Canterbury Christ Church University

Financial Statements
For the year ended 31 July 2008

Registered Company Number 04793659

CONTENTS

DIRECTORS AND ADVISORS

Directors and Governing Body Members for the year ended 31st July 2008 and up to the date of signing the accounts

Clerk to the Governing Body
Mr P Bogle

Independent Auditors

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

Solicitors

Lee Bolton and Lee
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London
SW1P 3JT

Registered Office

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

Company and Charity Numbers

Registered company number 04793659
Registered charity number 1098136

VICE CHANCELLOR'S REPORT

Scope of Financial Statements

The Financial Statements for the year ended 31 July 2008 have been prepared to comply with the Statement of Recommended Practice (SORP) "Accounting for Further and Higher Education". The results of Salomons Centre Ltd, The St Gregory's Foundation Canterbury, Knight Ryan Ltd and Medco (CCCU) Ltd have been consolidated into the University's Financial Statements.

The assets and liabilities of Knight Ryan Ltd were transferred on the 31 July 2006 to the University and Knight Ryan Ltd remains as a dormant company.

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 in line with its strategic plan expectations of moving towards a 3% surplus as a percentage of annual income. This has been achieved by means of a 11.5% increase in income whilst maintaining a careful control over costs.

The University has the following aims set out in its financial strategy:

- 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:

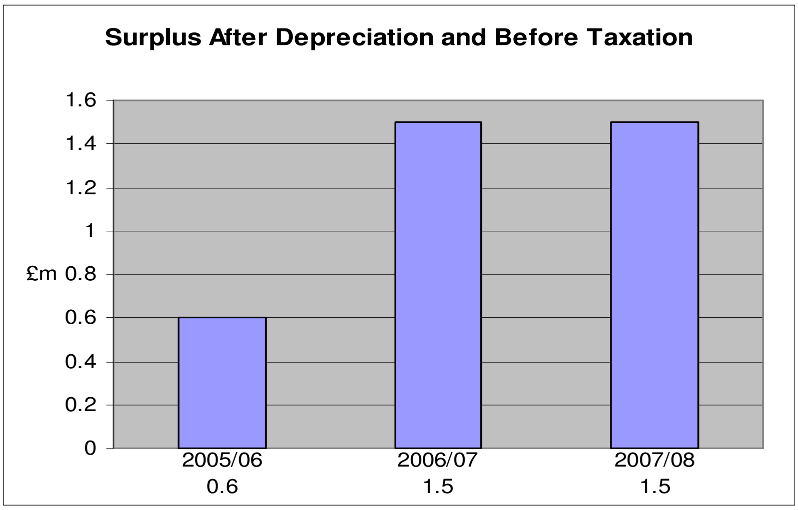
	2008	2007
	£000	£000
Income	90,427	81,076
Expenditure	88,265	78,787
Operating surplus before exceptional items and taxation	**2,162**	**2,289**
Voluntary severance	-	(1,044)
Net (loss) / gain on disposal of tangible fixed assets	(642)	304
Surplus before taxation	**1,520**	**1,549**

The particular areas to highlight from the financial results are:

- Total income growth of 11.5% to £90.427m
- Increased expenditure of 12% to £88.265m
- Operating surplus before exceptional items and taxation of £2.162m (2007 £2.289m)
- Operating surplus after exceptional items and before taxation of £1.520m (2007 £1.549m)
- Capital additions of £10.246m (2007 £5.706m)
- The inclusion of the accounting for pensions has resulted in;
    - Pension scheme deficit of £8.907m (2007 £4.831m)
    - Additional pension accounting charge of £0.32m (2007 £0.30m)

Chart A shows surplus after depreciation and before taxation for the last three years. As can be seen, the University has returned a surplus in 2007/08 which is consistent with its strategic plan objectives. The University continues to target a move towards a 3% annual trading surplus.

Chart A



Student Numbers

The university continues to grow its funded numbers across all of the three main funding bodies i.e. Higher Education Funding Council for England (HEFCE), Training and Development Agency for Schools (TDA), National Health Service (NHS). Student number growth prospects for future years are somewhat limited across all of the main funding bodies except in targeted areas of activity. Canterbury Christ Church University is particularly well placed to respond to these challenges and continues to develop its portfolio of academic provision including expansion of foundation degrees as well as health and education related provision.

