

**Anglo-European College of Chiropractic**  
(A company limited by guarantee)

Governors' Report and Financial Statements  
For the year ended 31 August 2014

**Company number 00653859**

**Anglo-European College of Chiropractic**  
(a company limited by guarantee)  
31 August 2014

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**Legal and administrative information**

**Company number**

00653859

**Charity number**

306289

**Registered office**

13-15 Parkwood Road  
Bournemouth  
Dorset  
BH5 2DF

**Governors**

A Wild (chair)  
S Bartholomew  
M Copp  
A Cormack  
S Davies-Todd  
P Dingley  
M Gurden  
O Haagensen  
H Hurst  
T Kaschel  
E Newcomb  
P Roberts  
A Selby  
A Simpson  
S Sirinan  
C Stephens  
H Thiel  
B Van der Vossen  
J Worthington

**Advisory Council Members**

L Bronemo  
M Gurden  
O Haagensen  
A Jacques  
T Kaschel  
D Mazzini  
R Murphy  
S Papadopoulos  
A Selby  
S Sirinan  
B Van der Vossen  
A Wild

**Executive**

H Thiel  
J Bolton  
P Ford  
I Giles  
A Thorkeldsen

**Company secretary**

S Morris

**Auditor**

Baker Tilly UK Audit LLP  
Highfield Court  
Tollgate  
Chandlers Ford, Eastleigh  
Hampshire  
SO53 3TY

**Accountants**

Baker Tilly Tax and Accounting Limited  
Davidson House  
Forbury Square  
Reading  
Berkshire  
RG1 3EU

**Bankers**

HSBC Bank Plc  
17 Southbourne Grove  
Bournemouth  
Dorset  
BH6 3RG

**Solicitors**

Mills & Reeve LLP  
Francis House  
112 Hills Road  
Cambridge  
CB2 1PH

Frettens LLP  
The Saxon Centre  
11 Bargates  
Christchurch  
BH23 1PZ

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# Anglo-European College of Chiropractic

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## Governors' Report (incorporating the Strategic Report)

The Governors present their annual report and the audited financial statements for the year ended 31 August 2014. This report also covers the Trustees' Report as required by Chapter 4 Section 162 of the Charities Act 2011 (hereinafter "Charities Act").

### Reference and Administration

The Anglo European College of Chiropractic ("the Charity" or "AECC") was founded in 1960 and is registered with the Charity Commission under charity number 306289 and with Companies House under number 00653859. The Governors and details of the principal advisers are included within the legal and administrative information.

### Structure, governance and management

#### *The governing document*

Anglo-European College of Chiropractic is a company limited by guarantee and a registered charity. It is governed by its Articles of Association which were last amended in November 2014.

#### *Organisational structure*

The Board of Governors (who fulfil the role of directors for company law purposes) must have a minimum of four members although no maximum is prescribed. Four members are elected from the Advisory Council that includes representatives of chiropractic national associations within the ECU. The Principal of the College, Staff Governor and Student Governor are ex officio members. The rest of the Board membership are lay members elected for their expertise (some of these lay members may also be chiropractors). The Vice-Principal for undergraduate studies and quality, and the Vice-Principal for postgraduate studies and research are in attendance at Board meetings. The changes enable the Board to have a closer working relationship with the Executive and focus on important strategic issues in a complex higher education market, in both the UK and Continental Europe.

The Board of Governors is legally responsible for the overall management of the AECC. Implementation of the strategy and policies approved by the Board is the executive responsibility of the Principal and his Executive team. The Board meets a minimum of three times a year and is also advised by the Finance and General Purposes Committee which has responsibility for detailed scrutiny of the proposed budget and its subsequent management and normally meets 6 weeks prior to the Board meetings. The Audit Committee (which was formed on 18 December 2014) will advise the Board on internal and external audit and will review the effectiveness of risk management, control and governance arrangements. Responsibility for the management of the AECC's academic activities is delegated to Academic Board and its committees, led by the College Principal.

The Advisory Council that supports the Board of Governors has been set up to take an ambassadorial role and to be supportive of the overall activity at AECC as well as liaison with students and associations over issues specific to chiropractic. The Advisory Council consist of the representatives of the national associations, the Student Union President, the Principal, the Staff Governor and the Chair of the Board of Governors. Members of the Executive and the other interested parties are in attendance.

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## Governors' Report (continued)

### *Recruitment and Training of Governors*

The Board actively endeavours to maintain the skills mix required for an effective Board. Where a skills gap is identified, nominations for new Governors are sought in a variety of ways, including advertising in the local press and the National Associations, and publicising vacancies to staff and graduates of the College. Nominations are scrutinised by the Nominations Committee, which makes recommendations to the Board for appointment. All nominees are invited to visit the AECC and meet other Governors and senior staff as part of a pre-induction process. As part of the introduction to the AECC, Governors are encouraged to meet with the member who they replace and, separately, with the Clerk to the Board. A full induction pack is provided to new Governors prior to their attending their first meeting.

Governors are also issued with the Governance and Management Handbook which gives detailed information, membership and terms of reference of all of the AECC's committees whether Board of Governors, Academic Board or management committees.

### *Governors*

The Governors who held office during the year were as follows:

A Wild (Chair)  
S Bartholomew  
M Copp  
A Cormack  
S Davies-Todd  
P Dingley (appointed 5 July 2014)  
I Fretten (resigned 31 October 2013)  
M Gurden  
O Haagensen  
H Hurst  
T Kaschel  
K Marillier (resigned 5 July 2014)  
A Selby (appointed 8 April 2014)  
S Sirinan (appointed 5 July 2014)  
C Stephens  
H Thiel  
B Van der Vossen  
F Wilson (resigned 7 April 2014)  
J Worthington

E Newcomb, P Roberts and A Simpson were appointed as Governors on 22 November 2014.

## **Governors' Report (continued)**

### **Aims and Objectives**

#### ***Summary of Objects***

The AECC's primary objects, as defined in its Articles of Association, are to "provide education and undertake research on Chiropractic and/or other allied, related or ancillary disciplines" and to provide the necessary human, research and physical resources to support this activity. The objects also include the requirement to "establish Chiropractic treatment centres for the treatment of disease and maintenance of health by Chiropractic and/or other allied, related or ancillary treatments" and "to promote the study and advancement of Chiropractic and/or other allied, related or ancillary disciplines".

#### ***Strategy and vision***

Our Strategic Plan for the period 2013 to 2020, which we refer to as our 2020 Vision, builds on key institutional strengths and initiatives developed under the last strategic plan (2007 to 2013). It is structured in accordance with AECC's delivery of value based on our core competencies in musculoskeletal healthcare. Our core competencies in education, research and clinical care are underpinned by human resource management, information and communications technology, facilities, finance, marketing and business development. Overall the AECC value delivery model enables fulfilment of our strategic purpose, as articulated by our mission statement:

"A Healthier Society through Education, Research and Clinical Care".

The vision is that by 2020 the AECC will:

- achieve global recognition as a leading provider of multidisciplinary musculoskeletal (msk) healthcare education, based in Bournemouth, possibly with independent degree-granting authority, a solid base of national and international students attending a variety of courses, highly qualified academic staff, and a rich international network of collaborative partnerships with educational, research, governmental, non-profit and commercial organisations.
- contribute to substantive advances in evidence-based healthcare, through robust, well funded, international collaborative programmes of research on msk conditions.
- become a major provider of diagnosis and treatment of msk conditions through our clinical operations in independent and NHS sectors.
- successfully exploit the AECC's brand, reputation, facilities, skills and IP through entrepreneurial innovation and business development designed to enhance the institution's place as a global leader in chiropractic and allied healthcare research, in the process generating substantial net profits and asset wealth that provide a secure financial foundation for educational, research and entrepreneurial activities in the future.

The College has disseminated and embedded the mission and vision within both staff and student bodies.

#### ***Main Objectives for the year 2013/14***

The main objectives for the year were to:

- Finalise the five year agreement with Bournemouth University in time for the 2014/15 intake.
- Continue discussions with BIS and HEFCE in relation to eventually achieve direct programme and institutional designation for AECC.

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## Governors' Report (continued)

- Submit Critical Self-Assessment document for the application for taught degree awarding powers.
- Install MRI unit within its own purpose-built facility and initiate advanced imaging service.
- Validate Graduate Diploma pathway for the chiropractic programme for 2014/15 intake.
- Implement and deliver further off-site and trans-national post-graduate teaching of Masters programmes and CPD events.
- Implement and start teaching on the first year of the post-graduate part of the chiropractic programme.
- Establish and supervise/co-supervise at least one further PhD research fellowship.
- Expand our involvement with Public and Patient (PPI) engagement activities.

## *Achievements and Performance*

We finalised our new 5 year franchise agreement (2014/15 to 2018/19) with Bournemouth University (BU) during the 2013/14 academic year. The new agreement takes into consideration and fulfils all of the new criteria stipulated by BIS for franchise arrangements. Under this agreement BU will receive Student Loan Company fees for Home/EU students directly and as such will also take the risk of bad debt. We will still receive direct payment from all other students. Our validation fee to BU was set to be 15% starting with the 2014/15 September intake, however further negotiations since resulted in lower percentages for the first three years of the agreement (12%, 12% and 11%).

Despite very promising application rates, our actual recruitment to the undergraduate chiropractic programme was disappointing with a 13% drop in recruitment (primarily in UK/EU students) against our budgeted numbers. Our application rate for the 2014/15 intake was also slightly lower than expected. Detailed analysis of student application data, supported by a number of focus groups strongly indicated that the main reason for lower recruitment and application rates were due to the financial burden placed on students by having to self-fund the final two post-graduate MSc years of the 3+2 BSc/MSc Chiropractic programme. Our two other UK competitors offer undergraduate integrated Masters degrees in chiropractic which do not have a self-funded part to it. As a consequence the College decided to design a new Integrated Masters programme in chiropractic (MChiro) with a foundation year (1+4) to replace the existing BSc Human Sciences/MSc Chiropractic degree (3+2) that has been running since 2011. The new programme will be structured in such a way as will conform to professional requirements while, under current HEFCE funding rules, enabling students to access tuition fee loans for the entire 5 (1+4) year programme (subject to any other previous study an individual student may have undertaken). This will widen access by providing applicants, who might otherwise have been unable to do so because of financial constraints, the opportunity to take the programme. We anticipate this will also improve the overall student experience by removing the anxiety regarding the ability to self-fund the MSc component of the programme. The foundation year will be included in order to further widen access, in this case on entry qualifications, to open admission to those with fewer UCAS points. The design and delivery of the programme will build on the positive learning experience provided by the BSc/MSc and incorporate the good practice in learning, teaching and the development of professional skills which has been incorporated in that programme.

A consequence of the decision to develop the new MChiro programme has been the parallel decision not to proceed to introduce a Graduate Diploma programme to provide an alternative and shorter route to entry to the MSc Chiropractic. The Graduate Diploma programme was approved/validated by BU before the College took the final decision to move to the new MChiro route. However, once that decision was taken, we decided not to proceed with General Chiropractic Council and European Council on Chiropractic Education accreditation of the Graduate Diploma, on the basis that, if successfully validated and accredited, this programme would have a shelf-life of one year only (i.e. 2014 entry). The work undertaken in preparing the Graduate Diploma has however been invaluable in supporting the development of the new MChiro programme.

