

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST JULY 2009

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DIRECTORS AND ADVISORS

Directors and Governing Body Members for the year ended 31 July 2009 and up to the date of signing the financial statements

| | |
|--|--|
| Mr P Abbots | Mr D Kemp |
| The Revd J Ainsworth | Mr R Loder-Symonds |
| Mr G Badman (to 31.07.09) | Mr T McDonald |
| Mrs J Bannister (to 31.07.09) | Mr L Preston |
| Mr C Byrne (from 01.08.09) | Professor S Price (to 22.09.09) |
| Mr C Carmichael | Mr L Ridings |
| Miss R Chinnadurai (from 01.08.09) | Mr P Sims |
| Mr S Clark (Governor to 31.07.09) | The Revd Canon J Smith |
| (Deputy Pro-Chancellor from 01.08.09) | Mrs C Spencer (to 31.07.09) |
| The Revd Canon C Edwards (to 31.07.09) | Dr R Sturt |
| Mr C Frederick (from 01.10.09) | Dame J Trotter |
| The Revd N Genders (from 1.06.08) | Ms Rosie Turner |
| Dr D Hayes (to 31.07.09) | Mrs Rosalind Turner (from 01.10.09) |
| Mr P Hermitage (Deputy Pro-Chancellor to 31.07.09) | The Right Revd S Venner (Pro Chancellor to 31.07.09) |
| Mr P Hermitage (Pro-Chancellor from 01.08.09) | (Governor to 30.11.09) |
| Mr P Jones (from 01.11.09) | Professor M Wright (Vice Chancellor and Principal) |

Clerk to the Governing Body

Mr P Bogle

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
First Point
Buckingham Gate
Gatwick
RH6 0PP

Solicitors

Mills & Reeves
Francis House
112 Hill Road
Cambridge
CB2 1PH

Registered Office

Canterbury Christ Church University
c/o The Office of the University Solicitor
North Holmes Road
Canterbury
Kent
CT1 1QU

Company and Charity Numbers

Registered company number 04793659
Registered charity number 1098136

Internal Auditors

Grant Thornton UK LLP
Grant Thornton House
Melton Street
London
NW1 2EP

VICE CHANCELLOR'S REPORT

Scope of Financial Statements

The Financial Statements for the year ended 31 July 2009 have been prepared to comply with the Statement of Recommended Practice (SORP) "Accounting for Further and Higher Education". The results of Salomons Centre Limited, The St Gregory's Foundation Canterbury and Medco (CCCU) Limited have been consolidated into the University's Financial Statements.

The dormant company of Knight Ryan Limited was dissolved on 20 January 2009.

Financial Strategy

The University has a clear financial strategy and it is pleasing to note that the results for the financial year continue to show performance in line with the expectations set out in the medium term financial projections for the institution. In particular, the University has achieved a surplus, which has fully met its strategic plan expectations of moving towards a 3% surplus as a percentage of annual income. This has been achieved by means of a 14.3% increase in income whilst maintaining a careful control over costs.

The University has the following aims set out in its financial strategy for the years 2006-2011:

- The University will ensure that its planning for academic development and facilities is fully supported by a clear business case and included within the financial forecasts.
- The institution will adopt a transparent approach to the distribution of resources between academic and service support areas.
- The University will continue to invest in high quality facilities for the benefit of its students and staff.
- Financial provision will be made for the institution to grow and develop its research activities.
- Financial provision will be maintained to enable the University to develop new initiatives and restructure its cost base.
- The pricing policies of the University will reflect that expected of a high quality academic institution, whilst remaining competitive.

Summary Results for the Year

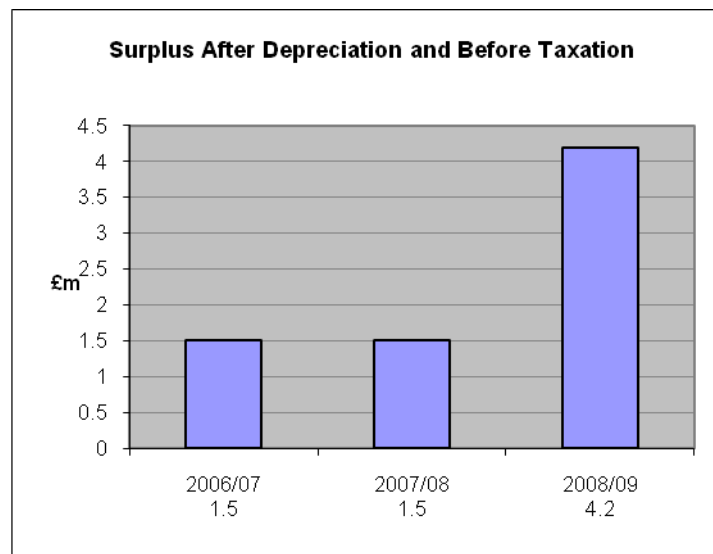
The consolidated results for the years ended 31 July are summarised as follows:

| | <u>2009</u> | <u>2008</u> |
|--|--------------|--------------|
| | £000 | £000 |
| Income | 103,334 | 90,427 |
| Expenditure | 99,135 | 88,265 |
| Operating surplus before exceptional items and taxation | 4,199 | 2,162 |
| Net (loss) on disposal of tangible fixed assets | (32) | (642) |
| Surplus before taxation and transfer to endowment funds | 4,167 | 1,520 |

The particular areas to highlight from the financial results are:

- Total income growth of 14.3% to £103.3m (2008 11.5% to £90.4m)
- Increased expenditure of 12.2% to £99.1m (2008 12% to £88.3m)
- Operating surplus before exceptional items and taxation and endowment funds adjustment of £4.2m (2008 £2.2m)
- Operating surplus after exceptional items and before taxation and endowment funds adjustment of £4.2m (2008 £1.5m)
- Capital additions of £37.6m (2008 £10.6m)
- The inclusion of the accounting for pensions has resulted in a pension scheme deficit of £18.4m (2008 £8.9m)

The University has returned a surplus in 2008/09 which is consistent with its strategic plan objectives. The University continues to target the achievement of a 3% annual trading surplus, whilst recognising the financial pressures which will be evident with a general decline in public sector funding.



Student Numbers

Currently the University has approximately 16,000 students and continues to grow its funded numbers across all of the three main funding bodies e.g. Higher Education Funding Council for England (HEFCE), Training and Development Agency for Schools (TDA) and the National Health Service (NHS). It is anticipated that student number growth prospects for future years will be more restricted although the University has been successful in obtaining further additional student numbers through HEFCE, including numbers to support its continued expansion at its Medway campus.

Capital Projects

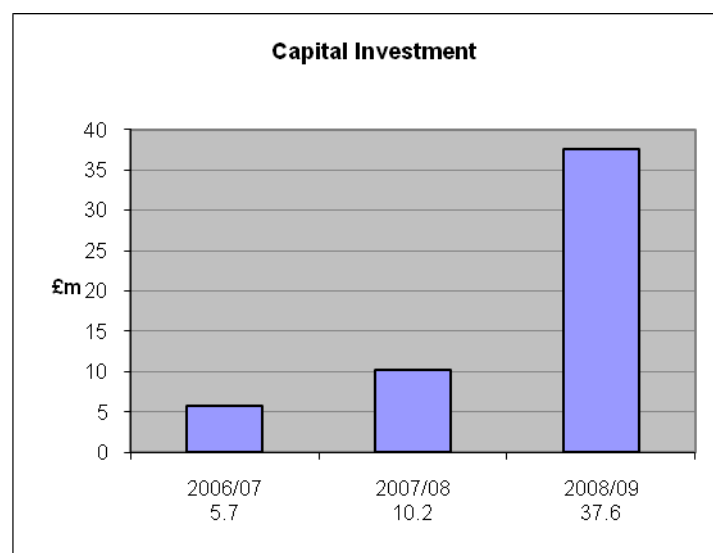
The Estates Strategy is supported by a 10 year capital investment plan which specifies the necessary developments in buildings, technology and other capital schemes. The plan is based on the medium term growth assumptions for the University and focuses, in particular, on improvements to student facilities including accommodation. Additionally, the supported schemes are carefully considered in order that they may maximise the community impact and support environmental sustainability initiatives. The strategy is set in the context of the University's strategic plan to significantly enhance and improve the quality of facilities for its students as well as supporting new technologies, enabling further growth and expansion of the institution's provision.

There has been an unprecedented high level of investment in fixed assets during the 2008/09 year. This has been as a consequence of a significant investment in the development of a Learning Resource Centre in Canterbury city centre, Augustine House. Work on this facility was completed in September 2009 and opened in readiness for the new student intake for 2009/10. In addition, investment of £5m in a new Sports Centre was completed within the year; this facility opened in the summer of 2009 and is fully operational for the 2009/10 academic year. As well as the completion of these two projects, significant investment has been made in student accommodation to improve the quality of the environment for those students occupying University residencies.

The University continues to invest in IT infrastructure and improved facilities on the main campus for students, including new teaching rooms, expanded refreshment and recreational areas. The University is financing its capital programme through the generation of surpluses and has also agreed borrowing arrangements to part fund development in capital infrastructure that is planned over the medium term.

In addition to the major initiatives in Canterbury, two further developments have been completed on the Medway campus. A newly refurbished learning and research resource, Cathedral Court, opened in July 2009 which incorporates teaching space and office accommodation. The second development involves an agreement with Medway Council to access St George's Centre, a large venue for music events, public lectures, teaching and examination space.

Work is also continuing on the establishment of a music performance venue on the site of the former St Gregory's church. This exciting initiative is being supported through capital grants money, University resources and substantial private donations. The government announcement of a matched funding scheme to support private donations will greatly assist in the raising of funds for this ambitious project which will provide a facility for both the University and the community of Kent. It is planned for the new centre to open in 2012 as part of the University's Jubilee celebrations.

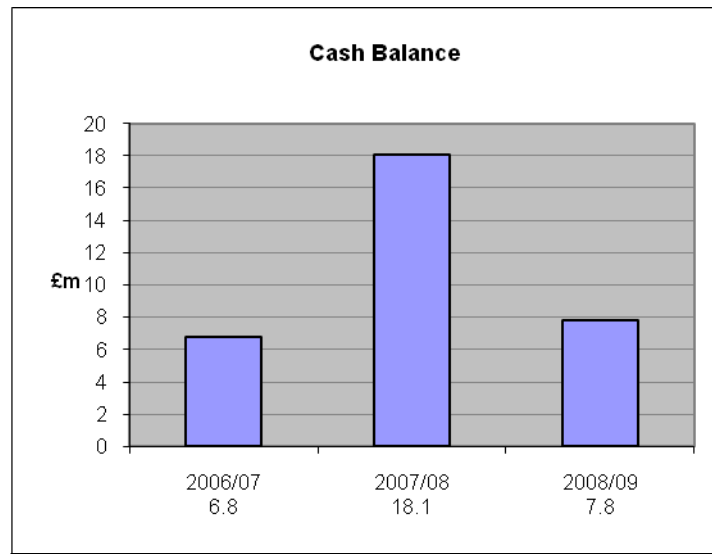


Payment of Creditors

It is the University's policy that payments are made in accordance with those terms and conditions agreed between the institution and its suppliers. Where no specific conditions exist, suppliers are paid within 30 days of the receipt of invoice.

