair was 634. Satisfaction rates have remained consistently high at 98% excellent or good. Much of the success of individual networks is attributable to the energy and enthusiasm of the Network Chairs, and the Directors would like to put on record their gratitude for their input.

The AOSEC networks remained a very cost effective means of providing staff with continuing professional development on a small budget. AOSEC networks provided a comprehensive package of support for considerably less than other providers. For colleges that took out the full network subscription attendance at the AOSEC networks could cost as little as £27.68 per delegate per meeting if they attended all meetings and took advantage of all their places. Subscription also entitled colleges to 5 free places at the annual Teaching and Learning Fair, access to free on-line support and regular updates specific to their specialism. The networks had other spin-off benefits. They created a community within which information and best practice could be shared outside the meetings and they provided an invaluable source of front-line feedback on developments to inform AOSEC's lobbying. Following the merger the network offer to AoC SE's members will reduce to 5 core networks, in line with all other AoC regions. In order to ensure this transition is as smooth as it possibly can be, AOSEC staff have worked hard with our network chairs and members to support

those wishing to continue with networks, outside the core offer, to establish self-organised meetings. At the time of writing this report a number of meetings have already been organised.

Peer Review and Development (PRD)

Our Peer Review and Development (PRD) service, supports our member colleges in sharing experiences and best practice on particular topics where the sector is facing change or difficulties. AOSEC only facilitated one Peer Review and Development (PRD) project in 2017/18 which engaged six colleges in reviewing self-assessment reports. Following the merger with the AoC those colleges involved in this PRD project have taken the decision to continue peer reviewing self-assessment reports through a self-organised model.

Responsive Events

In addition to the national events and conferences organised by AoC Create, we continued to offer lower-cost, local events and workshop discussions in more rapid response to new policy developments or to meet specific local training needs. This year we have organised and delivered the following CPD events that have been free, or heavily subsidised, to our members:

- Apprenticeship roundtable forum
- Challenging behaviour
- Strengthening values CPD workshop
- New Governor Induction
- Regional Governance Forum

Projects

AOSEC continued to look for alternative sources of funding to develop our range of services and add value without incurring additional costs for our members. AOSEC received funding directly from the Education Training Foundation following a successful bid to deliver a Regional Governance Forum. Although the funding for this event fell within the 2017/18 financial year the event itself took place in June 2018 at the BDO offices in London. There were a range of speakers in the morning session from Ofsted, DfE and BDO with topics on Qualification reform, Board Assurance and an Ofsted Inspection update. The afternoon gave delegates the choice of two breakout sessions in either the governors' role in assuring the quality of teaching, learning and Assessment or funding and finance. There were 47 delegates in attendance from across three regions; South East, London and the Eastern region. Evaluations were extremely positive (100% good or excellent) with the recommendation that AoC should repeat the event in 2019.

National applications for teacher training fell sharply during 2017. AOSEC has for some time been working with local HEIs to create pathways into working in FE. As a result of this work AOSEC received funding from the Education Training Foundation to deliver a project to offer 20 third year undergraduates and post graduates students at Canterbury Christ Church University and Brighton University a 40 hour work placement within seven local FE college. Each student received £350 (£175 up front and £175 once the placement had been completed) and each college received £350 per student placed.

As a result of the project, one student has gained part time employment at Mid Kent College and three students will continue to volunteer within their placement.

Partnerships

We have continued to work closely with the AoC, the national FE representative body. This has been particularly important this year, as we have tried to align our services with and prepare our members for the new organisation and structure. This has been the last year that AOSEC will provide regional services in the South East for the AoC. Our member support activities have been closely co-ordinated with many services being delivered jointly and seamlessly. A good example of this joint working was the delivery of a new governor induction event. The AoC received funding from the Education Training Foundation to deliver training in all of the regions. AOSEC's organised the 4 hour session on the 1st November, 2017 at Brooklands College with 15 new governors from across the South East in attendance.