### **Governors' Report (continued)**

We were visited by Matthew Hilton (Director Higher Education at BIS) and his colleagues towards the end of February 2014. This meeting helped to clarify how we should best proceed as an institution in order to achieve a more consistent, sustainable and more direct funding solution within the foreseeable future. Further it helped to support our decision to apply for our own Taught Degree Awarding Powers (TDAP). We see the gaining of TDAP as crucial in confirming our place in higher education as a recognised provider of high quality education and clinical training, gaining independence, and last but not least, applying for the 'university college' title as an index of the quality and status of AECC. As such we submitted the Critical Self-Assessment Document to Privy Council by the end of March 2014 and were subsequently informed in August that we will undergo detailed scrutiny, conducted via the Quality Assurance Agency, during the 2014/15 academic year.

Towards the end of the academic year, the AECC Board discussed actively pursuing institutional designation earlier than previously considered, as this, if successful and alongside TDAP, would theoretically enable us to access funding directly in 2017/18. Gaining institutional designation will allow the College to directly access the HEFCE teaching grant for high cost subjects, maintain the supported tuition fee at £9,000, reduce validation costs and take advantage of removal of the student number cap from 2015. Achieving institutional designation would be a critical step in the College's development, and would enable growth and ensure long-term stability and sustainability for the institution.

Work on the building for the Open and Upright MRI scanner was completed on time and the scanner was inserted into the building in April. Installation, set-up and commissioning took place over the summer months. Applications training for our MR Superintendent Radiographer took place during August, and the development of imaging protocols and sequences took us into the autumn. The opening of the MRI scanner for patient use was in November 2014. We held two MRI awareness CPD events, both of which were very well attended. We built a separate website for the MRI service, which is now fully functional. We also opened a JustGiving –based website for donations towards the MRI scanner project with the aim to raise £75,000 by May 2015.

We implemented and started to deliver one further off-site and trans-national post-graduate Masters programme (MSc - Musculoskeletal Paediatric Health) in Norway and continued with the second year of the MSc Diagnostic Ultrasound in the same country. We also delivered two trans-national CPD events, one in Canada (October 2013, 3 day event) and a series of 5 weekend seminars (Nov 2013 to May 2014) in the Netherlands. Overall we had a successful year in relation to recruitment to our postgraduate frameworks and attendance at our CPD programmes.

Throughout the latter half of the academic year we carried out the necessary organisation and preparations to enable the start of delivering and teaching the first year of the post-graduate part of the chiropractic programme in September 2014.

We were successful in setting up two further PhD fellowships on the basis of collaboration and split-funding with two universities (Bournemouth University and University of Southampton) and the Royal College of Chiropractors. These new PhD students will start their programmes in the 2014/15 academic year. Two of the existing four PhD students in our research institute were successful in their MPhil transitions, and one was successful in his PhD defence. During the year, one member of faculty was awarded her PhD and another was promoted to Reader.

### **Governors' Report (continued)**

Progress in relation to expanding our engagement with Public and Patient Involvement (PPI) has been significant over the year. The programme leader for the chiropractic programme is designing a questionnaire intended to survey PPI group members' opinions on chiropractic education, and responses will inform the new MChiro curriculum. Questions will include desirable qualities and attributes of a chiropractor, important topics to teach students and how to better involve PPI in teaching and assessment. E-resources are used as a teaching aid. For example the website 'Patient Voices' is linked to unit 304 Diagnosis III through the VLE and presents videos of patients and carers talking about living with various conditions. We will consider bringing in representatives from various patient groups such as the National Osteoporosis Society, Blind Society UK, Alzheimer's Society, etc. to speak to students at various levels throughout the programme and in particular to seek to increase PPI in the early years. For six weeks in the 2014 autumn term four patients take part in training new clinical students in history taking, examination, report of findings, etc. The patient will provide formative feedback to the entire group on their experience of the student's performance.

The Clinic is in a prime position regarding PPI recruitment in general for AECC as it has the most contact with patients and members of the public. The Clinic is also a stakeholder in terms of PPI regarding developing clinical services, improving the patient experience and interns' clinical learning.

A number of PPI recruitment initiatives are now in place or planned:

- PPI involvement invitation on Clinic screens including PPI email address (in place).
- PPI information on Clinic webpages (to be added spring 2015).
- Simple PPI information and sign up leaflet to be developed to be displayed at clinic/Centre for Ultrasound Studies reception and Friends of the Clinic events (spring 2015).

Existing involvement initiatives will be continued – in particular a second Clinic Strategy Day with service user participation took place in the 2014-15 autumn term, building on the successful event held in the spring term 2013-14.

## **Governors' Report (continued)**

### **Plans for Future Periods**

Our main objectives for 2014/15 are to:

- Successfully validate by Bournemouth University and accredit by the General Chiropractic Council a new 1+4 integrated Masters of Chiropractic (MChiro) curriculum in time for student enrolment in September 2015.
- Design and develop a full-time undergraduate BSc programme in diagnostic ultrasound with a view to validation and professional accreditation in the 2015/16 academic year.
- Achieve a successful outcome to the 5 year Periodic Institutional Review with Bournemouth University planned to take place during the second half of the 2014/15 academic year.
- Start two certificate/diploma courses (CPD) in areas of clinical competence.
- Expand Cognitive Behavioural Therapy (CBT) services in clinic.
- Establish advanced imaging services (MRI) and achieve income budgeted for 2014/15.
- Establish an additional assessment and research centre.
- Improve existing student social spaces (library entrance area, cafeteria and student bar) and enhance their utilisation for learning.
- Establish a multi-media edit suite facility to allow the development of interactive lectures and tutorials, further supporting student-led learning.
- Initiate at least two new externally funded research projects.
- Seek Medicines and Healthcare Products Regulatory Agency approval for the dissemination of OSMIA technology.
- Implement a coherent international marketing and student recruitment strategy.
- Review and improve processes linked to student enquiry, admissions and enrolment.
- Progress the development of a professional conversion route in chiropractic in collaboration with a Polish university (AWFiS) in Gdansk for a possible start in the summer of 2015.
- Progress an application for Institutional Designation to be submitted to BIS during spring/early summer 2015.

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## Governors' Report (continued)

### Strategic Report

#### *Risk Management*

The Board of Governors confirm that they have reviewed and considered the major risks to which the AECC is exposed and that they are satisfied that systems have been established to manage those risks. The Board of Governors is ultimately responsible for the identification and management of risks that the AECC may face. It is informed in this task through the AECC's practice of including the consideration of risk in every formal meeting, its evaluation by the Principal and senior managers, and regular reporting and consideration at each meeting of the Board of Governors. Identification, evaluation and management of risk is an important part of the annual planning cycle and review of strategy. A formal review of the effectiveness of this process is considered annually by the Board.

Risk is an inherent part of doing business. It is the effective management of risk that puts us in a better position to achieve our strategic objectives.

The most significant risks identified by the Board and the mitigating actions taken are summarised as follows:

| Risk  | Mitigation  |
|---|---|
| Failure to reach a viable validation/funding arrangement.                                       | <ul style="list-style-type: none"><li>• 5 yr funding arrangement for medium term has been agreed with BU.</li><li>• In medium term continue process for achieving TDAP and Institutional Designation.</li></ul>   |
| Failure to recruit sufficient undergraduate students resulting in significant financial impact. | <ul style="list-style-type: none"><li>• New programme is being designed and will be validated. This programme will attract HEFCE funding for all 5 years unlike the current one.</li><li>• Development of a more focussed marketing strategy for overseas students.</li></ul>   |
| Significant public sector cutbacks in the HE budget resulting in major reductions in funding.   | <ul style="list-style-type: none"><li>• New sources of income to be developed, particularly new courses but also commercial activities.</li></ul>   |
| Current uncertainty relating to BIS proposals regarding funding for independent providers.      | <ul style="list-style-type: none"><li>• In short term keep under close review any communication from BIS.</li><li>• In medium term continue process for achieving TDAP and Institutional Designation.</li></ul>   |
| Failure to achieve and maintain accreditations (QAA, TDAP, CSA).                                | <ul style="list-style-type: none"><li>• Considerable resources (fees and manpower) have been expended to ensure that all conditions were met for QAA.</li><li>• A suitably experienced consultant was engaged to advise on TDAP.</li><li>• CSA has been accepted. Scrutiny began in September 2014.</li></ul>   |
| Student unrest  | <ul style="list-style-type: none"><li>• If student numbers increase, staff establishment will rise to maintain SSR.</li><li>• Regular reviews of undergraduate and postgraduate programmes will be undertaken.</li><li>• Termly meetings with students will be held to allow discussions of current issues.</li><li>• Ensure student representation in programme development.</li><li>• Ensure provision of additional learning opportunities and enhancement of student facilities to meet expectations.</li></ul> |

**Governors' Report (continued)**

**Strategic Report (continued)**

**Risk Management (continued)**

|  |   |
|--|---|
| Major IT disaster - loss of information or use of central hardware. Network/system problems resulting in disruption to both academic and administrative functions. | <ul style="list-style-type: none"><li>• Investment in adequate hardware and software to meet current and future needs.</li><li>• Purchase of common core software.</li><li>• Implementation of secure off-site back up system for all data.</li></ul> |
|--|---|

**Public Benefit**

The Governors confirm that they have paid due regard to the Charity Commission's guidance on public benefit.

The principal public benefits of the AECC's activities are the advancement of education and the relief of those in ill health which are primarily achieved through our education programmes and clinic treatments.

Our education programmes are available to all those who meet the relevant academic requirements. Our main chiropractic programme is a publicly funded course and students from the EU receive the same Government support packages as those attending other university courses. These packages include maintenance and tuition fee grants and loans. Additionally, we pay bursaries to students from lower income families.

Our clinic is open to all members of the public. Treatments from our students are provided at prices below those typically offered by Chiropractors and free to various patients including those on income support (over 25% of all treatments have been delivered free of charge).

Our community outreach programme (CoP) was set-up and developed with two objectives in mind. The first objective was to provide an educational forum on a wide array of topics about musculoskeletal health care, which range from ergonomics to exercise, delivered to varying special interest groups in the community. The second objective was to develop opportunities for clinical students to hone communication and teaching skills and foster values of giving to our local community. This programme has grown to such an extent that the Community Outreach Coordinator has organised a team of students to help with the management of over 100 separate events each year, not including the clinical students' work with about 15 different athletic clubs and teams.

Discussions and talks by clinical students are given, at no charge, to a variety of organisations, which include ante-natal and post-natal groups, insurance executives, firemen, policemen, university staff and schoolchildren. Interns have been increasingly asked to go into classrooms to talk about nutrition, cardiac anatomy and physiology and skeletal anatomy and biomechanics. In addition, we regularly participate in the Science and Engineering week for local schools, providing the venue and programme for various human biology topics.

During the year BU ran for the second time the 'Festival of Learning', a large public engagement initiative with over 100 separate events. AECC faculty again contributed to this event with a number of presentations given either at the College or other locations within Bournemouth.

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**Governors' Report (continued)**

**Financial Review**

***Prior period adjustment – defined benefit pension scheme***

As more fully explained in the accounting policies – note 22, the Governors have reviewed and revised their assessment of how the Local Government Pension Scheme should be accounted for and it is now treated as a defined benefit scheme rather than a defined contribution scheme.

The total effect on the balance sheet at 31 August 2014 is to include a pension liability of £1,035,000 and reduce unrestricted funds by the same sum. The Governors believe that it is highly unlikely that this liability will crystallise and require settlement in cash.

The comparative numbers in the accounts have been restated to reflect this change.

***Results for the year***

The consolidated statement of financial activities ('SOFA') is set out on page 17. The deficit for the year derived from unrestricted activities amounted to £56,611 (Restated 2013: surplus £301,563). As shown in note 19, there was a decrease in designated funds of £9,398 (2013: £19,966) leaving a decrease in unrestricted general year end funds before the re-measurement of the retirement benefit deficit of £47,213 (Restated 2013: surplus £321,529).