Cash Flow

The University has continued to maintain appropriate cash balances whilst utilising approved loan facilities and cash generated through operations to support the significant capital investment. The cash position at the end of the financial year reflects the utilisation of liquid funds in this way. The institution recognises the importance of continuing to generate appropriate levels of surplus to enable the generation of further positive cash inflows in support of the University's working capital and investment plans.

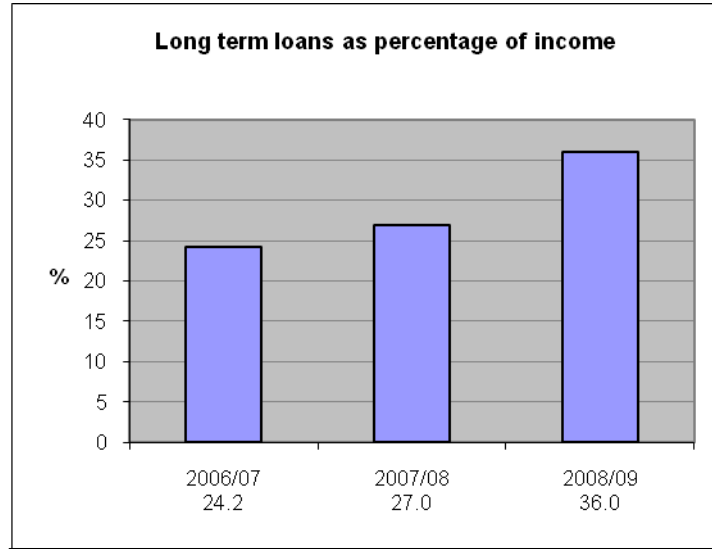


The cash position has decreased by £10.3m (compared to an increase in cash in 2008 of £11.3m). This has been a result of the University utilising its approved loan facilities to part finance significant capital investment in the year and, in particular, Augustine House, the Sports Centre and Cathedral Court at Medway. Within the year, an additional £17m of the approved loan facility was drawn down with a further £5.25m in August 2009 after the balance sheet date. This compares to a draw down in loan in 2007/08 of £5m.

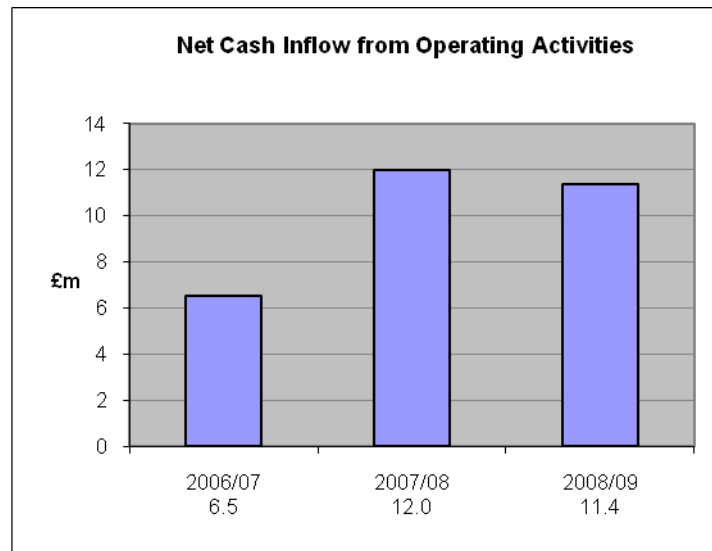
Additionally, the opportunity was taken during the year to fully pay off a loan balance of £3.8m which had been taken out at a high fixed interest rate in 1995. This has had the effect of reducing the overall University's borrowing percentage and will have a beneficial impact on the income and expenditure account performance going forward.

Long term loans as a percentage of income

The University has anticipated the need to manage its loan financing arrangements in a careful and measured manner, recognising that conditions can change substantially over the 25-30 year period of a long term loan. The Governing Body has therefore agreed that the interest rate exposure will be carefully managed by means of a combination of variable and fixed rate borrowing.



The approved facilities support the development schemes that are now coming to fruition along with those that are to be supported within the ten year investment plan. The University remains committed to generating surpluses and cash generation to ensure that annualised servicing costs remain below 4% and that average debt level as a percentage of turnover does not exceed 40%.



The increased surplus for the year has helped maintain the high level of net cash inflow from operating activities.

Employment Policy

The University currently spends approximately 55% of its income on staffing. This represents the single largest item of expenditure and forms the institution's most significant asset.

The University encourages staff participation and involvement in the operation and management of the institution through its extensive committee, quality assurance and consultative structures. These include two Governing Body Committees covering Employment and Staffing and Equality and Diversity issues. Staff are also invited to participate in the election of three representatives who are appointed as full members of the Governing Body.

In order to ensure effective communication the institution operates a cascade communication process with fortnightly briefings by Managers to staff on key issues. The effectiveness of these processes are continually reviewed and have been subject to evaluation through the University's achievement of Investors in People for a third time. The University has also recently undertaken a staff survey which has elicited additional views and opinions on the effectiveness of communication processes. These comments are helping to shape and form a revised communication strategy.

For pay and other issues the University is a member of the University and Colleges Employer Association, and participates fully within the National Negotiating Framework. The institution formally recognises three Unions – UCU, UNITE and UNISON. The University maintains a joint Negotiating and Consultative Committee as well as a Joint Negotiating Group. These structures provide an effective vehicle by which issues of mutual concern can be addressed.

Main Risks

The identification and management of risks is the responsibility of the Governing Body and the University management. The University's processes ensure that a culture of risk management is embedded amongst staff. The University has in place a risk management programme that seeks to limit the adverse effects on the performance of the University and the system to manage these risks is described in the statement of internal control.

Whilst a prudent approach has been adopted to financial planning, the University considers that there are a number of key risks to its financial health and sustainability which are also likely to be experienced in other institutions across the sector. The main areas identified are:

- Pressure on pay and pensions
- Constraints on government spending within the public services and its consequential impact upon the University
- Maintenance of the cap on full time tuition fee levels.
- The decline in the number of school leavers entering into Higher Education.
- The impact of a recession on demand for higher education and, in particular, employer sponsored education and training.

Public Benefit

Inextricably linked with the primary purpose of the University is the aim of contributing to the public good. Through the teaching and research at Canterbury Christ Church University, the aims are to contribute considerable public benefit to the local, national and international community.

Partnerships with the Community

Building partnerships with industry, education providers and local employers is an important focus for the University's work. Ensuring that value is added to our local communities and the provision of opportunities for students, both in terms of future careers and knowledge transfer, is essential to this approach. In 2008 a wide range of partnerships were developed, from working with international companies to extensive involvement with Kent pupils in giving them a taste of University life.

The nature of Canterbury Christ Church University depends upon partnerships with many people, not least the community. The institution is continually looking at ways of building relationships with communities whether through people or projects. In 2008, community participation was extended, with the launch of a new mediation clinic and involvement in a Kent young carers scheme.

Conclusion and Outlook

The financial results and the provision of excellent education for its students continue to provide a sound basis for the sustainable development of the University. Over recent years the institution has fully met its strategic planned targets including the measures of financial sustainability. It does though recognise that, going forward, the general economic outlook and pressures on public expenditure are likely to require a review of the strategic plan.

Additionally, at the end of the current academic year, the present Vice Chancellor will be retiring and arrangements are currently progressing for the appointment of a new person to lead the institution. Whilst recognising that the future prospects for the Higher Education sector will be challenging, Canterbury Christ Church University remains confident that it is well placed to maximise the opportunities for development and growth whilst maintaining a careful and prudent approach to its financial management. The University looks forward with confidence to the appointment of the new Vice Chancellor to lead the institution in the delivery of the next stage of its vision and strategic plan.

Professor M Wright

Vice Chancellor and Principal

Date: 24 November 2009

RESPONSIBILITIES OF THE UNIVERSITY'S GOVERNING BODY

In accordance with the Instrument and Articles of Government, the Governing Body of the University is responsible, inter alia, for the effective use of resources, the solvency of the University and the approval of annual estimates of income and expenditure. It is required to keep true accounts and to present audited financial statements for each financial year. Governors serve as directors of the Company and trustees of the University.

The Governing Body is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and to enable it to ensure that the financial statements are prepared in accordance with the Instrument and Articles of Government, the Statement of Recommended Practice, "Accounting for Further and Higher Education" and relevant accounting standards. In addition, within the terms and conditions of the Financial Memorandum agreed between the Higher Education Funding Council for England (HEFCE) and the Governing Body of the University, the Governing Body, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, the Governing Body has ensured that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation. The Governing Body is satisfied that the University has adequate resources to continue in operation for the foreseeable future. For this reason, the going concern basis continues to be adopted in the preparation of the financial statements.

The Governing Body has taken reasonable steps to:

- ensure that funds from the Higher Education Funding Council for England are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the University and to prevent and detect fraud;
- safeguard the economical, efficient and effective management of the University's resources and expenditure;
- review the means of securing its own effectiveness.

The directors confirm, so far as each director is aware, there is no relevant audit information of which the company's (and group's) auditors are unaware. Each director has taken all the steps that they ought to have taken in their duty as a director in order to make themselves aware of any relevant audit information and to establish that the company's (and group's) auditors are aware of that information.

The key elements of the University's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of key performance indicators and business risks and quarterly reviews of financial results involving variance reporting and updates of forecast outturns;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Governing Body;
- comprehensive Financial Regulations, detailing financial controls and procedures, including a fraud policy, all as approved by the Finance Committee and Governing Body;
- compliance with a University policy on risk management;
- a professional Internal Audit team whose annual programme is approved by the Audit Committee under powers delegated by the Governing Body and whose head provides the Audit Committee with a report on internal audit activity within the University and an opinion on the adequacy and effectiveness of the University's system of internal control, including internal financial control.

Any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

The Governing Body intends to publish the financial statements on the University's website:

- The maintenance and integrity of the Canterbury Christ Church University website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website;
- Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Mr Peter Hermitage

Pro-Chancellor (Chairman of the Governing Body)

Date: 24 November 2009

CORPORATE GOVERNANCE

The following statement is provided to enable readers of the Financial Statements of the institution to obtain a better understanding of the governance and legal structure of the University.

In 2008, as part of the proposed 'Single Conversation' reporting arrangements, HEFCE conducted an Assurance Review. This concluded that HEFCE were able to place reliance on the University's accountability information.

The University endeavours to conduct its business in accordance with the seven Principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership) and with the guidance to institutions of higher education which has been provided by the Committee of University Chairmen in its Guide for Members of Higher Education Governing Bodies in the UK, issued in March 2009.

As an Anglican Foundation established in 1962 the University operated under a Trust Deed until 2002/2003. It was a registered charity and, in accordance with S129a of the Education Reform Act 1988, its powers and framework of governance were set out in Articles of Government. The objects of the Charity, set out in the Trust Deed, were:

“the advancement of education, learning and research for the benefit of the public including, in particular, and without prejudice to the generality of the foregoing, the conduct and development of a College to be called Canterbury Christ Church University College or under such other name as the Governing Body with the approval of the Archbishop of Canterbury shall decide for the training of persons as teachers and the provision of other higher or further education.”