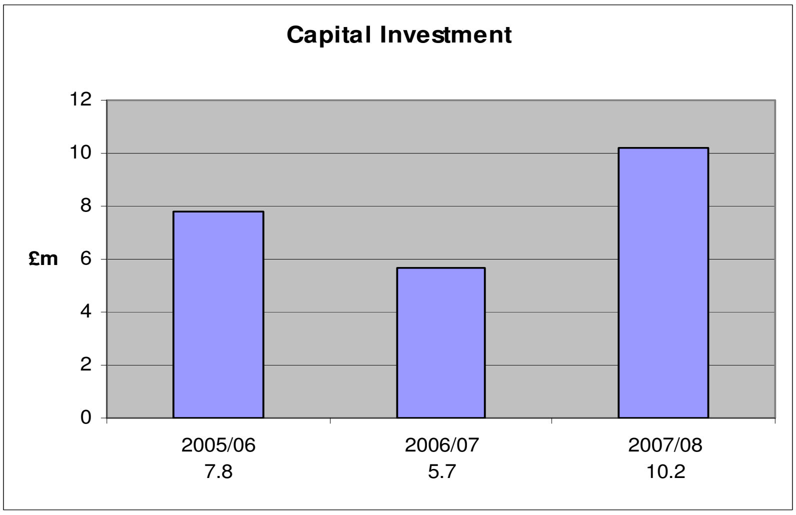
Capital Projects

Chart B shows a continued high level of investment in fixed assets. The University is financing its capital programme through the generation of surpluses and has also agreed borrowing arrangements to part fund significant development in capital infrastructure that is planned over the medium term.

Within the 2007/08 year much of this expenditure was on preparatory work for the development of a £35m Learning and Resource Centre which is being built in a central location in Canterbury. Additionally development work on the establishment of a Sports Hall in collaboration with a local school will involve investment of £5m in improved facilities for our students. Further investment in the year relates to the significant development of the University’s IT infrastrcture and facilities for staff and students.

Initial work has also commenced on the establishment of an £8m 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 match 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.

Chart B



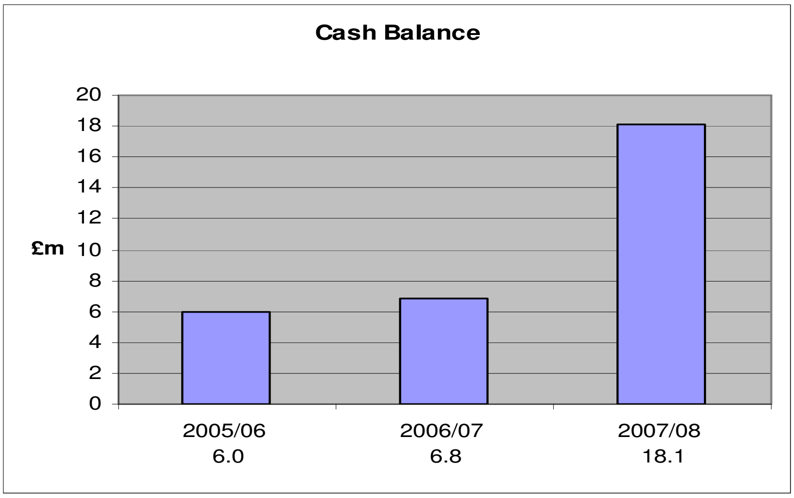
Payment of Creditors

It is the University's policy that payments are made in accordance with those terms and conditions agreed between the institution and its suppliers, providing that all trading terms and conditions have been complied with.