The consolidated SOFA for unrestricted activities is summarised below:

|                      | 2014             | 2013 (restated)  | % change   |
|----------------------|------------------|------------------|------------|
|                      | £'s              | £'s              |            |
| <b>Income</b>        |                  |                  |            |
| College fees         | 5,760,579        | 5,824,574        | (1)        |
| Clinic income        | 707,842          | 688,670          | 3          |
| Other income         | 717,392          | 799,616          | (10)       |
| Trading Subsidiaries | 221,411          | 244,602          | (9)        |
| <b>Total</b>         | <b>7,407,224</b> | <b>7,557,462</b> | <b>(2)</b> |
| Expenditure          | 7,463,835        | 7,255,899        | 3          |
| (Deficit)/Surplus    | (56,611)         | 301,563          |            |

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**Governors' Report (continued)**

Total income from unrestricted activities fell short of our expectations declining by 2% from £7,557,462 to £7,407,224. The principal cause of the fall was a decrease in the income generated from the core Chiropractic programme where student recruitment was disappointing.

We had budgeted for a deficit on unrestricted activities and the actual result was £125,000 ahead of our expectation. This was principally due to lower expenditure than we had planned.

Total College fees decreased 1% from £5,824,574 to £5,760,579 as set out below:

| Source                             | 2014<br>£'s | 2013<br>£'s | % Change |
|------------------------------------|-------------|-------------|----------|
| Undergraduate masters chiropractic | 5,067,198   | 5,222,043   | (3)      |
| Undergraduate CREM                 | 277,618     | 252,087     | 10       |
| Postgraduate masters               | 381,626     | 314,042     | 22       |
| PG Certificate                     | 3,987       | 10,152      | (61)     |
| Access                             | 30,150      | 26,250      | 15       |
| Total                              | 5,760,579   | 5,824,574   | (1)      |

This was the second year affected by the new fee regime and the fee for all relevant funded students was maintained at the maximum permitted of £9,000. This significantly impacted on the average fee charged to students which rose 15% from £6,513 to £7,474. Average total student numbers on our core undergraduate masters programme declined from 556.5 to 511.5. Although part of this decline was expected, a disappointing recruitment exacerbated the fall. Our internal analysis indicates that funded students are increasingly put off joining the programme due to the requirement to self-fund the last two years. The net effect of the factors above resulted in student fees increasing from £3,624,533 to £3,822,724. Grant income declined from £1,597,510 to £1,244,454 as a greater proportion of students became subject to the new (and substantially less generous) fee regime. The overall effect of the increase in student fees and reduction in grant income was a 3% decrease in income from £5,222,043 to £5,067,198.

Our share of fees from the BSc (Hons) in Clinical Rehabilitation and Exercise Management ('CREM'), a programme jointly developed with Bournemouth University, increased from £252,087 to £277,618. Whilst student numbers decreased from 69.2fte to 64.4fte, this was more than compensated by a rise in the College's teaching share (from 62.5% to 64.4%) and the loss of another year of 'old regime' students paying fees at £3,465 to be replaced by the new regime fee of £9,000.

Student numbers on our postgraduate masters' programmes were unchanged from the prior year. Nevertheless, income grew 22% from £314,042 to £381,626 as an increasing proportion of students enrolled on our more expensive ultrasound programmes. Income was also boosted by an increase in grant income. Our Postgraduate masters' programmes have been a considerable success with income rising 87% over the last 4 years.

The fall in the PG Certificate income reflected a poor enrolment with student numbers decreasing from 24 to just 8.

Following the launch of an Access to HE Diploma (Human Sciences) in 2012/13, we increased the numbers of attending students from 17 fte to 20 fte. This led directly to the 15% increase in income from £26,250 to £30,150. The purpose of the course is to provide students with the skills and experience in order to progress to a health related higher education course.

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**Governors' Report (continued)**

Clinic income increased 3% from £688,670 to £707,842. After a number of disappointing years, Clinic's financial performance exceeded our expectations. There was a decline in student interns from 142 to 115 but despite this income from this source rose 4% from £542,980 to £563,318. There was increasing evidence as the year progressed of an improvement in the economic climate although competition from local chiropractors remained fierce. The results in other segments of the Clinic's activities were little changed on the prior year.

Other income decreased 10% from £799,616 to £717,392 as set out below:

| Source         | 2014<br>£'s | 2013<br>£'s | % change |
|----------------|-------------|-------------|----------|
| CPD            | 243,101     | 304,070     | (20)     |
| Ultrasound     | 246,719     | 176,783     | 40       |
| Catering       | 184,172     | 190,593     | (3)      |
| Finance income | 6,914       | 36,725      | (81)     |
| Other          | 36,486      | 91,445      | (60)     |
| Total          | 717,392     | 799,616     | (10)     |

After two outstanding years, activity on our short course programmes (CPD) declined with income falling 20% from £304,070 to £243,101. This was below our expectation but profit margins improved and the overall contribution was in line with budget.

The growth in Ultrasound largely arose from a large expansion in our clinical placements. This is very low margin work but helps with recruitment to our Masters programmes in Ultrasound. Additionally, we run two MSK introductory courses (they are typically run every 7 months and only 1 occurred in 2012/13) which generated £53,225 compared to £28,500 in the prior year.

Catering had a very poor year. Income declined 3% from £190,593 to £184,172 which was reasonable in the light of an 8% reduction in student numbers. However, the gross margin collapsed to just 22% (2013: 34%) resulting in a far larger loss than we had budgeted for.

Finance income for the year includes a charge of £7,000 relating to the defined benefit scheme finance charge. Underlying interest income was thus £13,914 and reflected the exceptionally low interest rate environment.

Trading at our subsidiary companies is summarised in the following table:

|                                    | Spine Centre<br>£'s | AECC Enterprises<br>£'s | Total<br>£'s |
|------------------------------------|---------------------|-------------------------|--------------|
| Turnover (excluding inter-company) | 164,899             | 56,512                  | 221,411      |
| Operating Costs                    | (180,961)           | (56,748)                | (237,709)    |
| Operating loss                     | (16,062)            | (236)                   | (16,298)     |
| Group stock charge                 |                     |                         | (35,021)     |
| Total operating loss               |                     |                         | (51,319)     |

Turnover (excluding inter company activity) for Spine Centre Limited, fell 10% from £183,497 to £164,899 in what continued to be a very challenging economic climate. Gross profit margins continued to be squeezed and this resulted in an operating loss of £16,062 (2013: operating loss of £11,090). Subsequent to the year end, the Spine Centre Board have introduced a plan which they hope will return the company to profitability. The Governors will review progress as the plan unfolds. However, in the light of the last two years trading the Governors of the College have decided it would be appropriate to make provision for the write down of stock should they decide to close the Spine Centre in due course. The total charge of £35,021 is included in the results above.

# Anglo-European College of Chiropractic

(a company limited by guarantee)  
31 August 2014

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## Governors' Report (continued)

Trading at the Southampton Clinic of AECC Enterprises has failed to meet expectations. Accordingly, the Board decided to cease operations on 31 March. A purchaser for the business was identified and the remaining assets were sold at book value with no payment for goodwill. Turnover declined from £61,105 to £56,512 reflecting the closure of the Clinic. The fall was partly mitigated by an encouraging increase in the royalty income under the licence agreement with Ortho-Kinematics from £3,501 to £7,304. The overall operating loss was substantially reduced from £32,992 to £235.

Unrestricted expenditure increased 3% from £7,255,899 (restated) to £7,463,835. Personnel costs increased by £307,048 from £4,115,145 to £4,422,193 reflecting an average pay rise of 3.6%, the creation of new posts to prepare the College for meeting TDAP requirements and an increased FRS 17 pension charge. Other expenditure was very tightly controlled and fell by £99,082 from £3,140,754 to £3,041,672.

Capital expenditure increased substantially from £235,959 to £1,186,765. This reflected the College's investment in a MRI facility. Spend on this project during the year totalled £979,576 and was completed after the year end for a final sum of approximately £1,300,000.

### *Reserves policy*

The Governors have examined the requirements for free reserves, which are those unrestricted funds not invested in fixed assets or designated for specific purposes.

The Governors consider that reserves are primarily needed to cover unforeseen temporary declines in AECC's core income sources, major capital investment and provide adequate working capital to enable AECC to be managed efficiently. The Governors carried out a detailed review in October 2014 and concluded that an appropriate range of reserves to cover these risks to be £1,699,000 to £2,635,000. At 31 August 2014 AECC had consolidated free reserves amounting to £2,184,752 which is within the appropriate range.

### *Investment policy and objectives*

The Governors' policy is to invest free reserves in low risk cash deposits where the aim is to achieve a return close to the average Bank of England base rate.

### **Auditors**

Baker Tilly Audit Limited (formerly RSM Tenon Limited) ceased trading on 31 March 2014. The Governors, having been notified of the cessation of trade of Baker Tilly Audit Limited, appointed Baker Tilly UK Audit LLP as Auditor on 1 April 2014 to fill the casual vacancy. In accordance with the Companies Act 2006 a resolution proposing the appointment of Baker Tilly UK Audit LLP as Auditor will be put to the members.

On behalf of the Governors as a whole, the Finance and General Purposes Committee reviewed the independence and performance of the auditors. After due consideration, the Committee recommended that the incumbent auditors should continue in office.

**Anglo-European College of Chiropractic**  
**(a company limited by guarantee)**  
**31 August 2014**

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**Governors' Report (continued)**

**Statement of Governors' responsibilities**

The Governors (who are also directors of Anglo-European College of Chiropractic for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Governors 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 application of resources, including the income and expenditure, of the charitable group for that period. In preparing these financial statements, the Governors are required to:

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

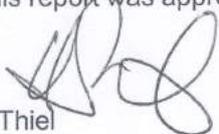
The Governors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Governors are aware:

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

The Governors are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

This report was approved by the Board of Governors on 26/02/2015 and signed on its behalf by:

  
H Thiel  
Governor

13 – 15 Parkwood Road  
Bournemouth, Dorset  
BH5 2DF

# Anglo-European College of Chiropractic

(a company limited by guarantee)

31 August 2014

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## Independent Auditor's Report to the Members and Governors of Anglo-European College of Chiropractic

We have audited the group and parent charity financial statements of Anglo-European College of Chiropractic ("the financial statements") for the year ended 31 August 2014 on pages 17 to 44. 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 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 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 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.

### Respective responsibilities of Governor and auditor

As explained more fully in the Governors' Responsibilities Statement set out on page 14 the Governors (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.

We have been appointed auditors under the Companies Act 2006 and section 151 of the Charities Act 2011 and report in accordance with those Acts. 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 the parent charitable company's affairs as at 31 August 2014 and of the group's 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 Companies Act 2006 and the Charities Act 2011.

### Opinion on other matter prescribed by the Companies Act 2006

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

# Anglo-European College of Chiropractic

(a company limited by guarantee)

31 August 2014

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## Independent Auditor's Report to the Members and Governors of Anglo-European College of Chiropractic (continued)

### 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 and the Charities Act 2011 requires us to report to you if, in our opinion:

- the parent charitable company has not kept adequate and sufficient accounting records, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company 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.