On 1 August 2003 the University College transferred its assets and liabilities to an incorporated body, a Company Limited by Guarantee, and registered as a Charity. It operates under the Memorandum and Articles of Association – which incorporates the Instrument and Articles from the previous Charitable Trust. Governors serve as directors of the company and trustees of the University.

On 1 August 2005, the Privy Council approved the institution's application for full University status, and change of name to Canterbury Christ Church University. Companies House and the Charity Commission approved the change of name of the Company and the Registered Charity with effect from the same date.

The Articles of Government require the University to have a Governing Body and an Academic Board, each with clearly defined functions and responsibilities, to oversee and manage its activities.

- The Governing Body is responsible for the finance, property and staffing of the institution. It is specifically required to determine the educational character and mission of the institution and to oversee its general strategic direction.
- The Governing Body comprises 24 members, chosen in line with criteria contained in the legislation identified above: the Pro-Chancellor (Chairman of the Governing Body) is elected from the nominated members. There is provision for the appointment of co-opted members, none of whom may be members of staff of the University, and for representatives of the academic staff and of the student body. There is an established arrangement for the rotational retirement of members. No non-executive member of the Governing Body receives any reimbursement for the work which they do for the University beyond travel and incidental expenses.

- Subject to the overall responsibility of the Governing Body, the Academic Board has oversight of the academic affairs of the institution and draws its membership from the staff and the students of the University and representatives of other institutions. It is particularly concerned with general issues relating to teaching and research.

The roles of the Chancellor (installed December 2005) and the Pro-Chancellor (Chairman of the Governing Body) are separate from the role of the University's Chief Executive, the Vice Chancellor. The Vice Chancellor is the head of the institution and has a general responsibility to the Governing Body for the organisation, direction and management of the University. Under the terms of the formal Financial Memorandum between the University and the Higher Education Funding Council for England, the Vice Chancellor is the designated officer of the institution and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons.

Although the Governing Body meets at least four times each academic year, much of its detailed work is handled by committees, including Finance and General Purposes, Employment and Staffing, the Chairman's Committee (which fulfils the role of the Nominations Committee) and the Remuneration Committee. The decisions of these Committees and those of the Audit Committee are formally reported to the full Governing Body. The Audit Committee comprises four members of the Governing Body, not being members of any other committee or the Executive except that the Chairman is a member of the Chairman's Committee of the Governing Body, a committee without an executive role. The Audit Committee operates within the HEFCE (Higher Education Funding Council for England) Code of Practice 2004: its members may from time to time serve on working parties or other ad-hoc groups established by the Governing Body to consider specific projects. A significant proportion of the membership of all committees consists of nominated and co-opted Governors, other than co-opted student and staff members. Chairmanships are determined by the Governing Body on the advice of the Nominations Committee.

As Chief Executive, the Vice Chancellor exercises considerable influence upon the development of institutional strategy, the identification and planning of new developments and the shaping of the institutional ethos. The Senior Management Team members all contribute in various ways to this aspect of the work, but the ultimate responsibility for what is done rests with the Vice Chancellor exercising the responsibility conferred by the Articles of Government.

The University maintains a Register of Interests of members of the Governing Body which may be consulted by arrangement with the Clerk to the Governing Body. The Governing Body has powers to remove members in certain specified circumstances.

In accordance with the Articles of Government of the institution, the University Solicitor has been appointed as Clerk to the Governing Body and, in that capacity, provides independent advice on matters of governance to all members. The University Solicitor has also been appointed Company Secretary to the incorporated Canterbury Christ Church University, under the Memorandum and Articles of Association dated 10 June 2003 and revised in July 2005. Copies of the Memorandum and Articles of Association of the incorporated body - incorporating the Instrument and Articles of Government - are held in the University Libraries at Canterbury, Tunbridge Wells (Salomons) and Broadstairs and are available for inspection in the office of the University Solicitor.

The Governing Body is committed to the maintenance of clear management, governance and leadership. In addition there is an ongoing commitment to a programme of reviewing governor effectiveness overseen by the Chairman's Committee, which resulted in a number of implemented actions in 2008/09. These are set out in the annual statement of governor effectiveness which is published on the University's website.

STATEMENT OF INTERNAL CONTROL

The Governing Body has responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which we are responsible, in accordance with the responsibilities assigned to the Governing Body in the University's Instrument and Articles of Governance and the Financial Memorandum with the HEFCE.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 July 2009 and up to the date of approval of the financial statements, and accords with the HEFCE and Turnbull guidance.

The Governing Body has responsibility for the institution's system of internal control and for reviewing its effectiveness and that review covered all controls (financial, operational, risk management and compliance). The following processes have been established:

The Governing Body meets four times each year to consider the plans and strategic direction of the institution.

The Governing Body and The Audit Committee have approved the Risk Management Policy and Procedures which summarise the approach, roles and responsibilities, and the annual review of effectiveness process.

The Governing Body has assumed responsibility for oversight of the risk management process within the University as a whole, and determined the University's risk appetite, which is that it should seek to be innovative and creative, but with due regard to the need to manage risk. The Vice Chancellor has responsibility for implementing and managing the risk management process and was the Chair of the Risk Management Group. The Risk Management Group, which reported to The Audit Committee, included three members of the Governing Body and was initially set up to introduce and implement policies on risk management.

The University maintains a comprehensive Strategic Risk Register that identifies the 15 high level strategic risks facing the institution. Each risk has an identified risk owner clearly documented within the Register together with a scoring assessment based on likelihood and impact. Risks are given a gross and residual rating.

Risk identification and management is closely linked to the achievement of the Institution's objectives. All of the University's 15 identified corporate risks are directly linked to one of the eight priorities contained in the University's 2006-11 Strategic Plan.

Each risk response has been formally considered by the University Solicitor, the SMT and the Audit Committee. The Vice Chancellor and the SMT monitor the top 'net exposure' risks on a regular basis, as well as the effectiveness of controls in place to manage less serious risks. Less serious risks are reviewed and monitored by Faculties and Departments as part of an overall approach, embedding risk assessment within the University.

Regular reports are received from the Audit Committee concerning findings of the Internal Auditors and matters relating to internal control. The Vice Chancellor provides a written report to the Audit Committee on the University's approach to Risk Management at each of its meetings.

The structure of meetings enables risk management and internal control to be considered on a regular basis during the year. In addition risk management has been embedded into the corporate planning and decision-making processes of the institution, partly because those leading projects now prepare risk analyses and partly because Heads of Departments ensure that the staff responsible to them are not only aware of the risks in their areas set out in the Risk Register, but also identify other risks which arise from their operations.

The University has Internal Auditors, who operate to standards defined in the HEFCE Audit Code of Practice and who were last reviewed for effectiveness by the HEFCE Audit Service in 2005. The Internal Auditors submit regular reports which include their independent opinion on the adequacy and effectiveness of the system of internal control, together with recommendations for improvement. The Internal Auditors have undertaken a detailed assessment of the University's approach to Risk Management in 2008/09 and stated that overall there is an adequate framework in place within the University to facilitate the identification and appraisal of high level risks.

The Governing Body's review of the effectiveness of the system of internal control is also informed by the work of the executive managers within the University, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the External Auditors in their management letter. The HEFCE also provide an annual assessment which again confirmed in March 2009 that the Institution was not currently at higher risk.

INDEPENDENT AUDITORS' REPORT TO THE GOVERNING BODY

Independent auditors' report to the governing body of Canterbury Christ Church University

We have audited the group financial statements of Canterbury Christ Church University for the year ended 31 July 2009 which comprise the Consolidated Income and Expenditure Account, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Statement of Consolidated Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of the governing body and auditors

The Governing Body's responsibilities for preparing the financial statements in accordance with the Accounts Direction issued by the Higher Education Funding Council for England, the Statement of Recommended Practice – Accounting for Further and Higher Education, applicable United Kingdom Law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of the Governing Body's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the governing body of the institution in accordance with the institution's Articles of Government and section 124B of the Education Reform Act 1988 and Sections 495 and 496 of the Companies Act 2006 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 2006 and the Statement of Recommended Practice - Accounting for Further and Higher Education.

We report to you whether in our opinion, income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the institution, have been properly applied in all material respects for the purposes for which they were received, and whether income has been applied in all material respects in accordance with the institution's statutes or articles of government and where appropriate with the financial memorandum with the Higher Education Funding Council for England (HEFCE) and with the funding agreement with the Training and Development Agency for Schools.

We also report to you whether, in our opinion, the information given in the Vice Chancellor's annual report is consistent with those financial statements. In addition we report to you if, in our opinion, the institution has not kept adequate accounting records, if the financial statements are not in agreement with the accounting records and returns or if we have not received all the information and explanations we require for our audit or if certain disclosures of directors remuneration specified by law are not made.

We read the other information contained in the Vice Chancellor's annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. This other information comprises only the Directors and Advisors, the Vice Chancellor's Report (incorporating the Operating and Financial Review), the statement of Responsibilities of the University's Governing Body, and the Corporate Governance statement.

We also review the statement of internal control and comment if the statement is inconsistent with our knowledge of the institution. We are not required to consider whether the statement of internal control covers all risks and controls, or to form an opinion on the effectiveness of the institution's corporate governance procedures or its risk and control procedures. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and with the HEFCE Accountability and Audit Code of Practice contained in the Financial Memorandum 2008/19. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the governing body in the preparation of the financial statements, and of whether the accounting policies are appropriate to the institution's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- i. the financial statements give a true and fair view of the state of affairs of the institution at 31 July 2009, and of the group's income and expenditure, recognised gains and losses, and statement of cash flows for the year then ended;
- ii. the financial statements have been properly prepared in accordance with the Companies Act 2006 and the Statement of Recommended Practice - Accounting for Further and Higher Education, and United Kingdom Generally Accepted Accounting Practice;
- iii. the information given in the Vice Chancellor's annual report is consistent with the financial statements;
- iv. in all material respects, income from the Higher Education Funding Council for England, and the Training and Development Agency for Schools, grants and income for specific purposes and from other restricted funds administered by the institution have been applied only for the purposes for which they were received; and
- v. in all material respects, income has been applied in accordance with the institution's statutes or articles of government and where appropriate in accordance with the financial memorandum (2008/19) with the Higher Education Funding Council for England and the funding agreement with the Training and Development Agency for Schools.

Clive Everest - Senior Statutory Auditor

London

Date

For and on behalf of PricewaterhouseCoopers LLP, Statutory Auditors

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

1. Basis of Preparation

The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2007 and in accordance with applicable accounting standards in the United Kingdom.

The Governing Body is satisfied that the University has sufficient facilities to continue operating at its current level and therefore the financial statements have been prepared in accordance with the historical cost convention and on a going concern basis.

2. Basis of Consolidation

The consolidated financial statements consolidate the financial statements of the University and its subsidiary undertakings Salomons Centre Limited, Medco (CCCU) Limited and The St Gregory's Foundation Canterbury, for the financial year to 31 July 2009.

Intra-group sales and profits are eliminated fully on consolidation. The activities of the student union have not been consolidated because the University does not control these activities.