Cash Flow

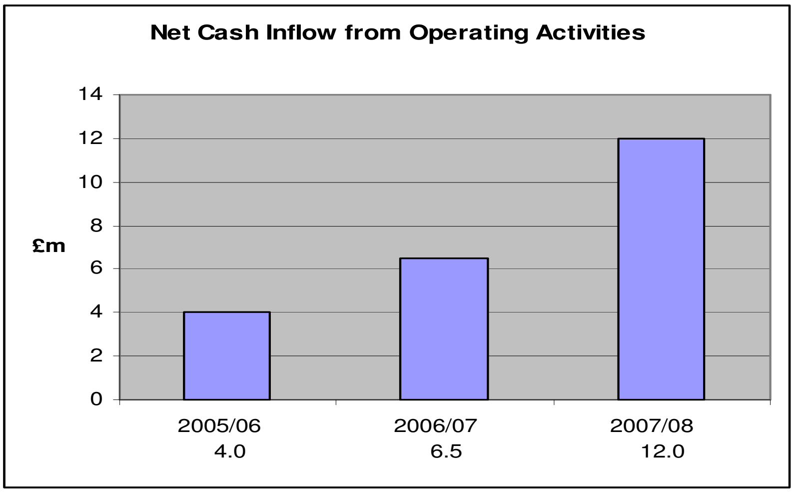
The University continues to maintain strong cash balances and any short term arrangements are covered through an overdraft facility. The University has agreed revised loan arrangements with its bankers which will provide for consolidated funding of £36m to support the University's capital expansion. The University seeks to apply balance in drawing loans down only when necessary, ensuring appropriate levels of cash holding but minimising interest liability. It is likely that the University's cash holdings will reduce during 2008/09 as cash holdings are converted into fixed assets.

Chart C



The cash position has improved by £11.3m. This has been as a result of the favourable trading performance and resultant cash inflows as well as draw down of a further £5m loan in support of the capital investment programmes.

Chart D



Employment Policy

The University operates an Equal Opportunities Policy and is committed to ensuring that its workplaces are free from discrimination of any kind. Recruitment and employment decisions are made on the basis of fair and objective criteria. The requirements of job applicants and existing members of staff who suffer from disability are reviewed to ensure that wherever possible, reasonable adjustments are made to enable them to enter or remain in employment with the University.

A major review of pay and grading structures and conditions of employment within a new national pay framework was completed. This modernises and simplifies the University's pay and grading arrangements, ensures equal pay and enables competitiveness in a national and global market.

Main Risks

The identification and management of risks is the responsibility of the Governing Body and the University management. The University's processes ensures 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.

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. The institution has a strong financial platform to support future investment whilst closely monitoring the effect of the introduction of variable tuition fees. In this context, the University continues to make every effort to support students who may find financial pressures a barrier to their effective participation in higher education.

The future prospects for the higher education sector remain demanding but Canterbury Christ Church University remains particularly well placed to maximise opportunities for development and growth whilst maintaining a careful and prudent approach to the management of its financial affairs to ensure that any potential risks or adverse conditions are managed without negatively impacting upon the experience of our students.

The University's Strategic Plan for 2006 to 2010 was prepared following an extensive consultation process. During the coming few years we will seek to build on our acknowledged strengths in academic and professional education, combined with the proven commitment of our staff and students, in order to ensure that Canterbury Christ Church University is even more effective in living out its mission and values and pursuing its primary aims and objectives.

Professor M Wright

Vice Chancellor and Principal

18 November 2008

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 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 final 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.

The Right Revd S Venner

Pro-Chancellor (Chairman of the Governing Body)
Date: 18 November 2008

CORPORATE GOVERNANCE

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

The HEFCE Audit Service considered the arrangements of the University in regard to Corporate Governance through an Audit Review reported in July 2003, and more recently through its Annual Risk Assessment. 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 November 2004

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 2007/08. 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 2008 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.

In June 2005, the Audit Committee approved the disbanding of the Risk Management Group as satisfactory risk management procedures were in place and those processes were appropriately embedded within the management of the University.

The Senior Management Team (SMT) has replaced the Risk Management Group as the forum where the Risk Register is reviewed and updated and assurance is received.

The University maintains a comprehensive and prioritised Strategic Risk Register that identifies 38 strategic risks, clearly prioritising the most significant residual and inherent risks. Each risk has an identified risk owner clearly documented in the Strategic Risk Register and is assessed according to likelihood and impact.

Risk identification and management is closely linked to the achievement of the Institution's objectives. All of the University's 38 identified corporate risks are directly linked to one of the eight priorities contained in the University's 2006-10 Strategic Plan.

Each response to residual and inherent risk 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.

The Internal Auditors have adapted their audit planning and their audit methodology and approach to ensure that the latest professional standards reflecting the adoption of risk management are incorporated.

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 June 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 and have given a substantial level of assurance.