Within the South East region there are several sub-regional groupings of colleges such as FE Sussex, Kent Further Education and GFE South. Over the past year we continued to work with Kent Further Education and we have supported principals and their staff in a number of different work strands:

- strategic support to at a local level (particularly with Local Authorities) and to represent and inform Kent principals
- administrative support for the principals in the delivery of the four strategy groups and any other events run by KFE
- the development and management of the KFE website.

Unfortunately due to the changes within AOSEC and uncertainty about future services Kent Further Education took the decision to directly employ a coordinator from January 2018 to organise and manage the on-going support for the Kent Colleges.

FINANCIAL REVIEW

AOSEC recorded a loss (before FRS 17 adjustments) of £10k in 2017/18, compared with a surplus of £10k in 2016/17.

Income (all Unrestricted) was £376k, a 3% fall on the previous year, made up as follows:

	2017/18	2016/17	Change
	£'000	£'000	£'000
Membership subscriptions	156	173	(17)
Network subscriptions	72	86	(14)
AoC regional subvention	50	50	-
New services, projects etc	91	68	23
Investment income	7	10	(3)
Total	376	387	(11)

The fall in membership subscriptions reflected the effect of college mergers. For the seventh year running, the Board decided to freeze membership subscriptions at a rate of just over £200 per £m of college turnover. We believe that, by comparison with other FE membership organisations, this represents excellent value for money for the services provided. The reduction in income from

network subscriptions and other projects reflects a number of things. Firstly, the uncertainty caused by the announcement that AOSEC would cease to be the regional office for the national AoC. Secondly, the amount of staff time diverted into merger related activity. Thirdly, the rationalisation of AOSEC networks discussed above; and finally the limited availability of third party grants from ETF and other sources. The drop in business income has been partially offset by the steps the Board took in 2015 to shift some of AOSEC's cash reserves into equity investments, although returns from this source have fallen £10k in 2016/17 to £7k this year (they were £1k in 2015/16).

Firm steps were taken to reduce costs in response to the fall in income. Although there would appear to be an increase in staff costs for 2017/18 this was not the case. In previous years staff costs were attributed to the expenditure for individual projects. As has been reported, there has been a reduction in the amount of project and other income generating work undertaken this year, and as such, fewer staff costs have been included in project and event expenditure.

	2017/18	2016/17	Change
	£'000	£'000	£'000
Staff costs	*310	**291	19
Other direct costs	22	30	(8)
Overheads, including governance costs	33	56	(23)
Total	365	377	(12)

*Includes £35k attributable to changes in pension liabilities.

**Includes £33k attributable to changes in pension liabilities.

As at March 2018, AOSEC employed 5 staff. (March 2017: 7). 2017/18 was a year of exceptional pressure and uncertainty for our staff, and we are immensely grateful for the strong commitment they have shown to the business.

AOSEC's balance sheet is set out on page 18. At March 2018 there were substantial historic pension liabilities to the Royal Berkshire Local Government Pension Scheme (LGPS) amounting to £649k (March 2017: £651k). As last year, these were narrowly covered by General Reserves. However, the level of the pension liability remains highly sensitive to movements in interest rates and stock market values. AOSEC is working with the AoC to transfer LGPS members into the equivalent pension scheme for London.

The Board's strategy has for some time been to achieve at least an operating breakeven taking one year with the next. Apart from the pension liability, there are negligible non-trading liabilities or contingent liabilities, and no plans for capital expenditure. The Directors have accordingly prepared the accounts on a going concern basis.

During the year the Board reviewed AOSEC's reserves and investment policy. It was agreed, pending the planned full merger with the AoC in 2018 that AOSEC's aim should continue to be that reserves should cover 3-6 months of expenses, while making adequate provision for pension liabilities as and when they crystallise.