3. Recognition of Income

Funding council block grants are accounted for in the period to which they relate.

Fee income is stated gross and credited to the income and expenditure account over the period in which students are studying. This may involve the deferral of income over more than one financial year. Where the amount of the tuition fee is reduced, by a discount for prompt payment, income receivable is shown net of the discount. Bursaries are accounted for gross as expenditure and not deducted from income.

The recurrent income from grants, contracts and other services rendered are accounted for on an accruals basis and included to the extent of the completion of the contract or service concerned; any payments received in advance of such performance are recognised on the balance sheet as liabilities. Income relating to projects are accrued in relation to the amount of work completed.

Non-recurrent grants received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants. Such grants are credited to deferred capital grants and an annual transfer made to the income and expenditure account over the useful economic life of the asset, at the same rate as the depreciation charge on the asset for which the grant was awarded.

Income from the sale of goods or services is credited to the income and expenditure account when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Income from the Restricted Permanent Endowments is credited to Endowment income in the income and expenditure account on a receivable basis.

4. Agency Arrangements

Funds the institution receives and disperses as paying agents on behalf of a funding body are excluded from the income and expenditure of the University where the University is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

5. Foreign Currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at year end rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

6. Leases

Rental costs under operating leases are charged to expenditure in equal annual amounts over the period of the leases.

7. Tangible Fixed Assets

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation.

Land is held in trust and not depreciated. Buildings are depreciated over their expected useful lives of 50 years. Assets in the course of construction are accounted for at cost incurred to the end of the year. They are not depreciated until they are brought into use.

Costs incurred in relation to a tangible fixed asset, after its initial purchase or production, are capitalised to the extent that they increase the expected future benefits to the University from the existing tangible fixed asset beyond its previously assessed standard of performance; the cost of any such enhancements are added to the gross amount of the tangible fixed asset concerned.

Minor works of between £10,000 and £25,000 are separately identified and depreciated over ten years.

Equipment, including computers and software, costing less than £3,000 per individual item is written off in the year of acquisition. All other equipment is capitalised and depreciated over 4 years.

Where buildings, minor works and equipment are acquired with the aid of specific grants the asset is capitalised and depreciated as above. The related grants are treated as deferred capital grants and released to income over the expected useful life of the asset.

Expenditure to ensure that a tangible fixed asset maintains its previously recognised standard of performance is recognised in the income and expenditure account in the period it is incurred. The University has a planned maintenance programme, which is reviewed on an annual basis.

8. Stocks

Stocks are materials held by the various University departments including catering, together with books and other items purchased for resale. Stocks are valued at the lower of cost or net realisable value. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

9. Intra-group Transactions

Gains or losses on any intra-group transactions are eliminated in full. Amounts in relation to debts and claims between undertakings included in the consolidation are also eliminated.

10. Projects

Research and Other Income Generating projects are accounted for in line with SSAP 9 and its provisions for accounting for long term contracts. Turnover is recognised on the percentage completion method and any losses recognised with immediate effect.

11. Cash Flows

Cash flows comprise of increases or decreases in cash. Cash includes cash in hand, cash at bank, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty. No investments, however liquid, are included as cash.

12. Maintenance of Premises

The University has a long term rolling maintenance plan which forms the basis of the ongoing maintenance of the estate. The cost of routine corrective maintenance is charged to the income and expenditure account as incurred.

A provision for dilapidation is made where leased buildings require regular maintenance and where the lease requires the property to be returned to the landlord in a specified state. A provision is made for the estimated costs of the dilapidation spread over the period of tenancy.

13. Taxation Status

The University is an exempt charity within the meaning of schedule 2 within the Charities Act 1993 and as such is a charity within the meaning of section 506 (1) of the Income and Corporation Taxes Act 1988 (ICTA 1988). Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes.

The University receives no similar exemption in respect of Value Added Tax (VAT). Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to tangible fixed assets is included in their cost.

The St Gregory's Foundation Canterbury is a registered charity, and therefore is not liable for income tax or corporation tax on income derived from its charitable activities, as it falls within the various exemptions available to registered charities.

The University's subsidiary companies, Salomons Centre Limited and Medco (CCCU) Limited are subject to corporation tax and VAT in the same way as any commercial organisation.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

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

14. Pension Costs

The University contributes to the Local Government Superannuation Scheme (LGPS), the University Superannuation Scheme (USS) and the Teachers' Pension Scheme (TPS). All schemes are defined benefit schemes but the USS and TPS schemes are both multi-employer schemes and it is not possible to identify the assets of the scheme, which are attributable to the University on a consistent and reliable basis. In accordance with FRS17 these schemes are accounted for on a defined contribution basis and the contributions to these schemes are included as expenditure in the period in which they are payable. The University is able to identify its share of assets and liabilities of the LGPS and thus the University fully adopts FRS17 "Retirement Benefits".

15. Investments

Endowment asset investments are held as cash.

Current asset investments are held at the lower of cost and net realisable value.

16. Investment in subsidiaries

Investment in subsidiary undertakings are shown at cost or impaired value, whichever is the lower. The University carries out an annual impairment review of the investment in each subsidiary.

17. Grants

Revenue-based grants from government, HEFCE, TDA and NHS trusts are passed through the income and expenditure account when the conditions relating to the grant have been satisfied (see 3 Recognition of income above).

Grants or other contributions from government and other bodies are accounted for on an accruals basis and recognised in the accounts when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received.

Where the University receives a grant to finance, or partly finance, the purchase, construction or development of an asset, and the asset is capitalised, the grant is credited to deferred capital grants and an annual transfer made to the income and expenditure account over the useful economic life of the asset at the same rate as the depreciation charge on the asset for which the grant was awarded (see 7 Tangible Fixed Assets above).

Consolidated Income and Expenditure Account

For the year ended 31 July 2009

| | <u>Note</u> | <u>2009</u> | <u>2008</u> |
|---|-------------|----------------|---------------|
| | | £000 | £000 |
| Income | | | |
| Funding Body grants | 1 | 41,945 | 37,375 |
| Tuition fees and education contracts | 2 | 43,617 | 34,698 |
| Research grants and contracts | 3 | 1,463 | 1,533 |
| Other income | 4 | 16,021 | 16,172 |
| Endowment and investment income | 5 | 288 | 649 |
| Total income | | <u>103,334</u> | <u>90,427</u> |
| Expenditure | | | |
| Staff costs | 6 | 56,524 | 50,636 |
| Other operating expenses | | 34,955 | 32,237 |
| Depreciation | 11 | 4,323 | 4,015 |
| Interest and other finance costs | 8 | 3,333 | 1,377 |
| Total expenditure | 7 | <u>99,135</u> | <u>88,265</u> |
| Surplus after depreciation of tangible fixed assets at cost and before taxation | | 4,199 | 2,162 |
| Taxation – charge / (credit) | 9 | (73) | (66) |
| Surplus after depreciation of tangible fixed assets at cost and taxation. | | <u>4,272</u> | <u>2,228</u> |
| Exceptional item: | | | |
| Net (loss) on disposal of tangible fixed assets | | (32) | (642) |
| (Surplus) for the year transferred to accumulated income in endowment funds | | (2) | - |
| Surplus after depreciation of tangible fixed assets at cost, disposal of tangible fixed assets and taxation, retained within general reserves. | 10 | <u>4,238</u> | <u>1,586</u> |

There is no material difference between the surplus after depreciation of tangible fixed assets at cost and tax stated above and the historical cost equivalent. The consolidated income and expenditure of the Group is in respect of continuing activities.

Balance Sheets

As at 31 July 2009

| | <u>Note</u> | <u>Consolidated</u> | | <u>University</u> | |
|--|-------------|---------------------|-----------------|-------------------|-----------------|
| | | <u>2009</u> | <u>2008</u> | <u>2009</u> | <u>2008</u> |
| | | £000 | £000 | £000 | £000 |
| Fixed Assets | | | | | |
| Tangible assets | 11 | 105,946 | 72,664 | 101,929 | 69,450 |
| Investments | 12 | - | - | 3,756 | 3,756 |
| Total fixed assets | | 105,946 | 72,664 | 105,685 | 73,206 |
| Endowment assets | 22 | 179 | 116 | 179 | 116 |
| Current assets | | | | | |
| Deferred tax asset | 20 | 203 | 130 | - | - |
| Stocks | 13 | 395 | 452 | 383 | 436 |
| Debtors | 14 | 8,224 | 5,867 | 11,045 | 6,360 |
| Investments | 15 | 209 | 201 | - | - |
| Cash at bank and in hand | | 7,813 | 18,078 | 6,183 | 12,903 |
| Total current assets | | 16,844 | 24,728 | 17,611 | 19,699 |
| Creditors: amounts falling due within one year | 16 | (32,932) | (24,613) | (34,095) | (21,108) |
| Net current (liabilities) / assets | | (16,088) | 115 | (16,484) | (1,409) |
| Total assets less current liabilities | | 90,037 | 72,895 | 89,380 | 71,913 |
| Creditors: amounts falling due after more than one year | 17 | (36,947) | (24,403) | (36,947) | (24,403) |
| Provisions for liabilities and charges | 19 | (105) | (101) | - | - |
| Net assets excluding pension liability | | 52,985 | 48,391 | 52,433 | 47,510 |
| Pension liability | 29 | (18,435) | (8,907) | (18,435) | (8,907) |
| Net assets including pension liability | | 34,550 | 39,484 | 33,998 | 38,603 |

Balance Sheets - Continued

As at 31 July 2009

| | <u>Note</u> | <u>Consolidated</u> | | <u>University</u> | |
|---|-------------|---------------------|---------------|-------------------|---------------|
| | | <u>2009</u> | <u>2008</u> | <u>2009</u> | <u>2008</u> |
| | | £000 | £000 | £000 | £000 |
| Deferred capital grants | 21 | 13,790 | 13,577 | 13,790 | 13,577 |
| Endowments | | | | | |
| Expendable | 22 | 83 | 29 | 83 | 29 |
| Permanent | 22 | 96 | 87 | 96 | 87 |
| Total | | <u>179</u> | <u>116</u> | <u>179</u> | <u>116</u> |
| Reserves | | | | | |
| Income and expenditure account excluding pension reserve | 23 | 39,016 | 34,698 | 38,464 | 33,817 |
| Pension reserve | 23 | (18,435) | (8,907) | (18,435) | (8,907) |
| Income and expenditure account including pension reserve | | <u>20,581</u> | <u>25,791</u> | <u>20,029</u> | <u>24,910</u> |
| TOTAL FUNDS | | <u>34,550</u> | <u>39,484</u> | <u>33,998</u> | <u>38,603</u> |

The financial statements which comprise the Consolidated Income and Expenditure Account, the Balance Sheets, the Consolidated Cash Flow Statement, the Statement of Consolidated Total Recognised Gains and Losses and the related notes, including the Statement of Principal Accounting Policies, were approved by the Governing Body on 24 November 2009 and signed on its behalf by:-

Mr P Hermitage

Pro-Chancellor (Chairman of the Governing Body)