Frances Millar, Senior Statutory Auditor  
for and on behalf of

Date 2 March 2015

*Baker Tilly UK Audit LLP*

**Baker Tilly UK Audit LLP, Statutory Auditor**  
**Chartered Accountants**  
Highfield Court  
Tollgate  
Chandlers Ford  
Eastleigh  
Hampshire  
SO53 3TY

Baker Tilly UK Audit LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

**Anglo-European College of Chiropractic**  
(a company limited by guarantee)  
**31 August 2014**

**Consolidated Statement of Financial Activities**  
(including Income and Expenditure Account)  
For the year ended 31 August 2014

|  | Notes | Unrestricted funds | Restricted funds | 2014<br>Total funds | 2013<br>Total funds |
|--|-------|--------------------|------------------|---------------------|---------------------|
|  |       | £                  | £                | £                   | (Restated)<br>£     |
| <b>Incoming resources</b>  |       |                    |                  |                     |                     |
| <b>Incoming resources from generated funds</b>                           |       |                    |                  |                     |                     |
| Voluntary income   |       |                    |                  |                     |                     |
| Donations and gifts  |       | 13,740             | 27,096           | 40,836              | 58,507              |
| Activities for generating funds  |       |                    |                  |                     |                     |
| Trading company income   | 7     | 221,411            | -                | 221,411             | 244,602             |
| Other income   |       | 22,746             | -                | 22,746              | 32,938              |
| Finance income   |       | 6,914              | -                | 6,914               | 36,725              |
| <b>Activities in furtherance of the Charity's objectives</b>             |       |                    |                  |                     |                     |
| College fees   |       | 5,760,579          | -                | 5,760,579           | 5,824,574           |
| CPD  |       | 243,101            | -                | 243,101             | 304,070             |
| Chiropractic Clinic income   |       | 707,842            | -                | 707,842             | 688,670             |
| Ultrasound Services  |       | 246,719            | -                | 246,719             | 176,783             |
| Research grants  |       | -                  | 42,313           | 42,313              | 125,505             |
| Catering income  |       | 184,172            | -                | 184,172             | 190,593             |
| <b>Total incoming resources</b>  |       | <b>7,407,224</b>   | <b>69,409</b>    | <b>7,476,633</b>    | <b>7,682,967</b>    |
| <b>Resources expended</b>  |       |                    |                  |                     |                     |
| <b>Cost of generating funds</b>  |       |                    |                  |                     |                     |
| Trading company expenditure  |       | 250,298            | -                | 250,298             | 267,008             |
| Recharged Costs  |       | 22,432             | -                | 22,432              | 21,676              |
| <b>Charitable activities</b>   |       |                    |                  |                     |                     |
| College tuition and research   |       | 6,107,301          | 87,310           | 6,194,611           | 6,069,284           |
| CPD  |       | 286,275            | -                | 286,275             | 308,041             |
| Chiropractic Clinic  |       | 125,314            | -                | 125,314             | 120,724             |
| Ultrasound Services  |       | 322,190            | -                | 322,190             | 282,431             |
| Catering   |       | 306,159            | -                | 306,159             | 283,555             |
| <b>Governance costs</b>  |       | <b>43,866</b>      | <b>-</b>         | <b>43,866</b>       | <b>43,129</b>       |
| <b>Total resources expended</b>  | 4     | <b>7,463,835</b>   | <b>87,310</b>    | <b>7,551,145</b>    | <b>7,395,848</b>    |
| <b>Net change in resources</b>   | 3     | <b>(56,611)</b>    | <b>(17,901)</b>  | <b>(74,512)</b>     | <b>287,119</b>      |
| Net actuarial loss on pensions   |       | (176,000)          | -                | (176,000)           | (59,000)            |
| Net movement in funds  |       | (232,611)          | (17,901)         | (250,512)           | 228,119             |
| Fund balances brought forward at 1 September 2013 as previously reported |       | 6,084,205          | 336,566          | 6,420,771           | 6,893,652           |
| Prior period adjustment  | 22    | -                  | -                | -                   | (701,000)           |
| Fund balances brought forward at 1 September 2013 as restated            |       | 6,084,205          | 336,566          | 6,420,771           | 6,192,652           |
| <b>Fund balances carried forward at 31 August 2014</b>                   |       | <b>5,851,594</b>   | <b>318,665</b>   | <b>6,170,259</b>    | <b>6,420,771</b>    |

Both unrestricted and restricted funds are income funds.  
The incoming resources and resulting net movement in funds arise from continuing operations.

**Anglo-European College of Chiropractic**  
(a company limited by guarantee)  
Company number 00653859  
**31 August 2014**

**Consolidated Balance Sheet**  
**At 31 August 2014**

|   | Note  | 2014               |                  | 2013<br>(Restated) |                  |
|---|-------|--------------------|------------------|--------------------|------------------|
|   |       | £                  | £                | £                  | £                |
| <b>Fixed assets</b>                                   |       |                    |                  |                    |                  |
| Intangible assets                                     | 8     |                    | -                |                    | -                |
| Tangible assets                                       | 9     |                    | 4,893,290        |                    | 4,018,938        |
| <b>Current assets</b>                                 |       |                    |                  |                    |                  |
| Stock   | 11    | 49,862             |                  | 103,037            |                  |
| Debtors   | 12    | 266,204            |                  | 301,646            |                  |
| Cash at bank and in hand                              |       | 3,054,361          |                  | 3,587,331          |                  |
|   |       | <u>3,370,427</u>   |                  | <u>3,992,014</u>   |                  |
| <b>Creditors: amounts falling due within one year</b> | 13    | <u>(1,058,458)</u> |                  | <u>(793,181)</u>   |                  |
| <b>Net current assets</b>                             |       |                    | 2,311,969        |                    | 3,198,833        |
| <b>Non current liabilities</b>                        |       |                    |                  |                    |                  |
| Net pension liability                                 | 14,21 |                    | (1,035,000)      |                    | (797,000)        |
| <b>Net assets</b>                                     |       |                    | <u>6,170,259</u> |                    | <u>6,420,771</u> |
| <b>Unrestricted funds</b>                             |       |                    |                  |                    |                  |
| General   | 19    |                    | 5,729,184        |                    | 5,952,397        |
| Designated  | 17,19 |                    | 122,410          |                    | 131,808          |
|   |       |                    | <u>5,851,594</u> |                    | <u>6,084,205</u> |
| <b>Restricted funds</b>                               | 18,19 |                    | 318,665          |                    | 336,566          |
|   |       |                    | <u>6,170,259</u> |                    | <u>6,420,771</u> |

These financial statements were approved by the Board of Governors and authorised for issue on 26 February 2015 and were signed on its behalf by:

  
.....  
M Copp  
Governor

# Anglo-European College of Chiropractic

(a company limited by guarantee)

Company number 00653859

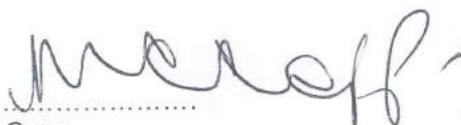
31 August 2014

## Company Balance Sheet

At 31 August 2014

|   | Notes | 2014               |                    | 2013<br>(Restated) |                  |
|---|-------|--------------------|--------------------|--------------------|------------------|
|   |       | £                  | £                  | £                  | £                |
| <b>Fixed assets</b>                                   |       |                    |                    |                    |                  |
| Tangible assets                                       | 9     |                    | 4,892,539          |                    | 4,011,582        |
| Investments   | 10    |                    | <u>20,002</u>      |                    | <u>20,002</u>    |
|   |       |                    | 4,912,541          |                    | 4,031,584        |
| <b>Current assets</b>                                 |       |                    |                    |                    |                  |
| Stock   | 11    | 15,081             |                    | 16,033             |                  |
| Debtors   | 12    | 252,961            |                    | 350,432            |                  |
| Cash at bank and in hand                              |       | <u>3,032,556</u>   |                    | <u>3,562,213</u>   |                  |
|   |       | 3,300,598          |                    | 3,928,678          |                  |
| <b>Creditors: amounts falling due within one year</b> | 13    | <u>(1,022,631)</u> |                    | <u>(758,218)</u>   |                  |
| <b>Net current assets</b>                             |       |                    | 2,277,967          |                    | 3,170,460        |
| <b>Non current liabilities</b>                        |       |                    |                    |                    |                  |
| Net pension liability                                 | 14,21 |                    | <u>(1,035,000)</u> |                    | <u>(797,000)</u> |
| <b>Net assets</b>                                     |       |                    | <u>6,155,508</u>   |                    | <u>6,405,044</u> |
| <b>Unrestricted funds</b>                             |       |                    |                    |                    |                  |
| General   | 19    |                    | 5,714,433          |                    | 5,936,670        |
| Designated  | 17,19 |                    | <u>122,410</u>     |                    | <u>131,808</u>   |
|   |       |                    | 5,836,843          |                    | 6,068,478        |
| <b>Restricted funds</b>                               | 18,19 |                    | <u>318,665</u>     |                    | <u>336,566</u>   |
|   |       |                    | <u>6,155,508</u>   |                    | <u>6,405,044</u> |

These financial statements were approved by the Board of Governors and authorised for issue on 26 February 2015 and were signed on its behalf by:



M Copp  
Governor

**Anglo-European College of Chiropractic**  
(a company limited by guarantee)  
**31 August 2014**

**Consolidated Cash Flow Statement**  
For the year ended 31 August 2014

|   | Notes | 2014        |           | 2013<br>(Restated) |           |
|---|-------|-------------|-----------|--------------------|-----------|
|   |       | £           | £         | £                  | £         |
| Net cash inflow from operating activities                           | I     |             | 445,314   |                    | 551,712   |
| Returns on investments and servicing of finance                     |       |             |           |                    |           |
| Interest received   |       | 14,295      |           | 43,531             |           |
| Interest paid   |       | -           |           | -                  |           |
| Net cash inflow from returns on investment and servicing of finance |       |             | 14,295    |                    | 43,531    |
| Capital expenditure and financial investment                        |       |             |           |                    |           |
| Purchase of tangible fixed assets                                   |       | (1,006,064) |           | (207,034)          |           |
| Disposal of tangible fixed assets                                   |       | 13,485      |           | 475                |           |
| Net cash outflow from capital expenditure and financial investment  |       |             | (992,579) |                    | (206,559) |
|   |       |             | (532,970) |                    | 388,684   |
| Management of Liquid resources                                      |       |             |           |                    |           |
| Disposal of short term deposits                                     |       |             | -         |                    | 600,000   |
| (Decrease)/increase in cash in the year                             | II    |             | (532,970) |                    | 988,684   |

**Reconciliation of net cash flow to movement in net funds**

|   | Notes | 2014<br>£ | 2013<br>£ |
|---|-------|-----------|-----------|
| (Decrease)/increase in cash in the year | II    | (532,970) | 988,684   |
| Disposal of short term deposits         |       | -         | (600,000) |
|   |       | (532,970) | 388,684   |
| Net funds at beginning of year          | II    | 3,570,010 | 3,181,326 |
| Net funds at end of year                |       | 3,037,040 | 3,570,010 |

**Anglo-European College of Chiropractic**  
(a company limited by guarantee)  
**31 August 2014**

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**Notes to the Consolidated Cash Flow Statement**

**I. Reconciliation of net movement in funds to net cash inflow from operating activities**

|  | 2014           | 2013<br>(Restated) |
|--|----------------|--------------------|
|  | £              | £                  |
| Net movement in funds                          | (74,512)       | 287,119            |
| Finance income                                 | (6,914)        | (36,725)           |
| Interest payable                               | 477            | 477                |
| Depreciation charge                            | 307,811        | 345,370            |
| Decrease/(increase) in stocks                  | 53,175         | (21,639)           |
| Decrease/(increase) in debtors                 | 35,061         | (57,346)           |
| Increase/(decrease) in creditors               | 84,099         | (2,069)            |
| FRS 17 pension cost less contributions payable | 55,000         | 37,000             |
| Profit on sales of fixed assets                | (8,883)        | (475)              |
|  | <u>445,314</u> | <u>551,712</u>     |

**II. Analysis of changes in net funds**

|                          | At 1<br>September<br>2013 | Cash<br>flow     | At 31<br>August<br>2014 |
|--------------------------|---------------------------|------------------|-------------------------|
|                          | £                         | £                | £                       |
| Cash at bank and in hand | 3,587,331                 | (532,970)        | 3,054,361               |
| Loan stock               | (17,321)                  | -                | (17,321)                |
|                          | <u>3,570,010</u>          | <u>(532,970)</u> | <u>3,037,040</u>        |

**Notes to the financial statements**

**1. Status**

Anglo-European College of Chiropractic is a registered charity (registered number 306289) and a company limited by guarantee. The liability of the members is limited to £2 each.