CORPORATE GOVERNANCE

Statement of Directors' Responsibilities

The Directors (who are also the directors of AOSEC for the purposes of company law) are responsible for preparing the report of the Directors and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and the application of resources, including the income and expenditure, of the charitable company for that period. In preparing as financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charity SORP;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charitable 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 charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Insofar as the Directors are aware,

- there is no relevant audit information of which the charitable company's auditors are unaware; and
- The Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Directors

The Directors who served during the year are set out at page 5. The Directors are all either principals or experienced governors in the region. The Board seeks a diversity of Directors from different parts of the region, from General FE Colleges, Sixth Form Colleges, and specialist colleges, and a mix of governors as well as principal; and appointed by members at the Annual General Meeting for terms of three years. During the year Anne Murdoch, Principal at Newbury College, resigned from the Board upon her retirement as a Principal. At the March Board meeting nine other Directors resigned to make way for a Transitional Board, which will oversee AOSEC's interests for the foreseeable future. The Transitional Board will comprise Shelagh Legrave (Chair), Mike Atkinson, and Barbara Spittle from the existing AOSEC Board, together with David Hughes and Peter Brophy from AoC.

Organisation

The Board reviewed the company strategy, including the major strategic financial and operational risks, on a regular basis and monitored performance against it. The principal risks that faced the company are discussed in the Business Review section of this Report. The Board met three times during the year.

The Board was supported by two committees – Finance and Audit. The Finance committee met quarterly. Its remit was to review finance and budget performance and procedures within AOSEC. The committee comprised two board members, Mike Atkinson and the Chair, the Chief Executive and the Director of Operations, Shona Reston. The Audit Committee meets annually. Its remit is to review audit procedures within AOSEC and make recommendations to the Board on the appointment, performance and remuneration of the auditors. The committee comprises one Board member Mike Atkinson, the Chief Executive and the Director of Operations

Approved by order of the Board of Directors on 25 September 2018 and signed on its behalf by

Shelagh Legrave
Director

Report of the Independent Auditors to the Members of AOSEC

Opinion

We have audited the financial statements of AOSEC (the 'charitable company') for the year ended 31 March 2018 which comprise the Statement of Financial Activities, the Balance Sheet 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 (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 March 2018 and of its incoming resources and application of resources, including its income and expenditure, 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.

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 Auditors responsibilities for the audit of the financial statements section of our report. We are independent of the charitable 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 trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charitable 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 trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our Report of the Independent Auditors thereon.

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, 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.

Opinion 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 Report of the Trustees for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Trustees has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Trustees.

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 or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the trustees were not entitled to take advantage of the small companies exemption from the requirement to prepare a Strategic Report or in preparing the Report of the Trustees.

Responsibilities of trustees

As explained more fully in the Statement of Trustees Responsibilities, the trustees (who are also the directors of the charitable company for the purposes of company law) 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 trustees 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 trustees are responsible for assessing the charitable 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 trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Our 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 a Report of the Independent Auditors 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 www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Independent Auditors.

Use of our report

This report is made solely to the charitable 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 charitable company's members those matters we are required to state to them in an auditors' 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 charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Paul Chamberlain (Senior Statutory Auditor)
for and on behalf of Chamberlains Statutory Auditors
and Chartered Accountants
Elm House, Tanshire Park
Shackleford Road, Elstead
Godalming
Surrey
GU8 6LB

Date: 4 October 2018

AOSEC

Statement of Financial Activities
for the Year Ended 31 March 2018

	Notes	Unrestricted funds	31.3.18 Total funds	31.3.17 Total funds
		£	£	£
INCOME AND ENDOWMENTS FROM				
Charitable activities				
Membership subscriptions		156,487	156,487	173,155
AOSEC Networks		72,406	72,406	86,100
AOC subvention		50,000	50,000	50,000
Other		-	-	8,149
Teaching and learning events		2,775	2,775	3,775
Governance events		9,170	9,170	12,500
Peer Review and Development		693	693	4,732
Strategic options		7,250	7,250	12,000
EMFEC Collaborative Training		-	-	5,200
KFE		24,716	24,716	8,901
Pass The Torch		-	-	12,810
More pathways to FE		34,650	34,650	-
University of Sussex Internship		10,600	10,600	-
Investment income	2	7,109	7,109	10,133
Total		375,856	375,856	387,455
EXPENDITURE ON				
Charitable activities				
AOSEC Networks		5,244	5,244	5,875
Other		-	-	1,820
Teaching and learning events		2,235	2,235	4,476
Governance events		400	400	2,781
Conferences and events		-	-	663
Peer Review and Development		400	400	600
Strategic options		-	-	4,500
KFE		560	560	7,455
Pass The Torch		-	-	2,123
More pathways to FE		9,886	9,886	-
University of Sussex Internship		3,184	3,184	-
Other		364,724	364,724	346,460
Total		386,633	386,633	376,753
NET INCOME/(EXPENDITURE)		(10,777)	(10,777)	10,702
Other recognised gains/(losses)				
Actuarial gains/losses on defined benefit schemes		37,000	37,000	(4,000)
Net movement in funds		26,223	26,223	6,702