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 and other reports. The HEFCE also provide an annual assessment which again confirmed in March 2008 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 financial statements' of Canterbury Christ Church University for the year ended 31 July 2008 which comprise the Consolidated Income and Expenditure Account, the Group and University Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out in 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 Section 235 of the Companies Act 1985 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 1985 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 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 if, in our opinion, the institution has not kept proper accounting records, the accounting records do not agree with the financial statements, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the financial statements and consider the implications for our report if we become aware of any apparent misstatements within it. The other information comprises only the Vice Chancellors' Report, Responsibilities of the University's Governing Body and Corporate Governance report.

We also review the Statement of Internal Control and comment if the statement is inconsistent with our knowledge of the institution and group. 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 group'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 Code of Practice. 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 group'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 and the group at 31 July 2008, and of the surplus of income over expenditure, recognised gains and losses and cashflows for the year then ended;

ii. the financial statements have been properly prepared in accordance with the Companies Act 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 Chancellors' 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 and where appropriate in accordance with the financial memorandum (2006/24) with the Higher Education Funding Council for England and the funding agreement with the Training and Development Agency for Schools.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
Gatwick

24 November 2008

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.

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 Ltd, Medco (CCCU) Ltd, Knight Ryan Ltd and The St Gregory's Foundation Canterbury, for the financial year to 31 July 2008.

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. All financial statements are made up to 31 July 2008.

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. 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 current 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.

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

Land and Buildings are stated at cost. 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.

9. Intra-group Transactions

Gaines 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, 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 Ltd, Medco (CCCU) Ltd and Knight Ryan Ltd 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 Univeristy. 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.

16. Investment in subsidiaries

Investment in subsidiary undertakings are shown at cost or impaired value, which ever is the lower.

Consolidated Income and Expenditure Account

For the year ended 31 July 2008

	Note	2008	2007
		£000	£000
Income			
Funding Body grants	1	37,375	34,735
Tuition fees and education contracts	2	34,698	29,623
Research grants and contracts	3	1,533	1,206
Other income	4	16,172	15,109
Endowment and investment income	5	649	403
Total income		**90,427**	**81,076**
Expenditure			
Staff costs - exceptional items	6	-	1,044
- other	6	50,636	47,439
Other operating expenses	7	32,237	26,046
Depreciation	11	4,015	3,970
Interest payable	8	1,377	1,332
Total expenditure		**88,265**	**79,831**
Surplus after depreciation of tangible fixed assets at cost and before taxation		**2,162**	**1,245**
Taxation - credit	9	66	21
Surplus on continuing operations after depreciation of tangible fixed assets at cost, taxation and before disposal of tangible fixed assets.		**2,228**	**1,266**
Exceptional item:			
Net (loss) / gain on disposal of tangible fixed assets		(642)	304
Surplus after depreciation of tangible fixed assets at cost, disposal of tangible fixed assets and taxation.		**1,586**	**1,570**

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 2008

	Note	Consolidated 2008	Consolidated 2007	University 2008	University 2007
		£000	£000	£000	£000
Fixed Assets					
Tangible assets	11	72,664	66,934	69,450	61,141
Investments	12	-	-	3,756	4,910
Total fixed assets		**72,664**	**66,934**	**73,206**	**66,051**
Endowment assets	22	**116**	**114**	**116**	**114**
Current assets					
Deferred tax asset	20	130	64	-	-
Stocks	13	452	448	436	440
Debtors	14	5,867	5,526	6,360	5,702
Investments	15	201	190	-	-
Cash at bank and in hand		18,078	6,766	12,903	3,334
Total current assets		24,728	12,994	19,699	9,476
Creditors: amounts falling due within one year	16	(24,613)	(17,381)	(21,108)	(14,984)
Net current assets / (liabilities)		115	(4,387)	(1,409)	(5,508)
Total assets less current liabilities		72,895	62,661	71,913	60,657
Creditors: amounts falling due after more than one year	17	(24,403)	(19,634)	(24,403)	(19,634)
Provisions for liabilities and charges	19	(101)	(77)	-	-
Net assets excluding pension liability		**48,391**	**42,950**	**47,510**	**41,023**
Pension liability	30	(8,907)	(4,831)	(8,907)	(4,831)
Net assets including pension liability		**39,484**	**38,119**	**38,603**	**36,192**