**2. Accounting Policies**

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

**2.1 Basis of preparation**

The financial statements are prepared under the historical cost convention and include the results of the Group's operations as indicated in the Governors' Report, all of which are continuing.

The accounts have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and Applicable Law), the Statement of Recommended Practice, "Accounting and Reporting by Charities" (SORP 2005) the Companies Act 2006, and the Charities Act 2011.

**2.2 Basis of consolidation**

The consolidated financial statements include the financial statements of the Charitable Company and its subsidiary undertakings (together "the Group") made up to 31 August 2014 on a line by line basis. A separate Statement of Financial Activities and Income and Expenditure Account are not presented for the charity itself following the exemptions afforded by section 408 of the Companies Act 2006 and paragraph 397 of the SORP 2005. The deficit of the charitable company was £249,536.

**2.3 Fixed assets and depreciation**

Depreciation is provided to write off the cost less the estimated residual value of fixed assets by equal instalments over their estimated useful economic lives as follows:

|  |                                 |
|--|---------------------------------|
| Goodwill                                 | Fully written off in first year |
| Freehold buildings                       | 50 years                        |
| Office equipment, furniture and fittings | 4 to 10 years                   |
| Medical and teaching equipment           | 4 to 8 years                    |

Freehold land and assets in the course of construction are not depreciated.

In the Company's financial statements, investments in subsidiary undertakings are stated at cost.

**2.4 Post retirement benefits**

The Group operates two defined benefit pension schemes and two defined contribution pension schemes.

The two defined benefit schemes are provided by the Local Government Superannuation Scheme (LGSS) and the TPA Superannuation Scheme. These are multi-employer defined benefit schemes, which are contracted out of the State Earnings Related Pensions Scheme.

**Notes to the financial statements (continued)**

**2. Accounting policies (continued)**

**2.4 Post retirement benefits (continued)**

For the LGSS, the difference between the fair value of the assets and the present value of the defined benefit obligation is recognised as an asset or liability in the balance sheet. The defined benefit obligation is actuarially calculated using the projected unit method.

The service cost of providing retirement benefits to employees during the year, together with the cost of any benefits relating to past service, is charged to the Consolidated Statement of Financial Activities in the year.

Actuarial gains and losses are included in the Consolidated Statement of Financial Activities after the net change in resources for the year in the heading net actuarial loss on pensions.

The above accounting methodology for the LGSS has changed. See note 22 for further details on the prior period adjustment and impact on the financial statements.

As the TPA Superannuation scheme is underwritten by Central Government and the College has no future obligation to make contributions to the scheme, this is effectively a defined contribution scheme and the College accounts for it on that basis.

The amount charged to the statement of financial activities in respect of the defined contribution schemes represents the contributions payable to the schemes for the accounting period. The assets of the schemes are held separately from those of the Group in independently administered funds.

**2.5 Stock**

Stocks are stated at the lower of cost and net realisable value.

**2.6 Incoming resources**

***Donations and gifts***

Income from donations and gifts, including any capital grants, is included in incoming resources when it is receivable; except as follows:

- When donors specify that donations and grants given to the charity must be used in future accounting periods, the income is deferred until those periods.
- When donors impose conditions which have to be fulfilled before the charity becomes entitled to use such income, the income is deferred and not included in incoming resources until the pre-conditions for use have been met.

When donors specify that donations and grants, including any capital grants, are for particular restricted purposes, which do not amount to pre-conditions regarding entitlement, this income is included in incoming resources of restricted funds when receivable.

**Notes to the financial statements (continued)**

**2. Accounting policies (continued)**

**2.6 Incoming resources (continued)**

*Activities in furtherance of the Charity's objects*

Course income is recognised in the period in which the course takes place.

Catering income is recognised in the period in which the service is provided.

Income from research grants is recognised when it is receivable except where it is specified that the grant must be used in a future accounting period or where there are pre-conditions for use.

Clinic income is included as it is received.

*Activities for generating funds*

Trading company income represents the amounts derived from the provision of goods and services to students, patients and customers during the year and is recognised when the respective goods and services are provided.

*Interest receivable*

Interest is included on a receivable basis.

**2.7 Resources expended**

Resources expended are included in the Statement of Financial Activities on an accruals basis, inclusive of any VAT which cannot be recovered.

Expenditure that is directly attributable to a specific activity is included in that cost category. Support costs are those costs which enable charitable activities to be undertaken. These costs include finance, registry, human resources, property maintenance and information systems. Support costs that are not directly attributable to a specific activity are apportioned on the basis of management estimates of the amount attributable to each activity in the year.

As the chiropractic clinic is principally a teaching facility most costs associated with its operation are included within college tuition and research. Other costs that are not related to teaching activity (principally private practice) are included within chiropractic clinic costs.

Governance costs comprise the costs of governing the Group. These costs include audit, legal advice for Governors and costs associated with complying with constitutional and statutory requirements such as the costs of Governors' meetings.

**2.8 Leases**

Assets held under finance leases, which are those where substantially all the risks and rewards of ownership have passed to the Group, are capitalised in the balance sheet and are depreciated over their useful lives. The capital element of future obligations under the leases is included as a liability in the balance sheet. The interest element of the rental obligations is charged to the Statement of Financial Activities over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. Operating lease rentals 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)**

**2.9 Fund accounting**

The Group's results are dealt with under two categories of funds as follows:

***Unrestricted***

Unrestricted funds are those funds, which are expendable at the discretion of the Governors in furtherance of the objects of the Group. Unrestricted funds may be earmarked for a particular purpose and designated as a separate fund. This designation is for administrative purposes only and does not legally restrict the Governors' discretion to apply the fund.

***Restricted***

Restricted funds are those funds which are subject to specific trusts whereby the donor earmarks the funds for specific purposes which are within the overall objects of the Group.

**2.10 Taxation**

The activities of the College are exempt from corporation taxation under section 505 of the Income and Corporation Taxes Act 1988 to the extent that they are applied to the organisation's charitable objectives. The trading subsidiaries do not generally pay UK corporation tax because their policy is to covenant profits to the College.

**2.11 Foreign currencies**

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Non-monetary assets and liabilities and transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

**2.12 Research and development**

Research and development expenditure is written off as incurred.

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**Notes to the financial statements (continued)**

**3. Net movements in funds for the year**

|   | <b>2014</b>    | <b>2013</b>    |
|---|----------------|----------------|
|   | <b>Group</b>   | <b>Group</b>   |
|   | <b>£</b>       | <b>£</b>       |
| Net movements in funds for the year is stated after charging: |                |                |
| Auditors' remuneration – Company audit services               | 11,685         | 11,400         |
| Audit of subsidiaries   | 6,602          | 6,562          |
| Group non audit services                                      | 6,389          | 3,997          |
| Operating lease rentals: Land & buildings                     | 12,327         | 18,350         |
| Other   | 3,650          | 4,115          |
| Depreciation  | 307,811        | 345,370        |
| Research and development                                      | <u>278,251</u> | <u>278,203</u> |
| After crediting:  |                |                |
| Donations and gifts   | 40,836         | 58,507         |
| Profit on sales of fixed assets                               | <u>8,883</u>   | <u>475</u>     |

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**Notes to the financial statements (continued)**

**4. Analysis of resources expended**

| Group  | Staff<br>Costs   | Depreciation   | Other<br>costs   | 2014<br>Total    | 2013<br>Total<br>(Restated) |
|--|------------------|----------------|------------------|------------------|-----------------------------|
|  | £                | £              | £                | £                | £                           |
| Costs of generating funds                      |                  |                |                  |                  |                             |
| Trading company expenditure                    | 56,217           | 2,406          | 191,675          | 250,298          | 267,008                     |
| Recharged Costs                                | 22,432           | -              | -                | 22,432           | 21,676                      |
| Costs in furtherance of the charities objects: |                  |                |                  |                  |                             |
| College tuition and research                   |                  |                |                  |                  |                             |
| Direct   | 3,308,037        | 224,090        | 1,928,080        | 5,460,207        | 5,310,642                   |
| Support  | 604,655          | 37,856         | 91,893           | 734,404          | 758,642                     |
| CPD  |                  |                |                  |                  |                             |
| Direct   | 74,805           | 10,058         | 89,935           | 174,798          | 186,701                     |
| Support  | 28,344           | 1,775          | 81,358           | 111,477          | 121,340                     |
| Chiropractic Clinic                            |                  |                |                  |                  |                             |
| Direct   | 78,318           | 4,401          | 29,346           | 112,065          | 105,554                     |
| Support  | 12,402           | 777            | 70               | 13,249           | 15,170                      |
| Ultrasound Services                            |                  |                |                  |                  |                             |
| Direct   | 133,495          | 11,316         | 101,176          | 245,987          | 221,610                     |
| Support  | 31,895           | 1,997          | 42,311           | 76,203           | 60,821                      |
| Catering Expenditure                           |                  |                |                  |                  |                             |
| Direct   | 88,315           | 11,165         | 99,827           | 199,307          | 194,087                     |
| Support  | 26,571           | 1,970          | 78,311           | 106,852          | 89,468                      |
| Governance                                     | 29,445           | -              | 14,421           | 43,866           | 43,129                      |
|  | <u>4,494,931</u> | <u>307,811</u> | <u>2,748,403</u> | <u>7,551,145</u> | <u>7,395,848</u>            |

Accounting policy 2.7 deals with the allocation of costs between activities.

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**Notes to the financial statements (continued)**

**5. Remuneration of Governors**

Governors' emoluments during the year ended 31 August 2014 were £170,665 (2013: £168,164). These emoluments only relate to Governors' services as employees as permitted by the company's articles. Two (2013: 2) Governors were members of the Teachers' Pension Scheme and have accrued entitlement of £33,381 under the scheme at the year end with an accrued lump sum of £100,146. The contributions paid in the year amounted to £20,475 (2013: £22,596). £2,014 (2013: £2,014) was spent on indemnity insurance for Governors and officers of the College.

The Governors incurred £6,867 (2013: £7,488) in respect of reimbursed expenses (inclusive of those incurred on Company credit cards). Seven (2013: 7) Governors claimed expenses relating to travel, subsistence and entertainment during the year.