Statement of Financial Activities - continued
for the Year Ended 31 March 2018

		Unrestricted funds	31.3.18 Total funds	31.3.17 Total funds
	Notes	£	£	£
RECONCILIATION OF FUNDS				
Total funds brought forward		<u>43,169</u>	<u>43,169</u>	<u>36,467</u>
TOTAL FUNDS CARRIED FORWARD		<u><u>69,392</u></u>	<u><u>69,392</u></u>	<u><u>43,169</u></u>

AOSEC

Balance Sheet
At 31 March 2018

	Notes	Unrestricted funds £	31.3.18 Total funds £	31.3.17 Total funds £
FIXED ASSETS				
Tangible assets	7	-	-	658
Investments	8	<u>172,591</u>	<u>172,591</u>	<u>172,591</u>
		172,591	172,591	173,249
CURRENT ASSETS				
Debtors	9	59,905	59,905	52,867
Cash at bank		<u>546,908</u>	<u>546,908</u>	<u>597,592</u>
		606,813	606,813	650,459
CREDITORS				
Amounts falling due within one year	10	<u>(61,012)</u>	<u>(61,012)</u>	<u>(129,539)</u>
NET CURRENT ASSETS		<u>545,801</u>	<u>545,801</u>	<u>520,920</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		718,392	718,392	694,169
PENSION LIABILITY	12	<u>(649,000)</u>	<u>(649,000)</u>	<u>(651,000)</u>
NET ASSETS		<u>69,392</u>	<u>69,392</u>	<u>43,169</u>
FUNDS	11			
Unrestricted funds			<u>69,392</u>	<u>43,169</u>
TOTAL FUNDS			<u>69,392</u>	<u>43,169</u>

These financial statements have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to charitable small companies.

The financial statements were approved by the Board of Trustees on 25 September 2018 and were signed on its behalf by:

Shelagh Legrave
Trustee

1. ACCOUNTING POLICIES

Basis of preparing the financial statements

The financial statements of the charitable company, which is a public benefit entity under FRS 102, have been prepared in accordance with the Charities SORP (FRS 102) 'Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015)', Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006. The financial statements have been prepared under the historical cost convention with the exception of investments which are included at market value.

Expenditure

Liabilities are recognised as expenditure as soon as there is a legal or constructive obligation committing the charity to that expenditure, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably. Expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all cost related to the category. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with the use of resources.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Computer equipment and furniture and fittings	25% straight line
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Taxation

The charity is exempt from corporation tax on its charitable activities.

Fund accounting

Unrestricted funds can be used in accordance with the charitable objectives at the discretion of the trustees.

Restricted funds can only be used for particular restricted purposes within the objects of the charity. Restrictions arise when specified by the donor or when funds are raised for particular restricted purposes. None existed in the year.

Further explanation of the nature and purpose of each fund is included in the notes to the financial statements.

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to the Statement of Financial Activities on a straight line basis over the period of the lease.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2018

1. ACCOUNTING POLICIES - continued

Pension costs and other post-retirement benefits

The charitable company operates a defined contribution pension scheme. Contributions payable to the charitable company's pension scheme are charged to the Statement of Financial Activities in the period to which they relate.

Retirement benefits to employees are provided by the Teachers Superannuation Scheme managed by the Teachers' Pension Scheme (TPS) and the Local Government Pension scheme (LGPS). These are defined benefit schemes which are externally funded and contracted out of the State Earnings Related Pension Scheme.