Professor M Wright

Vice Chancellor and Principal

Consolidated Cash Flow Statement

for the year ended 31 July 2009

| | <u>Note</u> | <u>2009</u> | <u>2008</u> |
|--|-------------|-----------------|----------------|
| | | £000 | £000 |
| Net Cash inflow from operating activities | 24 | 11,381 | 12,031 |
| Returns on investments and servicing of finance | 25 | (2,599) | (802) |
| Capital expenditure and financial investment | 26 | (31,769) | (4,625) |
| Management of liquid resources | 15 | 8 | 11 |
| Financing | 27 | 12,722 | 4,708 |
| (Decrease) / Increase in cash in the year | | (10,257) | 11,323 |
| | | | |
| Reconciliation of net cash flow to movement in net debt | | | |
| (Decrease) / Increase in cash in the year | | (10,257) | 11,323 |
| Cash inflow from new secured loan | | (17,000) | (5,000) |
| Repayment of debt finance | | 4,278 | 292 |
| Increase in interest repayable on unsecured loan | | (10) | (9) |
| Change in net debt in year | | (22,989) | 6,606 |
| Net debt at 1 August | | (6,419) | (13,025) |
| Net debt at 31 July | | (29,408) | (6,419) |

Statement of Consolidated Total Recognised Gains and Losses

for the year ended 31 July 2009

| | <u>Note</u> | <u>2009</u> | <u>2008</u> |
|--|-------------|----------------|----------------|
| | | £000 | £000 |
| Surplus on continuing operations after depreciation of assets at cost, disposal of assets and taxation | | 4,238 | 1,586 |
| New endowments | 22 | 61 | - |
| Appreciation of endowment asset investments | 22 | 2 | 2 |
| Actuarial loss in respect of pension scheme | 29 | (9,448) | (3,756) |
| Total recognised gains and losses since last annual report | | <u>(5,147)</u> | <u>(2,168)</u> |
| Reconciliation | | | |
| Opening reserves and endowments | | 25,907 | 28,075 |
| Total recognised gains and losses for the year | | (5,147) | (2,168) |
| Closing reserves and endowments | | <u>20,760</u> | <u>25,907</u> |

Notes to the Financial Statements

1. FUNDING BODY GRANTS

| | <u>Note</u> | <u>2009</u> | <u>2008</u> |
|---|-------------|---------------|---------------|
| Recurrent grants | | £000 | £000 |
| HEFCE | | 23,925 | 22,087 |
| TDA | | 10,139 | 8,460 |
| Total recurrent grants | | 34,064 | 30,547 |
| Specific grants | | | |
| HEFCE | | 2,488 | 2,273 |
| TDA | | 4,799 | 4,048 |
| Total specific grants | | 7,287 | 6,321 |
| Deferred capital grants released in the year | | | |
| Buildings | 21 | 79 | 132 |
| Equipment | 21 | 515 | 375 |
| Total deferred capital grants | | 594 | 507 |
| Total | | 41,945 | 37,375 |

2. TUITION FEES AND EDUCATION CONTRACTS

| | | <u>2009</u> | <u>2008</u> |
|---|--|---------------|---------------|
| | | £000 | £000 |
| Full time Students Home and EU | | 18,920 | 13,852 |
| Full time Students Overseas | | 2,318 | 2,049 |
| Part time Students | | 3,141 | 2,443 |
| Total fees paid by or on behalf of individual students | | 24,379 | 18,344 |
| Education contracts | | 19,238 | 16,354 |
| Total | | 43,617 | 34,698 |

Notes to the Financial Statements

3. RESEARCH GRANTS AND CONTRACTS

| | <u>Note</u> | <u>2009</u> | <u>2008</u> |
|----------------------------|-------------|--------------|--------------|
| | | £000 | £000 |
| Research councils | | 83 | 25 |
| UK based charities | | 281 | 335 |
| European Commission | | 49 | 97 |
| Other grants and contracts | | 1,050 | 1,076 |
| Total | | <u>1,463</u> | <u>1,533</u> |

4. OTHER INCOME

| | | <u>2009</u> | <u>2008</u> |
|--------------------------------------|----|---------------|---------------|
| | | £000 | £000 |
| Residences, catering and conferences | | 9,191 | 7,975 |
| Other income generating activities | | 4,950 | 6,760 |
| Other grant income | 21 | 155 | 145 |
| Other income | | 1,725 | 1,292 |
| Total | | <u>16,021</u> | <u>16,172</u> |

5. ENDOWMENT AND INVESTMENT INCOME

| | | <u>2009</u> | <u>2008</u> |
|------------------------------|--|-------------|-------------|
| | | £000 | £000 |
| Interest receivable | | 259 | 543 |
| Endowment income | | 29 | 2 |
| Net return on pension scheme | | - | 104 |
| Total | | <u>288</u> | <u>649</u> |

Notes to the Financial Statements

6. STAFF

The average monthly number of persons (including senior post holders) employed by the University during the year, expressed as full time equivalents, was:

| | <u>2009</u> | <u>2008</u> |
|-------------------------------------|--------------|--------------|
| | Number | Number |
| Teaching departments | 519 | 505 |
| Teaching support services | 199 | 182 |
| Administration and central services | 580 | 550 |
| Premises | 33 | 30 |
| Total | 1,331 | 1,267 |

| | <u>2009</u> | <u>2008</u> |
|--|---------------|---------------|
| | £000 | £000 |
| Staff Costs for the above persons | £000 | £000 |
| Wages and salaries | 47,653 | 41,580 |
| Social security costs | 3,614 | 3,471 |
| Other pension costs | 5,257 | 5,585 |
| Total | 56,524 | 50,636 |

Directors' Emoluments

The emoluments paid to the four members of the Governing Body (2008 four), who are also Directors for the purposes of Company Law are as follows:

Aggregate emoluments paid in respect of services as members of staff:

| | <u>2009</u> | <u>2008</u> |
|----------------------------------|-------------|-------------|
| | £000 | £000 |
| Salaries | 337 | 309 |
| Benefits in Kind | 1 | 2 |
| Employer's Pension Contributions | 44 | 40 |
| Total | 382 | 351 |

Notes to the Financial Statements

6. STAFF continued

| | <u>2009</u> | <u>2008</u> |
|--|-------------|-------------|
| Emoluments of the Vice Chancellor who is also the highest paid Director | £000 | £000 |
| Emoluments of the Vice Chancellor | 192 | 175 |
| Employer's pension contributions | 27 | 25 |
| Total emoluments of the Vice Chancellor | 219 | 200 |

The emoluments of the Vice Chancellor are shown on the same basis as for higher paid staff. The University's pension contribution to the Teachers Pension Scheme for the Vice Chancellor is paid at the same rate as for other academic staff.

The number of other Higher Paid Staff, excluding the Vice Chancellor, who received emoluments in the following ranges was:

| | <u>2009</u> | <u>2008</u> |
|----------------------|-------------|-------------|
| | Number | Number |
| £100,000 to £109,999 | 5 | 2 |
| £110,000 to £119,999 | 1 | 2 |
| £120,000 to £129,999 | 1 | - |

Notes to the Financial Statements

7. ANALYSIS OF TOTAL EXPENDITURE BY ACTIVITY

| | <u>2009</u> | <u>2008</u> |
|--|---------------|---------------|
| | £000 | £000 |
| Academic departments | 46,668 | 43,204 |
| Academic services departments | 7,284 | 6,075 |
| Administration and central services | 15,258 | 14,489 |
| Premises (non residential and catering operations) | 7,330 | 6,935 |
| Residences and catering operations | 8,966 | 7,426 |
| Research grants and contracts | 1,337 | 1,259 |
| Other expenditure | 4,636 | 3,485 |
| Depreciation | 4,323 | 4,015 |
| Interest and other finance costs | 3,333 | 1,377 |
| Total | 99,135 | 88,265 |

Other operating expenses include:

| | | | |
|--------------------------------------|------------------------|-------|-------|
| Auditors' remuneration - | external audit - group | 73 | 69 |
| Other services from external audit - | taxation | - | 2 |
| | project audits | 8 | 5 |
| Operating leases rentals - | land and buildings | 4,054 | 2,999 |
| | plant and machinery | 6 | 32 |

8. INTEREST AND OTHER FINANCE COSTS

| | <u>2009</u> | <u>2008</u> |
|--|--------------|--------------|
| | £000 | £000 |
| Loans not wholly repayable within five years | 1,171 | 1,377 |
| Loan repayment | 1,665 | - |
| Net charge on pension scheme | 497 | - |
| Total | 3,333 | 1,377 |

Notes to the Financial Statements

9. TAXATION

| (a) Analysis of charges in the year | <u>Note</u> | <u>2009</u> | <u>2008</u> |
|---|--------------------|--------------------|--------------------|
| | | £000 | £000 |
| Current tax | | | |
| UK Corporation tax on profits for the year | | - | - |
| Adjustment in respect of previous years | | - | - |
| Total current tax charge (note b) | | <u>-</u> | <u>-</u> |
| Deferred tax | | | |
| Current year origination and reversal of timing differences | | (83) | (9) |
| Change in tax rate: impact on deferred tax asset | | - | 9 |
| Recognition of previously unprovided deferred tax asset | | 10 | (66) |
| Total deferred tax (credit) | 20 | <u>(73)</u> | <u>(66)</u> |
| Tax credit on surplus on ordinary activities | | <u>(73)</u> | <u>(66)</u> |

(b) Factors affecting tax charge for the year

The tax charge for the year is lower (2008 lower) than the standard rate of corporation tax in the UK 28% (2008 29.33%). The differences are explained below:

| | <u>2009</u> | <u>2008</u> |
|---|--------------------|--------------------|
| | £000 | £000 |
| Surplus on ordinary activities before taxation | 4,165 | 1,520 |
| Surplus on ordinary activities multiplied by the standard rate of corporation tax | 1,166 | 445 |
| Effects of: | | |
| Income not subject to corporation tax | (1,175) | (481) |
| Expenses not deductible for tax purposes | 65 | 65 |
| Depreciation in excess of capital allowance | (51) | 9 |
| Short term timing differences | (5) | 8 |
| Adjustments in respect of previous years | - | (46) |
| Current tax charge for the year (note a) | <u>-</u> | <u>-</u> |

Notes to the Financial Statements

9. TAXATION continued

It is anticipated that no tax charge will be applicable in 2008/09 for Medco (CCCU) Limited following its post balance sheet event reducing the par value of the shares in Medco (CCCU) Limited.

(c) Factors affecting future tax charges

The rate of corporation tax reduced from 30% to 28% on 1/04/2008. The rate shown for 2008 (29.33%) is a pro rata calculation for the proportion of the tax year.