**6. Staff numbers and costs**

The average number of persons employed by the Group during the year ended 31 August 2014 was:

|                               | FTE's      |            | Number     |            |
|-------------------------------|------------|------------|------------|------------|
|                               | 2014       | 2013       | 2014       | 2013       |
| Academic                      | 43         | 43         | 48         | 48         |
| Administration and management | 72         | 68         | 93         | 91         |
|                               | <u>115</u> | <u>111</u> | <u>141</u> | <u>139</u> |

The aggregate payroll costs (including Governors) of those persons were as follows:

|                                   | Company          | Subsidiaries  | 2014<br>Group    | 2013<br>Group<br>(Restated) |
|-----------------------------------|------------------|---------------|------------------|-----------------------------|
|                                   | £                | £             | £                | £                           |
| Wages and Salaries                | 3,683,664        | 53,959        | 3,737,623        | 3,561,300                   |
| Social Security costs             | 331,444          | 2,258         | 333,702          | 317,965                     |
| Other pension costs (see note 21) | 423,606          | -             | 423,606          | 362,409                     |
|                                   | <u>4,438,714</u> | <u>56,217</u> | <u>4,494,931</u> | <u>4,241,674</u>            |

The Group also incurred £370,991 (2013: £365,971) of costs relating to casual and agency staff.

The number of full time equivalent employees including casual staff was 121 (2013: 115).

The number of higher paid employees including Governors (excluding pension contributions) was:

|                     | 2014     | 2013     |
|---------------------|----------|----------|
| £60,001 - £70,000   | 5        | 1        |
| £70,001 - £80,000   | 2        | 3        |
| £90,001 - £100,000  | 1        | 1        |
| £110,001 - £120,000 | -        | 1        |
| £120,001 - £130,000 | 1        | -        |
|                     | <u>9</u> | <u>6</u> |

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**Notes to the financial statements (continued)**

**6. Staff numbers and costs (continued)**

Eight (2013: 5) higher paid employees were members of a defined benefit pension scheme. One (2013: 1) higher paid employee was a member of a defined contribution pension scheme. Employer contributions of £6,172 (2013: £6,021) were made in respect of this individual.

**7. Trading subsidiaries**

The Company has two wholly owned trading subsidiaries which are incorporated in the UK. Details of the Company's subsidiary undertakings are as follows:

| Name                     | Class of Shares | Company's Interest | Registered      | Principal activity  |
|--------------------------|-----------------|--------------------|-----------------|---|
| Spine Centre Limited     | Ordinary £1     | 100%               | England & Wales | Sales of Chiropractic supplies, books & stationery                        |
| AECC Enterprises Limited | Ordinary £1     | 100%               | England & Wales | Commercial exploitation of research and operation of chiropractic clinics |

***Spine Centre Limited***

Spine Centre Limited operates a retail outlet selling educational aids. Its trading results and balance sheet are summarised below and its audited financial statements have been filed with the Registrar of Companies.

| <b>Profit &amp; Loss account</b>                   | <b>2014</b>     | <b>2013</b>     |
|--|-----------------|-----------------|
|  | <b>£</b>        | <b>£</b>        |
| <b>Turnover</b>                                    | 164,899         | 183,497         |
| Cost of sales                                      | (114,907)       | (127,213)       |
| <b>Gross Profit</b>                                | 49,992          | 56,284          |
| Administrative expenses                            | (66,054)        | (67,374)        |
| <b>Operating loss</b>                              | (16,062)        | (11,090)        |
| Interest Receivable                                | 11              | 15              |
| Interest Payable                                   | (500)           | (500)           |
| <b>Loss on ordinary activities before taxation</b> | (16,551)        | (11,575)        |
| Taxation   | -               | -               |
| <b>Loss after tax</b>                              | <u>(16,551)</u> | <u>(11,575)</u> |
| <br><b>Balance sheet</b>                           |                 |                 |
| Fixed assets                                       | 751             | 415             |
| Net current liabilities                            | (21,940)        | (5,053)         |
| <b>Capital and reserves</b>                        | <u>(21,189)</u> | <u>(4,638)</u>  |

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**Notes to the financial statements (continued)**

**7. Trading subsidiaries (continued)**

Turnover and cost of sales above exclude £13,797 (2013: £15,528) of intra-group sales.

Administration expenses include £16,388 (2013: £15,988) of recharges from Anglo-European College of Chiropractic.

***AECC Enterprises Limited***

AECC Enterprises Limited is responsible for the commercial exploitation of research activity and the operating of chiropractic clinics. Its trading results and balance sheet are summarised below and its audited financial statements have been filed with the Register of Companies.

| <b>Profit &amp; Loss account</b> | <b>2014</b>     | <b>2013</b>     |
|----------------------------------|-----------------|-----------------|
|                                  | <b>£</b>        | <b>£</b>        |
| <b>Turnover</b>                  | 56,512          | 61,105          |
| Cost of sales                    | <u>(18,566)</u> | <u>(18,487)</u> |
| <b>Gross profit</b>              | 37,946          | 42,618          |
| Administrative expenses          | <u>(38,182)</u> | <u>(75,610)</u> |
| <b>Operating Loss</b>            | (236)           | (32,992)        |
| Interest Payable                 | <u>(1,449)</u>  | <u>(931)</u>    |
| <b>Loss before taxation</b>      | (1,685)         | (33,923)        |
| Taxation                         | <u>-</u>        | <u>-</u>        |
| <b>Loss after tax</b>            | <u>(1,685)</u>  | <u>(33,923)</u> |
| <br><b>Balance sheet</b>         |                 |                 |
| Fixed assets                     | -               | 6,941           |
| Net current liabilities          | <u>(47,459)</u> | <u>(52,715)</u> |
| <b>Capital and reserves</b>      | <u>(47,459)</u> | <u>(45,774)</u> |

Cost of Sales include £2,294 (2013: £688) of recharges from Anglo-European College of Chiropractic.

Administrative expenses include £3,750 (2013: £5,000) of recharges from Anglo European College of Chiropractic.

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**Notes to the financial statements (continued)**

**8. Intangible fixed assets**

| Group                                | Goodwill<br>£ | Total<br>£ |
|--------------------------------------|---------------|------------|
| <b>Cost</b>                          |               |            |
| At beginning of year                 | 65,100        | 65,100     |
| Disposal                             | (65,100)      | (65,100)   |
| At end of year                       | -             | -          |
| <b>Amortisation</b>                  |               |            |
| At beginning of year                 | 65,100        | 65,100     |
| Disposal                             | (65,100)      | (65,100)   |
| At end of year                       | -             | -          |
| <b>Net book values</b>               |               |            |
| At 31 August 2013 and 31 August 2014 | -             | -          |

**9. Tangible fixed assets – for own use**

| Group                  | Assets in the<br>course of<br>construction<br>£ | Freehold<br>land &<br>buildings<br>£ | Medical and<br>teaching<br>equipment<br>£ | Office<br>equipment<br>furniture<br>and fittings<br>£ | Total<br>£ |
|------------------------|---|--------------------------------------|---|---|------------|
| <b>Cost</b>            |   |                                      |   |   |            |
| At beginning of year   | -   | 4,485,716                            | 1,045,314                                 | 1,675,904   | 7,206,934  |
| Transfer               | 900   | -                                    | -   | (900)   | -          |
| Additions              | 979,576   | -                                    | 75,879                                    | 131,310   | 1,186,765  |
| Disposals              | -   | -                                    | (62,541)                                  | (59,954)  | (122,495)  |
| At end of year         | 980,476   | 4,485,716                            | 1,058,652                                 | 1,746,360   | 8,271,204  |
| <b>Depreciation</b>    |   |                                      |   |   |            |
| At beginning of year   | -   | 756,498                              | 944,298                                   | 1,487,200   | 3,187,996  |
| Charge for year        | -   | 117,003                              | 74,729                                    | 116,079   | 307,811    |
| Disposals              | -   | -                                    | (58,525)                                  | (59,368)  | (117,893)  |
| At end of year         | -   | 873,501                              | 960,502                                   | 1,543,911   | 3,377,914  |
| <b>Net book values</b> |   |                                      |   |   |            |
| At 31 August 2014      | 980,476   | 3,612,215                            | 98,150                                    | 202,449   | 4,893,290  |
| At 31 August 2013      | -   | 3,729,218                            | 101,016                                   | 188,704   | 4,018,938  |

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**Notes to the financial statements (continued)**

**9. Tangible fixed assets – for own use (continued)**

| Company                | Assets in the<br>course of<br>construction<br>£ | Freehold<br>land &<br>buildings<br>£ | Medical and<br>teaching<br>equipment<br>£ | Office<br>equipment<br>furniture<br>and fittings<br>£ | Total<br>£       |
|------------------------|---|--------------------------------------|---|---|------------------|
| <b>Cost</b>            |   |                                      |   |   |                  |
| At beginning of year   | -   | 4,485,716                            | 1,037,607                                 | 1,666,544   | 7,189,867        |
| Transfer               | 900   | -                                    | -   | (900)   | -                |
| Additions              | 979,576   | -                                    | 75,879                                    | 130,907   | 1,186,362        |
| Disposals              | -   | -                                    | (54,834)                                  | (56,315)  | (111,149)        |
| At end of year         | <u>980,476</u>                                  | <u>4,485,716</u>                     | <u>1,058,652</u>                          | <u>1,740,236</u>                                      | <u>8,265,080</u> |
| <b>Depreciation</b>    |   |                                      |   |   |                  |
| At beginning of year   | -   | 756,498                              | 941,461                                   | 1,480,326   | 3,178,285        |
| Charge for year        | -   | 117,003                              | 73,875                                    | 114,527   | 305,405          |
| Disposals              | -   | -                                    | (54,834)                                  | (56,315)  | (111,149)        |
| At end of year         | -   | <u>873,501</u>                       | <u>960,502</u>                            | <u>1,538,538</u>                                      | <u>3,372,541</u> |
| <b>Net book values</b> |   |                                      |   |   |                  |
| At 31 August 2014      | <u>980,476</u>                                  | <u>3,612,215</u>                     | <u>98,150</u>                             | <u>201,698</u>  | <u>4,892,539</u> |
| At 31 August 2013      | -   | <u>3,729,218</u>                     | <u>96,146</u>                             | <u>186,218</u>  | <u>4,011,582</u> |

The gross book value of freehold land and buildings for the Group and the Company includes £4,402,113 (2013: £4,402,113) of depreciable assets.

**10. Fixed asset investments**

| Company                | Shares in<br>subsidiary<br>undertakings<br>£ | Loan to<br>subsidiary<br>undertakings<br>£ | Total<br>£     |
|------------------------|--|--|----------------|
| <b>Cost</b>            |  |  |                |
| At beginning of year   | 154,002                                      | 71,000                                     | 225,002        |
| Investments in year    | -  | 10,000                                     | 10,000         |
| Repayment in year      | -  | (9,000)                                    | (9,000)        |
| At end of year         | <u>154,002</u>                               | <u>72,000</u>                              | <u>226,002</u> |
| <b>Provision</b>       |  |  |                |
| At beginning of year   | 154,000                                      | 51,000                                     | 205,000        |
| Charge for year        | -  | 1,000                                      | 1,000          |
| At end of year         | <u>154,000</u>                               | <u>52,000</u>                              | <u>206,000</u> |
| <b>Net Book Values</b> |  |  |                |
| At 31 August 2014      | <u>2</u>                                     | <u>20,000</u>                              | <u>20,002</u>  |
| At 31 August 2013      | <u>2</u>                                     | <u>20,000</u>                              | <u>20,002</u>  |

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**Notes to the financial statements (continued)**

**10. Fixed asset investments (continued)**

The loans to the subsidiaries are unsecured and attract interest at base rate plus 2%.

Details of the subsidiaries are given in note 7.