Contributions to the TPS are charged to the statement of financial activities so as to spread the cost of the pensions over the employees' working lives with the company in such a way that the pension costs is a substantially level percentage of current and future pensionable payroll. As noted in note 15, the TPS is a multi-employer scheme and the charity is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The assets of the LGPS are measured using closing market values. LGPS 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 to the liability. The increase of the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus. The expected return of the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

Going concern

Since 31 March 2018 the charitable company has been engaged in a process of merger with the Association of Colleges (AoC). However, the Trustees are of the opinion that this merger will not materially affect the figures stated in these accounts and accordingly the 2017-18 accounts have been prepared on a going concern basis.

2. INVESTMENT INCOME

	31.3.18	31.3.17
	£	£
Dividends and interest rec'd	<u>7,109</u>	<u>10,133</u>

3. NET INCOME/(EXPENDITURE)

Net income/(expenditure) is stated after charging/(crediting):

	31.3.18	31.3.17
	£	£
Auditors' remuneration	4,200	4,200
Depreciation - owned assets	658	659
Hire of plant and machinery	244	71
Other operating leases	<u>18,750</u>	<u>19,153</u>

Notes to the Financial Statements - continued
for the Year Ended 31 March 2018

4. TRUSTEES' REMUNERATION AND BENEFITS

There were no trustees' remuneration or other benefits for the year ended 31 March 2018 nor for the year ended 31 March 2017.

Trustees' expenses

One Trustee was reimbursed expenses of £580 during the year (2017: £399).

5. STAFF COSTS

The average monthly number of employees during the year was as follows:

31.3.18	31.3.17
<u>5</u>	<u>7</u>

The number of employees whose employee benefits (excluding employer pension costs) exceeded £60,000 was:

£80,001 - £90,000	31.3.18	31.3.17
	<u>1</u>	<u>1</u>

6. COMPARATIVES FOR THE STATEMENT OF FINANCIAL ACTIVITIES

Comparatives for the Statement of Financial Activities split by fund type (restricted and unrestricted) have not been provided as all the Charity's income, expenditure and funds are unrestricted.

7. TANGIBLE FIXED ASSETS

	Fixtures and fittings £	Computer equipment £	Totals £
COST			
At 1 April 2017 and 31 March 2018	<u>2,634</u>	<u>766</u>	<u>3,400</u>
DEPRECIATION			
At 1 April 2017	1,976	766	2,742
Charge for year	<u>658</u>	<u>-</u>	<u>658</u>
At 31 March 2018	<u>2,634</u>	<u>766</u>	<u>3,400</u>
NET BOOK VALUE			
At 31 March 2018	<u>-</u>	<u>-</u>	<u>-</u>
At 13 March 2018	<u>658</u>	<u>-</u>	<u>658</u>

Notes to the Financial Statements - continued
for the Year Ended 31 March 2018

8. FIXED ASSET INVESTMENTS

	31.3.18	31.3.17
	£	£
Securities	172,491	172,491
Investment in subsidiary	<u>100</u>	<u>100</u>
	<u>172,591</u>	<u>172,591</u>

Investments in subsidiary

	31.3.18	31.3.17
	£	£
Level Up Development Solutions Ltd	<u>100</u>	<u>100</u>

The company's investments at the balance sheet date in the share capital of companies include the following:

Level Up Development Solutions Ltd
Registered office: United Kingdom
Nature of business: Dormant

	%
Class of share:	holding
Ordinary	100

	31.3.18	31.3.18
	£	£
Aggregate capital and reserves	<u>100</u>	<u>100</u>

Post the balance sheet date the board has initiated the winding up of this company.

Investments in securities

	Listed investments £
Market Value and Net Book Value	
At 1 April 2017	<u>172,491</u>
At 31 March 2018	<u>172,491</u>

There were no investment assets outside the UK. Of the listed investments, £117,231 (2017: £117,231) was in M&G Charifund units, the return on which is net of management charges and so there is no separate management charge reported in the account. This investment carries charges of 0.47%, making the estimated charge for the year £526 (2017: £526). £55,260 (2017: £55,260) of investments were in CAF Fixed Return units, with no management charge levied. All investments can be realised in a reasonable period when required.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2018

9. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.3.18	31.3.17
	£	£
Trade debtors	54,658	10,349
Prepayments	<u>5,247</u>	<u>42,518</u>
	<u>59,905</u>	<u>52,867</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.3.18	31.3.17
	£	£
Trade creditors	5,089	2,250
Social security and other taxes	6,235	6,379
Other creditors	4,694	5,402
Accruals and deferred income	22,625	92,860
Accrued expenses	<u>22,369</u>	<u>22,648</u>
	<u>61,012</u>	<u>129,539</u>

11. MOVEMENT IN FUNDS

No separate statement of movement of funds has been provided as the Charity has no restricted funds and all the information required is included in the Statement of Financial activities and Balance Sheet.

12. RELATED PARTY DISCLOSURES

There were no related party transactions for the year ended 31 March 2018.

13. ULTIMATE CONTROLLING PARTY

In the opinion of the Directors, no one party has a controlling interest in the Charity.

14. PENSION COMMITMENTS

The Charity's employees belong to three principal pension schemes; the National Employment Savings Trust ("NEST"), The Teachers' Pension Scheme ("TPS"), for academic and related staff, and the Local Government Pension Scheme ("LGPS"), for non-teaching staff, which is managed by Royal Country of Berkshire. NEST is a defined contributions scheme, the costs of which are charged to the Statement of Financial Activities as they arise. TPS and LGPS are defined benefit schemes, the pension costs for which are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2012 and the LGPS was 31 March 2016. Contributions of £4,594 were payable to the schemes at the year-end (2017: £5,302) and are included in creditors.

14. PENSION COMMITMENTS – continued

Teachers' Pension Scheme

The TPS is a statutory, contributory, defined benefit scheme. Governed by the Teachers' Pensions Regulations (2010) and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. The regulations under which the TPS operates are the Teachers' Pensions Regulations 2010. These regulations apply to teachers in schools and other educational establishments in England and Wales maintained by local authorities, to teachers in many independent and voluntary-aided schools, and to teachers and lecturers in establishments of further and higher education. Membership is automatic for full-time teachers and lecturers and from 1 January 2007 automatic too for teachers and lecturer in part-time employment following appointment or a change of contract, although they are able to opt out.

The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions along with those made by employers are credited to the Exchequer. Retirement and other pension benefits are paid by public funds provided by Parliament.

Valuation of the Teachers' Pension Scheme

Not less than every four years the Government Actuary ("GA"), using normal actuarial principles, conducts a formal actuarial review of the TPS in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014, published by HM Treasury. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest valuation of the TPS was carried out at 31 March 2012 and in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department of Education on 9 June 2014.

The key elements of the valuation and subsequent consultation are:

- employer contribution rates set at 16.48% of pensionable pay, including 0.08% employer administration charge
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million
- an employer cost cap of 10.9% will be applied to future valuations
- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.08%

Prior to 1 September 2015 an employer contribution rate of 14.1% was payable. From that date an employer contribution rate of 16.4% is payable. The next valuation of the TPS was at 31 March 2016 but is not yet available, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The employer pension costs paid to TPS in the period amounted to £21,947 (2017: £21,660).

A copy of the valuation report and supporting documentation is on the Teachers' Pension website (www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx).

Notes to the Financial Statements
for the Year Ended 31 March 2018

14. PENSION COMMITMENTS – continued

Under the definitions set out in FRS102 the TPS is a multi-employer scheme. The Charity is unable to identify its share of the underlying (notional) assets and liabilities of the scheme. Accordingly, the Charity has taken advantage of the exemption in FRS102 and accounted for its contributions to the scheme as if it were a defined contributions scheme. The Charity has set out above the information available on the scheme and the implications for the Charity in terms of the anticipated contribution rate.

Local Government Pension Scheme

The LGPS is a funded, defined benefit scheme with assets held in separate trustee-administered funds. The total contributions for the year ended 31 March 2018 were £12,382 (2017: £9,197) of which employer's contributions totalled £9,197 (2017: £7,335).

There were 2 active members at 31 March 2018 (1 at 31 March 2017).

The latest triennial valuation was carried out at 31 March 2016 and the following information was provided for disclosures under FRS102 as at 31 March 2018, by Barnett Waddingham LLP. The major assumptions used by the actuary were based on staff in post at that date.