10. SURPLUS ON CONTINUING OPERATIONS FOR THE YEAR

| The surplus on continuing operations for the period is made up as follows: | <u>2009</u> | <u>2008</u> |
|--|--------------|--------------|
| | £000 | £000 |
| University's surplus for the year | 4,220 | 3,274 |
| Surplus generated by the subsidiary undertaking (Salomons Centre Limited) | 40 | 6 |
| Surplus / (deficit) generated by the subsidiary undertaking (The St Gregory's Foundation Canterbury) | 10 | (2,136) |
| (Deficit) generated by the subsidiary undertaking (Medco (CCCU) Limited) | - | (62) |
| Depreciation charge on consolidation | - | (8) |
| Impairment of (Medco CCCU Limited) investment | - | 1,154 |
| Net loss on disposals | (32) | (642) |
| Total surplus | 4,238 | 1,586 |

Notes to the Financial Statements

11. TANGIBLE ASSETS

| | <u>Consolidated</u> | | | |
|---------------------------------|--|--|---|----------------|
| | <u>Freehold Land & Buildings</u> | <u>Assets under construction</u> | <u>Fixtures, Fittings and Equipment</u> | <u>Total</u> |
| Cost | £000 | £000 | £000 | £000 |
| At 1 August 2008 | 69,569 | 11,735 | 13,835 | 95,139 |
| Additions | 1,630 | 35,119 | 888 | 37,637 |
| Assets coming into use | 826 | (2,654) | 1,828 | - |
| Disposals | (34) | - | - | (34) |
| At 31 July 2009 | 71,991 | 44,200 | 16,551 | 132,742 |
| Accumulated depreciation | | | | |
| At 1 August 2008 | 12,893 | - | 9,582 | 22,475 |
| Charge for the year | 1,932 | - | 2,391 | 4,323 |
| Disposals | (2) | - | - | (2) |
| At 31 July 2009 | 14,823 | - | 11,973 | 26,796 |
| Net book value | | | | |
| At 31 July 2009 | 57,168 | 44,200 | 4,578 | 105,946 |
| At 31 July 2008 | 56,676 | 11,735 | 4,253 | 72,664 |
| Financed by capital grant | 12,610 | 4,426 | 1,180 | 18,216 |
| Other | 44,558 | 39,774 | 3,398 | 87,730 |
| Total | 57,168 | 44,200 | 4,578 | 105,946 |

The largest projects that are shown within Assets Under Construction relate to the Canterbury Sports Centre (£5m), Augustine House (£33m) and North Holmes Road development (£1m).

Notes to the Financial Statements

11. TANGIBLE ASSETS continued

| | <u>University</u> | | | |
|---------------------------------|--|--|---|----------------|
| | <u>Freehold Land & Buildings</u> | <u>Assets under construction</u> | <u>Fixtures, Fittings and Equipment</u> | <u>Total</u> |
| Cost | £000 | £000 | £000 | £000 |
| At 1 August 2008 | 65,662 | 11,710 | 11,208 | 88,580 |
| Additions | 724 | 35,144 | 521 | 36,389 |
| Assets coming into use | 826 | (2,654) | 1,828 | - |
| Disposals | (34) | - | - | (34) |
| At 31 July 2009 | 67,178 | 44,200 | 13,557 | 124,935 |
| Accumulated depreciation | | | | |
| At 1 August 2008 | 11,787 | - | 7,343 | 19,130 |
| Charge for the year | 1,694 | - | 2,184 | 3,878 |
| Disposals | (2) | - | - | (2) |
| At 31 July 2009 | 13,479 | - | 9,527 | 23,006 |
| Net book value | | | | |
| At 31 July 2009 | 53,699 | 44,200 | 4,030 | 101,929 |
| At 31 July 2008 | 53,875 | 11,710 | 3,865 | 69,450 |
| Financed by capital grant | 12,610 | 4,426 | 1,180 | 18,216 |
| Other | 41,089 | 39,774 | 2,850 | 83,713 |
| Total | 53,699 | 44,200 | 4,030 | 101,929 |

Notes to the Financial Statements

12. INVESTMENTS

| | <u>University only</u> | | |
|--------------------------|--|--------------|----------------|
| | <u>Shares / Capital Contribution</u> | <u>Loans</u> | <u>Total</u> |
| | £000 | £000 | £000 |
| Cost | | | |
| At 1 August 2008 | 5,782 | 241 | 6,023 |
| Knight Ryan Disposal | (872) | (241) | (1,113) |
| At 31 July 2009 | 4,910 | - | 4,910 |
| Provisions | | | |
| At 1 August 2008 | (2,026) | (241) | (2,267) |
| Utilised during the year | 872 | 241 | 1,113 |
| At 31 July 2009 | (1,154) | - | (1,154) |
| Net book value | | | |
| At 31 July 2009 | 3,756 | - | 3,756 |
| At 31 July 2008 | 3,756 | - | 3,756 |

The University owns 100% of the one hundred £1 ordinary shares in Salomons Centre Limited. The company is registered in England and operates in the United Kingdom. The University's capital contribution to Salomons Centre Limited totals £410,000 (2008: £410,000). The company Salomons Centre Limited is a facilities management company comprising Conference and Events and Estates. The company provides a range of conferencing and events services to a range of clients utilising the facilities at the campus.

Medco (CCCU) Limited has a share capital of ten million £1 ordinary shares of which four million five hundred thousand and two have been issued, all owned by the University. Four million five hundred thousand of the £1 ordinary shares were converted from issued and paid up redeemable preference shares at an Extraordinary general meeting on the 7 November 2006. There is a post balance sheet event, which reduces the par value of shares in Medco (CCCU) Limited from £1 to 10p. The principal activity of Medco (CCCU) Limited is education and training.

The dormant company of Knight Ryan Limited was dissolved on 20 January 2009. The Loan provided to Knight Ryan Limited was fully provided for by Canterbury Christ Church University at the date of disposal of the company and related to the development of assets held by Knight Ryan Limited. The assets were transferred to Canterbury Christ Church University on the 31 July 2006.

The Directors and Governing Body believe that the carrying value of the investments is supported by their underlying net assets.

Notes to the Financial Statements

13. STOCK

| | <u>Consolidated</u> | | <u>University</u> | |
|--------------------------|---------------------|-------------|-------------------|-------------|
| | <u>2009</u> | <u>2008</u> | <u>2009</u> | <u>2008</u> |
| | £000 | £000 | £000 | £000 |
| Stocks of finished goods | 395 | 452 | 383 | 436 |

14. DEBTORS

| | <u>Consolidated</u> | | <u>University</u> | |
|--------------------------------|---------------------|--------------|-------------------|--------------|
| | <u>2009</u> | <u>2008</u> | <u>2009</u> | <u>2008</u> |
| | £000 | £000 | £000 | £000 |
| Trade debtors | 4,823 | 3,499 | 4,569 | 2,927 |
| Intercompany loan | - | - | 400 | - |
| Intercompany debtors | - | - | 2,942 | 1,142 |
| Prepayments and accrued income | 3,401 | 2,368 | 3,134 | 2,291 |
| Total | 8,224 | 5,867 | 11,045 | 6,360 |

Inter company debtors are unsecured, interest free and repayable 30 days from the date of invoice. Inter company loans are unsecured but set at arm's length with interest and dates for repayment separately identified.

15. INVESTMENTS

| | <u>Consolidated</u> | | <u>University</u> | |
|---|---------------------|-------------|-------------------|-------------|
| | <u>2009</u> | <u>2008</u> | <u>2009</u> | <u>2008</u> |
| | £000 | £000 | £000 | £000 |
| Deposits maturing between 1 and 2 years | 209 | 201 | - | - |

Notes to the Financial Statements

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | <u>Consolidated</u> | | <u>University</u> | |
|---|----------------------|----------------------|----------------------|----------------------|
| | <u>2009</u> | <u>2008</u> | <u>2009</u> | <u>2008</u> |
| | £000 | £000 | £000 | £000 |
| Bank loans | 483 | 295 | 483 | 295 |
| Intercompany loan | - | - | 4,000 | - |
| Creditors | 6,159 | 5,715 | 6,004 | 5,507 |
| Amounts owed to subsidiary undertakings | - | - | - | 96 |
| Taxation and social security | 1,934 | 2,067 | 1,920 | 1,671 |
| Accruals | 11,577 | 7,448 | 10,230 | 5,973 |
| Deferred income | 12,779 | 9,088 | 11,458 | 7,566 |
| Total | <u>32,932</u> | <u>24,613</u> | <u>34,095</u> | <u>21,108</u> |

Amounts owed to subsidiary undertakings are unsecured, interest free and repayable 30 days from the date of invoice. Inter company loans are unsecured but set at arms length with interest and dates for repayment separately identified.

The bank loans relate to the capital repayments for the Lanfranc hall of residence, the Broadstairs campus and the student accommodation in Broadstairs. Loan details are shown in note 17.

Notes to the Financial Statements

17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | <u>Consolidated and University</u> | |
|----------------|--|----------------------|
| | <u>2009</u> | <u>2008</u> |
| | £000 | £000 |
| Unsecured loan | 210 | 200 |
| Mortgages | 36,737 | 24,203 |
| Total | <u>36,947</u> | <u>24,403</u> |

On 29 December 1995, the University purchased the Lanfranc Hall of Residence with the assistance of £4.4m borrowed from National Westminster Bank Plc, repayable over 25 years at 10.8325% pa and secured by a mortgage over the property. This loan was repaid in full on 25 June 2009.

On 17 February 2000, the University agreed to borrow £4.25m from Lloyds TSB Plc to develop the Broadstairs Campus. This was repayable over 25 years at Lloyds TSB Bank Rate + 0.65% for the first 5 years and secured by a mortgage over the Broadstairs Campus land and The Priory. The rate was amended in May 2008 to Lloyds TSB Bank Rate + 0.25%.

On 22 April 2003, the University agreed to borrow £2.85m from Lloyds TSB PLC to be used towards the building of student accommodation in Broadstairs. The loan is repayable over 30 years at Lloyds TSB Base Rate + 0.45% and secured by a mortgage on the student accommodation building. The rate was amended in May 2008 to Lloyds TSB Bank Rate + 0.25%.

In July 2004, the University agreed to borrow £10.1m from Lloyds TSB PLC to be used towards the development at Medway and Canterbury. The first draw down of the loan took place on 28 July 2004 and totalled £0.5m. Further drawdowns totalling £6.25m took place during the year to July 2005. The loan is repayable over 30 years at Lloyds TSB Base Rate + 0.45%.

On 20 October 2004, the loan facility was amended to £16.1m to cover works on Augustine House, and a further drawdown of £2m took place on 26 May 2006. The loan is repayable over 30 years and is secured by a mortgage over the Broadstairs Campus land.

The loan facility of £16.1m was converted to a loan facility of £36m in March 2008. A fixed loan of £5m was drawn down in July 2008 with an interest rate of 5.35% for a 5 year period. A variable £12m loan was drawn down in June 2009 at Lloyds TSB Base Rate +0.25%. A fixed loan of £5m was drawn down in July 2009 with an interest rate of 4.44% for a 5 year period.

Notes to the Financial Statements

18. BORROWINGS

| | Consolidated and University | |
|---|--|---------------|
| Bank loans and overdrafts | 2009 | 2008 |
| Bank loans and overdrafts are repayable as follows: | £000 | £000 |
| In one year or less | 483 | 295 |
| Between one and two years | 697 | 186 |
| Between two and five years | 1,386 | 6,585 |
| In five years or more | 34,864 | 17,632 |
| Total | 37,430 | 24,698 |

19. PROVISIONS FOR LIABILITIES AND CHARGES

| | 2009 |
|--|-------------|
| | £000 |
| Dilapidation provision at start of year | 101 |
| Charges for the year | 27 |
| Utilised in the year | (23) |
| Dilapidation provision at end of year | 105 |

The group has provided for potential future dilapidation costs of their leased property at the Medway campus based on latest management estimates. The provision is based on assumed internal refurbishment every 3 years and external refurbishments every 5 years.