**11. Stocks**

|                  | 2014<br>Group<br>£ | 2014<br>Company<br>£ | 2013<br>Group<br>£ | 2013<br>Company<br>£ |
|------------------|--------------------|----------------------|--------------------|----------------------|
| Consumables      | 15,473             | 15,081               | 16,594             | 16,033               |
| Goods for resale | 34,389             | -                    | 86,443             | -                    |
|                  | <u>49,862</u>      | <u>15,081</u>        | <u>103,037</u>     | <u>16,033</u>        |

**12. Debtors**

|   | 2014<br>Group<br>£ | 2014<br>Company<br>£ | 2013<br>Group<br>£ | 2013<br>Company<br>£ |
|---|--------------------|----------------------|--------------------|----------------------|
| Trade debtors                           | 68,321             | 29,479               | 104,141            | 80,995               |
| Amounts owed by subsidiary undertakings | -                  | 25,707               | -                  | 77,535               |
| Prepayments and accrued income          | 183,446            | 183,338              | 175,035            | 170,412              |
| Other debtors                           | 14,437             | 14,437               | 22,470             | 21,490               |
|   | <u>266,204</u>     | <u>252,961</u>       | <u>301,646</u>     | <u>350,432</u>       |

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

|                              | 2014<br>Group<br>£ | 2014<br>Company<br>£ | 2013<br>Group<br>£ | 2013<br>Company<br>£ |
|------------------------------|--------------------|----------------------|--------------------|----------------------|
| Loan stock                   | 17,321             | 17,321               | 17,321             | 17,321               |
| Trade creditors              | 484,024            | 469,410              | 223,289            | 203,468              |
| Taxation and social security | 105,006            | 104,684              | 111,403            | 110,949              |
| Other creditors              | 79,733             | 76,285               | 69,313             | 66,718               |
| Accruals and deferred income | 372,374            | 354,931              | 371,855            | 359,762              |
|                              | <u>1,058,458</u>   | <u>1,022,631</u>     | <u>793,181</u>     | <u>758,218</u>       |

The loan stock is repayable on demand. It is secured by a fixed charge on the Company's freehold land and buildings.

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**14. Net pension liability**

The pension scheme liability may be analysed as follows:

|                                     | 2014                 | 2013                               |
|-------------------------------------|----------------------|------------------------------------|
|                                     | Group and<br>company | Group and<br>company<br>(Restated) |
|                                     | £                    | £                                  |
| Present value of funded obligations | 3,062,000            | 2,488,000                          |
| Fair value of plan assets           | <u>(2,027,000)</u>   | <u>(1,691,000)</u>                 |
| Net liability                       | <u>1,035,000</u>     | <u>797,000</u>                     |

**15. Capital commitments**

The group and company had £323,051 of contracted capital commitments at the end of the financial year (2013: £42,600).

**16. Lease commitments**

Annual commitments under non-cancellable operating leases were:

|   | 2014                |              |                     |              | 2013                |              |                     |              |
|---|---------------------|--------------|---------------------|--------------|---------------------|--------------|---------------------|--------------|
|   | Group               |              | Company             |              | Group               |              | Company             |              |
|   | Land &<br>Buildings | Other        |
|   | £                   | £            | £                   | £            | £                   | £            | £                   | £            |
| <b>Operating lease which will expire:</b> |                     |              |                     |              |                     |              |                     |              |
| In one to two years                       | -                   | 3,650        | -                   | 3,650        | 18,350              | -            | -                   | -            |
| In two to five years                      | -                   | -            | -                   | -            | -                   | 3,650        | -                   | 3,650        |
|   | <u>-</u>            | <u>3,650</u> | <u>-</u>            | <u>3,650</u> | <u>18,350</u>       | <u>3,650</u> | <u>-</u>            | <u>3,650</u> |

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**Notes to the financial statements (continued)**

**17. Designated funds**

The income funds of the Anglo-European College of Chiropractic include the following designated funds which have been set aside out of unrestricted funds by the Governors for specific purposes.

|   | Group and Company                |                       |                 | Balance at 31 August 2014<br>£ |
|---|----------------------------------|-----------------------|-----------------|--------------------------------|
|   | Balance at 1 September 2013<br>£ | New designations<br>£ | Utilised<br>£   |                                |
| TAM Club Clinic, Research & Library Development | 36,111                           | 8,556                 | (17,954)        | 26,713                         |
| Chiropractic Trust Fund                         | 95,697                           | -                     | -               | 95,697                         |
|   | <u>131,808</u>                   | <u>8,556</u>          | <u>(17,954)</u> | <u>122,410</u>                 |

The treatment a month (TAM) club income is derived from regular donations from chiropractors. Funds from this source are designated for use on specific projects as determined by the Principal of the AECC.

The Chiropractic Trust Fund is derived from the funds trusted to the AECC when the Trust was wound up. The Board agreed that the former trustees of the Chiropractic Trust form a committee to determine how the funds will be spent within the overall objectives. The committee has approved expenditure of £100,000 on research activities and bursaries which is being incurred over a six year period to August 2018.

**18. Restricted funds**

|                            | Balance at 1 September 2013<br>£ | Group and Company Movement in resources |                 | Balance at 31 August 2014<br>£ |
|----------------------------|----------------------------------|---|-----------------|--------------------------------|
|                            |                                  | Incoming<br>£                           | Outgoing<br>£   |                                |
| Rehabilitation Centre Fund | 19,444                           | -                                       | (526)           | 18,918                         |
| Research Funds             | 5,842                            | 42,314                                  | (43,762)        | 4,394                          |
| Student Hardship Funds     | 1,370                            | -                                       | -               | 1,370                          |
| New Clinic Fund            | 268,325                          | -                                       | (5,919)         | 262,406                        |
| Kerkut Fund                | 5,962                            | -                                       | (1,481)         | 4,481                          |
| BCA Proms                  | 34,462                           | -                                       | (34,462)        | -                              |
| Rix's Big Ramble Fund      | 1,161                            | -                                       | (1,161)         | -                              |
| MRI Fund                   | -                                | 27,096                                  | -               | 27,096                         |
|                            | <u>336,566</u>                   | <u>69,410</u>                           | <u>(87,311)</u> | <u>318,665</u>                 |

**Notes to the financial statements (continued)**

**18. Restricted funds (continued)**

The Rehabilitation Centre Fund was established following a grant from the Diana Princess of Wales Memorial Fund. This was to provide for building, equipment and initial set-up costs for the College's Rehabilitation Centre.

Research Funds represent grants received specifically for defined research projects.

The Student Hardship Funds were established by donations specifically to help students experiencing financial difficulty.

The New Clinic Fund represents donations received specifically for the purpose of building the new clinic.

The Kerkut Fund was established following a grant from the Gerald Kerkut Research Fund. It was used to purchase equipment to measure heart rate variability and evaluate stress responses.

Rix's Big Ramble Fund was derived from donations made for a sponsored walk to finance the purchase of equipment for research in clinical neurology.

BCA Proms fund was established by a grant to support a research fellow to undertake a study into the quality of muscular-skeletal services in the UK.

The MRI fund is derived from donations made to help finance the purchase of equipment for the MRI facility.

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**Notes to the financial statements (continued)**

**19. Reconciliation of movement in funds**

|                           | Balance at 1<br>September<br>2013<br><br>(Restated) | Surplus /<br>(Deficit)  | Transfers       | Balance at 31<br>August<br>2014 |
|---------------------------|---|-------------------------|-----------------|---------------------------------|
| Group                     | £   | £                       | £               | £                               |
| <b>Unrestricted funds</b> |   |                         |                 |                                 |
| General                   | 5,952,397   | (232,611)               | 9,398           | 5,729,184                       |
| Designated                | 131,808   | -                       | (9,398)         | 122,410                         |
|                           | <u>6,084,205</u>                                    | <u>(232,611)</u>        | <u>-</u>        | <u>5,851,594</u>                |
| Restricted                | 336,566   | (17,901)                | -               | 318,665                         |
| <b>Total funds</b>        | <b><u>6,420,771</u></b>                             | <b><u>(250,512)</u></b> | <b><u>-</u></b> | <b><u>6,170,259</u></b>         |
|                           | Balance at 1<br>September<br>2013<br><br>(Restated) | Surplus /<br>(Deficit)  | Transfers       | Balance at 31<br>August<br>2014 |
| Company                   | £   | £                       | £               | £                               |
| <b>Unrestricted funds</b> |   |                         |                 |                                 |
| General                   | 5,936,670   | (231,635)               | 9,398           | 5,714,433                       |
| Designated                | 131,808   | -                       | (9,398)         | 122,410                         |
|                           | <u>6,068,478</u>                                    | <u>(231,635)</u>        | <u>-</u>        | <u>5,836,843</u>                |
| Restricted                | 336,566   | (17,901)                | -               | 318,665                         |
| <b>Total funds</b>        | <b><u>6,405,044</u></b>                             | <b><u>(249,536)</u></b> | <b><u>-</u></b> | <b><u>6,155,508</u></b>         |

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**Notes to the financial statements (continued)**

**20. Analysis of net assets between funds**

**Group**

|                  | Fixed<br>Assets<br>£ | Net<br>Current<br>Assets<br>£ | Non<br>current<br>liabilities<br>£ | Total<br>£       |
|------------------|----------------------|-------------------------------|------------------------------------|------------------|
| Restricted funds | 311,603              | 7,062                         | -                                  | 318,665          |
| General funds    | 4,579,432            | 2,184,752                     | (1,035,000)                        | 5,729,184        |
| Designated funds | 2,255                | 120,155                       | -                                  | 122,410          |
|                  | <u>4,893,290</u>     | <u>2,311,969</u>              | <u>(1,035,000)</u>                 | <u>6,170,259</u> |

**Company**

|                  | Fixed<br>Assets<br>£ | Net<br>Current<br>Assets<br>£ | Non<br>current<br>liabilities<br>£ | Total<br>£       |
|------------------|----------------------|-------------------------------|------------------------------------|------------------|
| Restricted funds | 311,603              | 7,062                         | -                                  | 318,665          |
| General funds    | 4,598,683            | 2,150,750                     | (1,035,000)                        | 5,714,433        |
| Designated funds | 2,255                | 120,155                       | -                                  | 122,410          |
|                  | <u>4,912,541</u>     | <u>2,277,967</u>              | <u>(1,035,000)</u>                 | <u>6,155,508</u> |

**21. Pension schemes**

The Group principally participates in four pension schemes – The Teachers' Pension Scheme and The Local Government Superannuation Scheme, which are both defined benefit schemes, and the Zurich Scheme and Scottish Widows Scheme, which are both defined contribution schemes.

The Group has capped its contributions to these pension arrangements at an effective rate of 5%. This is implemented by contractual arrangements with employees who take a reduction in salary when company contribution rates exceed 5%.

The amount outstanding at the year end was £50,978 (2013: £44,935). The total pension cost for the year may be analysed as follows:

|   | 2014<br>£      | 2013<br>(Restated)<br>£ |
|---|----------------|-------------------------|
| Teachers' pension scheme  | 226,452        | 212,843                 |
| Local government superannuation scheme (including<br>FRS 17 adjustments of £55,000 (2013: £28,000)) | 162,305        | 115,767                 |
| Zurich  | 9,029          | 8,809                   |
| Scottish Widows   | 24,114         | 23,326                  |
| Other   | 1,706          | 1,664                   |
|   | <u>423,606</u> | <u>362,409</u>          |

**Notes to the financial statements (continued)**

**21. Pension schemes (continued)**

**Teachers' Pension Scheme**

The Teachers' Pensions Scheme ("TPS") is a statutory, contributory, defined benefit scheme. The regulations under which the TPS operates are the Teachers' Pensions Regulations 2010. Retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a 'pay as-you-go' basis, and employers' contributions, are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions Regulations require an annual account, the Teachers' Pensions Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pensions' increases). From 1 April 2001 to 31 March 2011, the Account has been credited with a real rate of return (in excess of price increases and currently set at 3.5%), which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Valuation of the Teachers' Pensions Scheme

Not less than every four years the Government Actuary ("GA"), using normal actuarial principles, conducts a formal actuarial review of the TPS. 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. Many of these were being discussed in the context of the design for a reformed TPS, and as set out in the Proposed Final Agreement, and scheme valuations had been suspended since the last valuation in 2004.