	31.3.18	31.3.17
Rate of increase in salaries	3.85%	4.1%
Rate of increase for pensions	2.35%	2.6%
Discount rate for liabilities	2.55%	2.7%

The current mortality assumptions include allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	31.3.18	31.3.17
Retiring today	Years	Years
• Males	23.1	23.0
• Females	25.2	25.0
Retiring in 20 years		
• Males	25.3	25.1
• Females	27.5	27.4

The charity's share of assets in the scheme, at fair values, are:

	31.3.18	31.3.17
	£ '000	£ '000
Equities	372	390
Properties	100	110
Bonds	117	119
Cash	115	84
Infrastructure	40	41
Gilts	-	-
Target Return Portfolio	34	83
Commodities	14	13
Longevity Insurance	(14)	(40)
Total market value of assets	778	800
Present value of scheme liabilities	(1,427)	(1,451)
Pension liability	(649)	(651)

Notes to the Financial Statements
for the Year Ended 31 March 2018

14. PENSION COMMITMENTS - continued

	31.3.18 £ '000	31.3.17 £ '000
Service Cost (net of employee contributions)	18	11
Net interest on defined liability/(asset)	17	22
Administration expenses	-	-
Analysis of pension finance costs:	35	33

Analysis of the amount recognised in the statement of financial activities

Movements in the present value of the defined benefit obligation were as follows:

	31.3.18 £ '000	31.3.17 £ '000
Opening defined benefit obligation	(1,451)	(1,271)
Employer service cost (net of employee contributions)	(18)	(11)
Interest cost	(38)	(44)
Change in financial assumptions	24	(242)
Change in demographic assumptions	-	60
Experience (gain)/loss on defined benefit obligation	-	2
Estimated benefits paid net of transfers in	59	58
Contributions by scheme participants and other employers	(3)	(3)
Closing defined benefit obligations	(1,427)	(1,451)

Movements in the fair value of the charity's share of scheme assets:

	31.3.18 £ '000	31.3.17 £ '000
Opening fair value of fund assets	800	650
Interest on assets	21	22
Return on assets less interest	5	75
Other actuarial gains/(losses)	-	101
Administration expenses	-	-
Contributions by employer including unfunded	8	7
Contributions by scheme participants and other employers	3	3
Estimated benefits paid net of transfers in	(59)	(58)
Deficit in scheme at 31 March excluding past service cost	778	800

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Detailed Statement of Financial Activities
for the Year Ended 31 March 2018

	31.3.18	31.3.17
	£	£
INCOME AND ENDOWMENTS		
Investment income		
Dividends and interest rec'd	7,109	10,133
Charitable activities		
Income	<u>368,747</u>	<u>377,322</u>
Total incoming resources	375,856	387,455
EXPENDITURE		
Charitable activities		
Networks	5,244	5,875
Conferences and events	-	663
Peer review and development	-	300
Governor support programme	400	2,781
ETF teachers	2,235	4,476
Other	960	16,198
More pathways to FE	3,184	-
Sussex University Internship	<u>9,886</u>	<u>-</u>
	21,909	30,293
Support costs		
Management		
Wages	218,937	211,147
Social security	24,940	24,615
Pensions	67,291	56,193
Hire of plant and machinery	244	71
Other operating leases	18,750	19,153
Insurance	1,099	1,054
Telephone	3,490	3,379
Postage and stationery	2,357	1,850
Sundries	657	1,469
Travel and subsistence	13,284	12,162
Staff training and recruitment	7,105	9,892
Depreciation of tangible and heritage assets	<u>658</u>	<u>659</u>
	358,812	341,644
Bank charges	151	-
Governance costs		
Auditors' remuneration	4,200	4,200
Accountancy and legal fees	<u>1,561</u>	<u>616</u>
	<u>5,761</u>	<u>4,816</u>
Total resources expended	<u>386,633</u>	<u>376,753</u>
Net (expenditure)/income	<u>(10,777)</u>	<u>10,702</u>

This page does not form part of the statutory financial statements