Notes to the Financial Statements

20. DEFERRED TAX ASSET

| | <u>Note</u> | <u>2009</u> | <u>2008</u> |
|---|-------------|-------------|-------------|
| | | £000 | £000 |
| Depreciation in excess of accelerated capital allowances | | 171 | 112 |
| Unutilised losses and other short term timing differences | | 32 | 18 |
| Undiscounted asset for deferred tax | | 203 | 130 |
| Deferred tax asset at start of year | | 130 | |
| Deferred tax credit to income and expenditure account | 9 | 73 | |
| Deferred tax asset at end of year | | 203 | |

Amounts unprovided for deferred tax assets are as follows:

| | <u>2009</u> | <u>2008</u> |
|--|-------------|-------------|
| | £000 | £000 |
| Depreciation in excess of accelerated capital allowances | 171 | 112 |
| Short term timing differences | 32 | 18 |
| Total | 203 | 130 |

Due to the uncertainty of creating sufficient taxable profits in future years to utilise the economic benefit of these losses, the group has not recognised the full potential deferred taxation asset in these financial statements and has only recognised the proportion that is considered to be recoverable.

Notes to the Financial Statements

21. DEFERRED CAPITAL GRANTS

| | <u>Consolidated and University</u> | | |
|---------------------------|---------------------------------------|-------------------------|---------------|
| | <u>Funding Council Grants</u> | <u>Other Grants</u> | <u>Total</u> |
| | £000 | £000 | £000 |
| At 1 August 2008 | | | |
| Buildings | 7,451 | 5,382 | 12,833 |
| Equipment | 558 | 186 | 744 |
| Total | <u>8,009</u> | <u>5,568</u> | <u>13,577</u> |
| Receivable in year | | | |
| Buildings | - | - | - |
| Equipment | 907 | 55 | 962 |
| Total | <u>907</u> | <u>55</u> | <u>962</u> |
| Released in year | | | |
| Buildings | 79 | 144 | 223 |
| Equipment | 515 | 11 | 526 |
| Total | <u>594</u> | <u>155</u> | <u>749</u> |
| At 31 July 2009 | | | |
| Buildings | 7,372 | 5,238 | 12,610 |
| Equipment | 950 | 230 | 1,180 |
| Total | <u>8,322</u> | <u>5,468</u> | <u>13,790</u> |

Notes to the Financial Statements

22. ENDOWMENTS

| | <u>Consolidated and University</u> | | | |
|--|------------------------------------|----------------------------------|-----------------------|-----------------------|
| | Restricted permanent £000 | Restricted expendable £000 | 2009 Total £000 | 2008 Total £000 |
| Balance at 1 August 2008 | | | | |
| Capital | 84 | - | 84 | 84 |
| Accumulated income | 3 | 29 | 32 | 30 |
| | 87 | 29 | 116 | 114 |
| Movement in the year to date | | | | |
| New Endowments | 2 | 59 | 61 | - |
| Investment Income | 26 | 3 | 29 | 6 |
| Expenditure | (19) | (8) | (27) | (4) |
| | 9 | 54 | 63 | 2 |
| Closing balance at 31 July 2009 | 96 | 83 | 179 | 116 |
| Represented by: | | | | |
| Capital | 86 | 59 | 145 | 84 |
| Accumulated income | 10 | 24 | 34 | 32 |
| | 96 | 83 | 179 | 116 |

The above amounts are represented by cash balances.

| | Permanent £000 | Expendable £000 | 2009 Total £000 | 2008 Total £000 |
|--------------------------|-------------------|--------------------|-----------------------|-----------------------|
| Representing: | | | | |
| Specific donations | - | 50 | 50 | - |
| Scholarships / bursaries | 56 | 25 | 81 | 75 |
| Prize funds | 40 | 8 | 48 | 41 |
| | 96 | 83 | 179 | 116 |

Notes to the Financial Statements

23. RESERVES

Income and Expenditure Reserve - Consolidated

| | <u>Note</u> | <u>2009</u> | <u>2008</u> |
|-------------------------------|-------------|----------------------|----------------------|
| | | £000 | £000 |
| Balance at 1 August | | 34,698 | 32,792 |
| Surplus retained for the year | | 4,238 | 1,586 |
| Add back pension deficit | | 80 | 320 |
| At 31 July | | <u>39,016</u> | <u>34,698</u> |

Income and Expenditure Reserve - University

| | <u>2009</u> | <u>2008</u> |
|-------------------------------|----------------------|----------------------|
| | £000 | £000 |
| Balance at 1 August | 33,817 | 30,865 |
| Surplus retained for the year | 4,567 | 2,632 |
| Add back pension deficit | 80 | 320 |
| At 31 July | <u>38,464</u> | <u>33,817</u> |

Pension Reserve - Consolidated and University

| | | <u>2009</u> | <u>2008</u> |
|---|----|------------------------|-----------------------|
| | | £000 | £000 |
| Balance at 1 August | 29 | (8,907) | (4,831) |
| Actuarial (loss) / gain on the pension scheme | 29 | (9,448) | (3,756) |
| Deficit for the year for FRS17 | | (80) | (320) |
| At 31 July | 29 | <u>(18,435)</u> | <u>(8,907)</u> |

Notes to the Financial Statements

| | <u>Note</u> | <u>2009</u> | <u>2008</u> |
|---|-------------|-----------------|----------------|
| 24. RECONCILIATION OF CONSOLIDATED OPERATING SURPLUS TO NET CASH FROM OPERATING ACTIVITIES | | | |
| | | £000 | £000 |
| Surplus for the year after depreciation of assets and before tax | | 4,165 | 1,520 |
| FRS 17 (credit) / charge greater than contributions | | (417) | 424 |
| Depreciation | 11 | 4,323 | 4,015 |
| Deferred capital grants released to income | 21 | (749) | (599) |
| Loss on sale of tangible fixed assets | | 32 | 642 |
| Interest payable and similar charges | 8 | 3,333 | 1,377 |
| Interest receivable and similar income | 5 | (288) | (649) |
| Decrease / (increase) in stocks | | 57 | (4) |
| Increase in debtors | | (2,357) | (1,961) |
| Increase in short term creditors | | 3,278 | 7,242 |
| Increase in provision for dilapidations | | 4 | 24 |
| Net cash inflow from operating activities | | 11,381 | 12,031 |
| 25. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | | | |
| | | <u>2009</u> | <u>2008</u> |
| | | £000 | £000 |
| Other interest received | | 279 | 534 |
| Interest paid | | (2,878) | (1,336) |
| Net cash outflow from returns on investments and servicing of finance | | (2,599) | (802) |
| 26. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT | | | |
| | | <u>2009</u> | <u>2008</u> |
| | | £000 | £000 |
| Purchase of tangible fixed assets | | (35,397) | (9,694) |
| Sale of tangible fixed assets | | - | 201 |
| Endowments increase | 22 | 61 | 2 |
| Payments to acquire endowment assets | | (59) | (2) |
| Deferred capital grants received | | 3,626 | 4,868 |
| Net cash outflow from capital expenditure and financial investment | | (31,769) | (4,625) |

Notes to the Financial Statements

27. FINANCING

| | <u>2009</u> | <u>2008</u> |
|---------------------------------------|---------------|--------------|
| | £000 | £000 |
| Debt due beyond a year: | | |
| New secured loan repayable by 2034 | 17,000 | 5,000 |
| Repayments of amounts borrowed | (4,278) | (292) |
| Net cash inflow from financing | 12,722 | 4,708 |

28. ANALYSIS OF CHANGES IN NET DEBT

| | <u>At</u> <u>1 August</u> <u>2008</u> | <u>Cash</u> <u>Flow</u> | <u>At</u> <u>31 July</u> <u>2009</u> |
|---------------------------------|---|----------------------------|--|
| | £000 | £000 | £000 |
| Cash at bank and in hand | 18,078 | (10,265) | 7,813 |
| Short term deposits | 201 | 8 | 209 |
| | 18,279 | (10,257) | 8,022 |
| Debts due in less than one year | (295) | (188) | (483) |
| Debt due after one year | (24,403) | (12,544) | (36,947) |
| Total | (6,419) | (22,989) | (29,408) |

Notes to the Financial Statements

29. PENSION SCHEMES

The three principal pension schemes for the University's staff are the Teachers' Pension Scheme (TPS), the Local Government Pension Scheme (LGPS) and the Universities Superannuation Scheme (USS). The schemes are defined benefit schemes which are contracted out of the State Earnings Related Pension Scheme.

The total pension cost for the University was:

| | <u>2009</u> | <u>2008</u> |
|--|--------------|--------------|
| | £000 | £000 |
| Contributions to TPS | 3,278 | 2,926 |
| Contributions to LGPS | 2,276 | 1,953 |
| Contributions to USS | 97 | 49 |
| Total pension cost | 5,651 | 4,928 |
| | | |
| Percentage employers contribution to TPS as at year end | 14.0% | 14.1% |
| Percentage employers contribution to LGPS as at year end | 17.6% | 17.6% |
| Percentage employers contribution to USS as at year end | 14.0% | 14.0% |

The assumptions and other data relevant to the determination of the contribution levels of the schemes are as follows:

| | <u>TPS</u> | <u>LGPS</u> | <u>USS</u> |
|---|----------------------|----------------|----------------|
| Latest actuarial valuations | 31/3/04 | 31/3/07 | 31/3/08 |
| Actuarial method | Prospective benefits | Projected unit | Projected unit |
| Investment returns per annum | 6.5% | 4.5% | 6.4% |
| Salary scale increases per annum | 4.5% | 4.7% | 4.3% |
| Pension increases per annum | 3.5% | 3.2% | 3.3% |
| Market value of assets at date of last valuation | - | £2,580m | £28,843m |
| Nominal market value of assets at date of last valuation | £162,650m | - | - |
| | | | |
| Proportion of members accrued benefits covered by the actuarial value of the assets | 99% | 73% | 77% |

Notes to the Financial Statements

29. PENSION SCHEMES continued

The most recent available valuation with regards to the Local Government Pension Scheme is as at 31 March 2007. This valuation indicated that the scheme has a deficit of 27%. The most recent available valuation for the Teachers Pension Scheme is as at 31 March 2004. The latest USS valuation at 31 March 2008 indicated that the scheme had a deficit of 23%. Any surplus or deficit on either scheme will be compensated for by altering the rate of contributions.

The best estimate of contributions to be paid to the schemes for the year beginning 1 September 2009 is £8,620k.

Teachers' Pensions Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme. The regulations under which the TPS operates are the Teachers' Pensions Regulations 1997, as amended. These regulations apply to teachers in schools and other educational establishments in England and Wales maintained by local authorities, to teachers in many independent and voluntary-aided schools, and to teachers and lecturers in establishments of further and higher education. Membership is automatic for full-time teachers and lecturers and from 1 January 2007 automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

Although teachers and lecturers are employed by various bodies, their 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' Pension Account, to be kept of receipts and expenditure (including the cost of pensions' increases). From 1 April 2001, 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.

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.