The contribution rate paid into the TPS is assessed in two parts. First, a standard contribution rate ("SCR") is determined. This is the contribution, expressed as a percentage of the salaries of teachers and lecturers in service or entering service during the period over which the contribution rate applies, which if it were paid over the entire active service of these teachers and lecturers would broadly defray the cost of benefits payable in respect of that service. Secondly, a supplementary contribution is payable if, as a result of the actuarial investigation, it is found that accumulated liabilities of the Account for benefits to past and present teachers, are not fully covered by standard contributions to be paid in future and by the notional fund built up from past contributions. The total contribution rate payable is the sum of the SCR and the supplementary contribution rate.

Valuations of the TPS are now required under the Public Service Pensions Act 2013 every 4 years and are required to be carried out in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury.

An actuarial valuation of the TPS in accordance with these Directions was published in June 2014 assessing the TPS as at 31 March 2012. The GA's report revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £191,500 million. The notional value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £176,600 million. 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 5.06%.

**Notes to the financial statements (continued)**

**21. Pension schemes (continued)**

Employer and employee contribution rates

As from 1 January 2007, and as part of the cost-sharing agreement between employers' and teachers' representatives, the SCR was assessed at 19.75%, and the supplementary contribution rate was assessed to be 0.75% (to balance assets and liabilities as required by the regulations within 15 years). This resulted in a total contribution rate of 20.5%, which translated into an employee contribution rate of 6.4% and employer contribution rate of 14.1% payable. The cost-sharing agreement also introduced – effective for the first time for the 2008 valuation – a 14% cap on employer contributions payable.

From 1 April 2013 to 31 March 2014, the employee contribution rate will range between 6.4% and 11.2%, depending on a member's Full Time Equivalent salary and for 2014/15 will range between 6.4% and 12.4%. Thereafter members will be expected to pay an average contribution rate of 9.6%.

The TPS valuation for 2012 determined an employer contribution rate of 16.4% from September 2015 and an employee cost cap of 10.9%, both to be set in regulations until the next valuation as at March 2016, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

There will be further reforms and changes to the TPS with a new 2015 scheme.

The pension costs paid to TPS in the year amounted to £226,452 (2013: £212,843).

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme.

Accordingly, the College has taken advantage of the exemption in FRS17 and has accounted for its contributions to the scheme as if it were a defined-contribution scheme. The College has set out above the information available on the scheme and the implications for the College in terms of the anticipated contribution rates.

**Local Government Pension Scheme**

The LGPS is a funded defined-benefit scheme, with the assets held in separate funds administered by Dorset Local Authority. The total contribution made for the year ended 31 August 2014 was £156,684 of which employer's contributions totalled £111,796 (£4,491 of which were funded by employees under special contractual arrangements) and employees' contributions totalled £44,888. The agreed contribution rates for future years are 15.5% for employers and range from 5.5% to 8.5% for employees, depending on salary.

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**Notes to the financial statements (continued)**

**21. Pension schemes (continued)**

**Principal Actuarial Assumptions**

The following information is based upon a full actuarial valuation of the fund at 31 March 2013 updated to 31 August 2014 by a qualified independent actuary:

|  | At 31 August<br>2014 | At 31 August<br>2013 |
|--|----------------------|----------------------|
| Rate of increase in salaries                         | 4.1%                 | 4.3%                 |
| Rate of increase for pensions in payment / inflation | 2.6%                 | 2.8%                 |
| Discount rate for scheme liabilities                 | 3.9%                 | 4.6%                 |
| Inflation assumption (CPI)                           | 2.6%                 | 2.8%                 |
| Commutation of pensions to lump sums                 | 50%                  |                      |

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

|                             | At 31 August<br>2014 | At 31 August<br>2013 |
|-----------------------------|----------------------|----------------------|
| <i>Retiring today</i>       |                      |                      |
| Males                       | 22.7                 | 22.6                 |
| Females                     | 25.1                 | 25.0                 |
| <i>Retiring in 20 years</i> |                      |                      |
| Males                       | 24.9                 | 24.8                 |
| Females                     | 27.4                 | 27.3                 |

The College's share of the assets and liabilities in the scheme and the expected rates of return were:

|                                     | Long-term<br>rate of<br>return<br>expected at<br>31 August<br>2014 | Value at 31<br>August<br>2014<br>£'000 | Long-term<br>rate of<br>return<br>expected at<br>31 August<br>2013 | Value at 31<br>August 2013<br>£'000 |
|-------------------------------------|--|--|--|-------------------------------------|
| Equities                            | 6.9%   | 1,105                                  | 7.3%   | 1,052                               |
| Alternative assets                  | 6.9%   | 98                                     | 7.3%   | -                                   |
| Absolute Return                     | 6.9%   | 46                                     | 7.3%   | 78                                  |
| Gilts                               | 3.0%   | 405                                    | 3.7%   | 331                                 |
| Property                            | 5.9%   | 186                                    | 7.3%   | 141                                 |
| Cash                                | 2.9%   | 187                                    | 3.5%   | 89                                  |
| <b>Total market value of assets</b> |  | <b>2,027</b>                           |  | <b>1,691</b>                        |
| Present value of scheme liabilities |  | (3,062)                                |  | (2,488)                             |
| <b>Deficit in the scheme</b>        |  | <b>(1,035)</b>                         |  | <b>(797)</b>                        |

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**Notes to the financial statements (continued)**

**21. Pension schemes (continued)**

**Amounts recognised in the consolidated statement of financial activities**

|  | <b>2014</b>  | <b>2013</b>  |
|--|--------------|--------------|
|  | <b>£'000</b> | <b>£'000</b> |
| Current service cost (net of employee contributions) | 168          | 104          |
| Past service cost                                    | -            | -            |
| <b>Total operating charge</b>                        | <b>168</b>   | <b>104</b>   |

**Analysis of pension finance costs**

|  |            |            |
|--|------------|------------|
| Expected return on pension scheme assets | 112        | 84         |
| Interest on pension liabilities          | (119)      | (93)       |
| <b>Pension finance costs</b>             | <b>(7)</b> | <b>(9)</b> |

The cumulative amount of actuarial losses recognised in the consolidated statement of financial activities since the adoption of FRS 17 is £936,000 (2013: £760,000).

The actual return on scheme assets was £214,000 (2013: £199,000).

|   | <b>2014</b>  | <b>2013</b>  |
|---|--------------|--------------|
|   | <b>£'000</b> | <b>£'000</b> |
| <b>Movements in the present value of defined benefit obligations were as follows:</b> |              |              |
| <b>Liabilities at start of period</b>   | <b>2,488</b> | <b>2,105</b> |
| Service cost  | 168          | 104          |
| Interest cost   | 119          | 93           |
| Employee contributions  | 45           | 30           |
| Actuarial (gain)/loss   | 278          | 174          |
| Benefits paid   | (36)         | (18)         |
| Past Service cost   | -            | -            |
| Curtailments and settlements  | -            | -            |
| <b>Liabilities at end of period*</b>  | <b>3,062</b> | <b>2,488</b> |

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

|                                  |              |              |
|----------------------------------|--------------|--------------|
| <b>Assets at start of period</b> | <b>1,691</b> | <b>1,404</b> |
| Expected return on assets        | 112          | 84           |
| Actuarial gain/(loss)            | 102          | 115          |
| Employer contributions           | 113          | 76           |
| Employee contributions           | 45           | 30           |
| Benefits paid                    | (36)         | (18)         |
| <b>Assets at end of period</b>   | <b>2,027</b> | <b>1,691</b> |

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**Notes to the financial statements (continued)**

**21. Pension schemes (continued)**

The estimated value of employer contributions for the year ended 31 August 2015 is £121,000.

The history of experience adjustments is as follows:

|   | 2014           | 2013         | 2012         |
|---|----------------|--------------|--------------|
|   | £'000          | £'000        | £'000        |
| Present value of defined benefit obligations      | (3,062)        | (2,488)      | (2,105)      |
| Fair value of share of scheme assets              | 2,027          | 1,691        | 1,404        |
| <b>Deficit in the scheme</b>                      | <u>(1,035)</u> | <u>(797)</u> | <u>(701)</u> |
| Experience adjustments on share of scheme assets: |                |              |              |
| Amount £'000                                      | 102            | 115          | -            |
| Experience adjustments on scheme liabilities:     |                |              |              |
| Amount £'000                                      | <u>-</u>       | <u>-</u>     | <u>-</u>     |

**22. Prior period adjustment – defined benefit scheme**

The Governors have considered their methodology for accounting for the Local Government Pension Scheme ('LGPS'). The College has effectively capped its contribution to the scheme to 5% by a contractual arrangement with scheme members that any employer contribution rate increase beyond 5% is matched by a reduction in employees' salaries.

Previously, the Governors' view was that because of the contractual arrangement with staff, no liability could crystallise and the scheme should be accounted for as a defined contribution scheme. Whilst the Governors still believe that it is highly unlikely that any liability will crystallise without it being funded by employees, they recognise that there is a risk that should individuals' contributions increase significantly employees could choose to leave the scheme thus rendering the salary sacrifice ineffectual. In the light of this, the Governors have decided to recategorise the LGPS as a defined benefit scheme in accordance with FRS 17.

The Actuary to the scheme, Barnett Waddingham, has calculated the FRS 17 effects and disclosures which are included in these financial statements and the prior year's figures have been restated where applicable.

The impact of this change has required recognition of a pension liability of £701,000 as at 31 August 2012 and £797,000 at 31 August 2013.

The impact on the 2013 results is as follows:

Original consolidated net movement in funds of £324,119 is now reported as £228,119  
Original consolidated reserves of £7,217,771 are now reported as £6,420,771  
Original company reserves of £7,202,044 are now reported as £6,405,044

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**Notes to the financial statements (continued)**

**22. Prior period adjustment – defined benefit scheme (continued)**

The total FRS 17 liability at 31 August 2014 is £1,035,000 and is presented in the financial statements as follows:

| Adjusted to:  | Quantum £'s        |
|---|--------------------|
| Unrestricted funds at 31 August 2012                            | (701,000)          |
| SOFA Net change in resources 31 August 2013                     | (37,000)           |
| SOFA Re-measurement of retirement benefit scheme 31 August 2013 | (59,000)           |
| Unrestricted funds at 31 August 2013                            | (797,000)          |
| SOFA Net change in resources 31 August 2014                     | (62,000)           |
| SOFA Re-measurement of retirement benefit scheme 31 August 2014 | (176,000)          |
| Unrestricted funds at 31 August 2014                            | <u>(1,035,000)</u> |

**23. Related party transactions**

Owing to the nature of the AECC's operations and the composition of the Board of Governors being partly drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Board of Governors may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures. During the year, Chiropractic Governors have purchased goods from the Spine Centre Limited. All such purchases are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

Mr I Fretten is a partner in Frettens LLP. Up until his date of resignation (31 October 2013) the Group purchased £251 (2013: £3,180) of services from Frettens LLP. At 31 August 2014 the Group owed £1,021 (2013: £720) to Frettens LLP.

The company has taken advantage of the exemption under Financial Reporting Standard No 8 "Related Party Transactions" from disclosing transactions with AECC Enterprises Limited and Spine Centre Limited on the grounds that they are wholly owned subsidiaries.