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.

Notes to the Financial Statements

29. PENSION SCHEMES continued

The last valuation of the TPS related to the period 1 April 2001 - 31 March 2004. The GA's report of October 2006 revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £166,500 millions. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £163,240 millions. The assumed real rate of return is 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 1.5%. The assumed gross rate of return is 6.5%.

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

Because of the mutual nature of the scheme, the University is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement Benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

Universities Superannuation Scheme

USS is valued every three years by professionally qualified independent actuaries using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuaries. In the intervening years, the USS actuary reviews the progress of the USS scheme.

The contribution rate payable by the University to USS is 14% of pensionable salaries. The actuary to USS has confirmed that it is appropriate to take the pension costs in the University's accounts to be equal to the actual contributions paid during the year. In particular, the current contribution rate has regard to the surplus disclosed, the benefit improvements introduced subsequent to the valuation and the need to spread surplus in a prudent manner over the future working lifetime of current scheme members.

Because of the mutual nature of the scheme, the University is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement Benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

Local Government Pension Scheme

The LGPS is a funded scheme and is valued every three years by actuaries using the projected unit method, the rates of contribution payable being determined by the members of Kent County Council Superannuation Fund on the advice of the actuaries. In the intervening years, the LGPS actuary reviews the progress of the LGPS scheme.

Notes to the Financial Statements

29. PENSION SCHEMES continued

For LGPS, the actuary has indicated that the resources of the scheme are likely, in the normal course of events, to meet the liabilities as they fall due at the level specified by the LGPS Regulations. The contribution payable by the employer was increased to 17.6% of pensionable salaries from April 2008.

Under the definitions set out in FRS17, the LGPS is a multi-employer defined benefit pension scheme. In the case of the LGPS, the actuary of the scheme has identified the University's share of its assets and liabilities as at 31 July 2009.

The pension scheme assets are held in a separate Trustee-administered fund to meet long-term pension liabilities to past and present employees. The trustees of the fund are required to act in the best interests of the funds' beneficiaries. The appointment of the trustees the fund is determined by the scheme's trust documentation. The trustees are responsible for setting the investment strategy for the Scheme after consultation with professional advisors.

The material assumptions used by the actuary for FRS17 at 31 July 2009 were:

| | <u>2009</u> | <u>2008</u> | <u>2007</u> |
|-------------------------------|-------------|-------------|-------------|
| | <u>% pa</u> | <u>% pa</u> | <u>% pa</u> |
| Inflation / Pension increase | 3.7 | 3.8 | 3.3 |
| Rate of increase in salaries | 5.2 | 5.3 | 4.8 |
| Discount rate for liabilities | 6.0 | 6.7 | 5.8 |

Life expectancy is based on the PFA92 and PMA92 tables, projected to the calendar year 2033 for non pensioners and 2017 for pensioners. Based on these assumptions, the average life expectations on retirement at age 65 are:

| | Males | Females |
|--------------------|------------|------------|
| Current Pensioners | 21.5 years | 24.4 years |
| Future Pensioners | 22.6 years | 25.5 years |

Notes to the Financial Statements

29. PENSION SCHEMES continued

The assets in the scheme and the expected rate of return for the University and the Group were:

| | <u>Long term rate of return expected at 31 July 2009</u> | <u>Value at 31 July 2009</u> | <u>Long term rate of return expected at 31 July 2008</u> | <u>Value at 31 July 2008</u> | <u>Long term rate of return expected at 31 July 2007</u> | <u>Value at 31 July 2007</u> |
|--|--|------------------------------|--|------------------------------|--|------------------------------|
| | % per annum | £000 | % per annum | £000 | % per annum | £000 |
| Equities | 7.3 | 19,455 | 7.8 | 18,065 | 8.0 | 19,106 |
| Bonds | 5.3 | 4,793 | 5.7 | 4,653 | 5.2 | 3,019 |
| Property | 5.3 | 2,256 | 5.7 | 2,737 | 6.0 | 2,754 |
| Cash | 4.3 | 1,692 | 4.8 | 1,916 | 5.1 | 2,348 |
| Total market value of assets | | 28,196 | | 27,371 | | 27,227 |
| Present value of scheme liabilities | | (46,579) | | (36,230) | | (32,009) |
| Present value of unfunded liabilities | | (52) | | (48) | | (49) |
| Deficit in the scheme—Net pension liability | | (18,435) | | (8,907) | | (4,831) |

The expected return on assets is based on the long term future expected investment return for each asset class as at the beginning of the year. The actuarial recommended expected returns are shown above.

The actual return on scheme assets in the year was £1,750k loss (2008 £2,023k loss).

The equity investments and bonds that are held in plan assets are quoted and valued at the current bid price following the adoption of the amendments to FRS17. Previously, these were valued at mid price and prior years have not been restated as it is not considered material.

Notes to the Financial Statements

29. PENSION SCHEMES continued

| | <u>2009</u> | <u>2008</u> |
|--|----------------------|----------------------|
| Reconciliation of Defined Benefit Obligation | £000 | £000 |
| Opening Defined Benefit Obligation | 36,278 | 32,058 |
| Current Service Cost | 1,876 | 1,976 |
| Interest Cost | 2,502 | 1,933 |
| Contributions by Members | 879 | 695 |
| Actuarial Loss / (Gain) | 5,693 | (304) |
| Past Service Costs | - | 474 |
| Losses on Curtailments | - | 43 |
| Estimated Unfunded Benefits Paid | (4) | (4) |
| Estimated Benefits Paid | (593) | (593) |
| Closing Defined Benefit Obligation | <u>46,631</u> | <u>36,278</u> |
| | <u>2009</u> | <u>2008</u> |
| Reconciliation of Fair Value of Employer Assets | £000 | £000 |
| Opening Fair Value of Employer Assets | 27,371 | 27,227 |
| Expected Return on Assets | 2,005 | 2,037 |
| Contributions by Members | 879 | 695 |
| Contributions by the Employer | 2,289 | 2,065 |
| Contributions in respect of Unfunded Benefits | 4 | 4 |
| Actuarial Losses | (3,755) | (4,060) |
| Unfunded Benefits Paid | (4) | (4) |
| Benefits Paid | (593) | (593) |
| Closing Fair Value of Employer Assets | <u>28,196</u> | <u>27,371</u> |

Scheme assets do not include any University owned financial instruments or any property occupied by the University.

Notes to the Financial Statements

29. PENSION SCHEMES continued

| | <u>2009</u> | <u>2008</u> |
|--|--------------|--------------|
| Recognition in the income and expenditure account | £000 | £000 |
| Current Service Cost | 1,876 | 1,976 |
| Interest Cost | 2,502 | 1,933 |
| Expected Return on Employer Assets | (2,005) | (2,037) |
| Past Service Cost | - | 474 |
| Losses on Curtailments and Settlements | - | 43 |
| Total | 2,373 | 2,389 |

| | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> |
|---|-------------|-------------|-------------|-------------|-------------|
| Amounts for the current and previous accounting periods: | £000 | £000 | £000 | £000 | £000 |
| Fair Value of Employer Assets | 28,196 | 27,371 | 27,227 | 22,745 | 17,714 |
| Present Value of Defined Benefit Obligation | (46,631) | (36,278) | (32,058) | (30,945) | (26,059) |
| Deficit | (18,435) | (8,907) | (4,831) | (8,200) | (8,345) |
| Experience (Losses) / Gains on Assets | (3,755) | (4,060) | 580 | 1,625 | 1,877 |
| Experience (Losses) / Gains on Liabilities | (2) | 2,883 | (2) | (2) | (242) |
| Amount Recognised in Statement of Consolidated Total Recognised Gains and Losses (STRGL) | | | | | |
| Actuarial (Losses) / Gains recognised in STRGL | (9,448) | (3,756) | 3,673 | 288 | (5,165) |

The Cumulative Actuarial Gains and Losses are based on the full available history of Actuarial Gains and Losses for the employer.

Notes to the Financial Statements

30. POST BALANCE SHEET EVENTS

With effect from 1 August 2009 Her Majesty's Revenue and Customs has ruled that Medco (CCCU) Limited is an eligible body within the Value Added Tax (VAT) definition. This will result in Medco (CCCU) Limited not being able to recover VAT on its trading activities. The outcome of this decision is not yet finalised and therefore a financial estimate cannot be provided.

It was agreed in October 2009 to reduce the par value of the shares in Medco (CCCU) Limited from £1 to 10p.

31. CAPITAL COMMITMENTS

| | <u>2009</u> | <u>2008</u> |
|--|--------------|---------------|
| | £000 | £000 |
| Commitments contracted at 31 July but not provided for | 8,392 | 26,126 |
| | <u>8,392</u> | <u>26,126</u> |

32. FINANCIAL COMMITMENTS

At 31 July 2009, the University had annual commitments under non-cancellable operating leases as follows:

| | <u>Land and Buildings</u> | | <u>Other</u> | |
|-------------------------------------|---------------------------|--------------|--------------|-------------|
| | <u>2009</u> | <u>2008</u> | <u>2009</u> | <u>2008</u> |
| | £000 | £000 | £000 | £000 |
| Expiring in less than two years | 513 | 305 | - | - |
| Expiring between two and five years | 783 | 311 | 6 | 32 |
| Expiring in over five years | 2,901 | 2,383 | - | - |
| Total | <u>4,197</u> | <u>2,999</u> | <u>6</u> | <u>32</u> |

33. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 July 2009, or at the 31 July 2008.

34. RELATED PARTY DISCLOSURES

The University is one of six equal partners in Kent MAN Limited, a company formed on 1 April 2002 and limited by guarantee, maintaining telecommunications links between Higher Education Institutions and The County Council in Kent. During the 2008/09 financial year, the University paid Kent MAN Limited £12,469 (2008 £87,526), and received £208,309 (2008 £185,000) in income. Included in the University's creditor balance at 31 July 2009 was £56,086 (2008 £102,180) owed to Kent MAN Limited.

Funding council grants are disclosed on the face of the income and expenditure account, the balance sheet (for deferred capital grants) and in the relevant notes to the accounts.

Notes to the Financial Statements

35. STUDENT SUPPORT FUNDS

Funding Council grants are available solely for students: the University acts only as a paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure account. Access to Learning Fund grants are allocated for the period 1 September 2008 to 31 August 2009.

| Student Associates Scheme | <u>2009</u> | <u>2008</u> |
|--|--------------------|--------------------|
| | £000 | £000 |
| Funding Council grants | 174 | 176 |
| Total funds utilised | (174) | (162) |
| Balance unspent at 31 July | <u>-</u> | <u>14</u> |
| | <u><u>-</u></u> | <u><u>14</u></u> |
| | | |
| Access To Learning Funds | <u>2009</u> | <u>2008</u> |
| | £000 | £000 |
| Funding Council grants | 471 | 517 |
| Interest earned | 4 | 9 |
| | <u>475</u> | <u>526</u> |
| Balance brought forward from previous year | 1 | 30 |
| Administration fee | (13) | (14) |
| Disbursed to students | (463) | (541) |
| Balance unspent at 31 July | <u>-</u> | <u>1</u> |
| | <u><u>-</u></u> | <u><u>1</u></u> |