Balance Sheets - Continued

As at 31 July 2008

	Note	Consolidated 2008	Consolidated 2007	University 2008	University 2007
		£000	£000	£000	£000
Deferred capital grants	21	13,577	10,044	13,577	10,044
Endowments					
Permanent	22	116	114	116	114
Reserves					
Income and expenditure account excluding pension reserve	23	34,698	32,792	33,817	30,865
Pension reserve	23	(8,907)	(4,831)	(8,907)	(4,831)
Income and expenditure account including pension reserve		**25,791**	**27,961**	**24,910**	**26,034**
TOTAL FUNDS		**39,484**	**38,119**	**38,603**	**36,192**

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 18 November 2008 and signed on its behalf by:-

The Right Revd S Venner

Pro-Chancellor (Chairman of the Governing Body)

Professor M Wright

Vice Chancellor and Principal

Consolidated Cash Flow Statement

for the year ended 31 July 2008

	Note	2008	2007
		£000	£000
Cash inflow from operating activities	24	12,031	6,546
Returns on investments and servicing of finance	25	(802)	(898)
Capital expenditure and financial investment	26	(4,625)	(4,757)
Management of liquid resources	15	11	9
Financing	27	4,708	(140)
Increase in cash in the year		**11,323**	**760**

Reconciliation of net cash flow to movement in net debt		
Increase in cash in the year	11,323	760
Cash inflow from new secured loan	(5,000)	140
Repayment of debt finance	292	-
Increase in interest repayable on unsecured loan	(9)	(9)
Movement in net debt in year	6,606	891
Net debt at 1 August	(13,025)	(13,916)
Net debt at 31 July	**(6,419)**	**(13,025)**

Statement of Consolidated Total Recognised Gains and Losses

for the year ended 31 July 2008

	Note	2008	2007
		£000	£000
Surplus on continuing operations after depreciation of assets at cost, disposal of assets and taxation		1,586	1,570
New endowments	22	-	3
Appreciation of endowment asset investments	22	2	12
Actuarial (loss) / gain in respect of pension scheme	30	(3,756)	3,671
Total recognised (losses) / gains since last annual report		**(2,168)**	**5,256**

Reconciliation

Opening reserves and endowments	**28,075**	**22,819**
Total recognised (losses) / gains for the year	**(2,168)**	**5,256**
Closing reserves and endowments	**25,907**	**28,075**

Notes to the Financial Statements

1. FUNDING BODY GRANTS

	2008	2007
Recurrent grants	£000	£000
HEFCE	22,087	20,449
TDA	8,460	7,379
Total recurrent grants	**30,547**	**27,828**
Specific grants		
HEFCE	2,273	1,952
TDA	4,048	4,344
Total specific grants	**6,321**	**6,296**
Deferred capital grants released in the year		
Buildings	132	79
Equipment (note 21)	375	532
Total deferred capital grants	**507**	**611**
Total	**37,375**	**34,735**

2. TUITION FEES AND EDUCATION CONTRACTS

	2008	2007
	£000	£000
UK Higher Education students	15,031	11,274
European Union (EU) (excluding UK) students	1,318	530
Non-EU students	1,995	1,615
Total fees paid by or on behalf of individual students	**18,344**	**13,419**
Education contracts	16,354	16,204
Total	**34,698**	**29,623**

The sum of £2,543k has been reallocated between UK Higher Education students and Education contracts in 2007 comparisons to reflect the NHS activity shown in 2008.

Notes to the Financial Statements

3. RESEARCH GRANTS AND CONTRACTS

	2008	2007
	£000	£000
Research councils	25	25
UK based charities	335	222
European Commission	97	55
Other grants and contracts	1,076	904
Total	**1,533**	**1,206**

4. OTHER INCOME

	2008	2007
	£000	£000
Residences, catering and conferences	7,975	7,500
Other income generating activities	6,760	5,968
Other grant income (note 21)	145	172
Other income	1,292	1,469
Total	**16,172**	**15,109**

5. ENDOWMENT AND INVESTMENT INCOME

	2008	2007
	£000	£000
Interest receivable	545	399
Net return on pension scheme (note 30)	104	4
Total	**649**	**403**

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:	2008	2007
	Number	Number
Teaching departments	505	491
Teaching support services	182	185
Administration and central services	550	533
Premises	30	31
Total	**1,267**	**1,240**

	2008	2007
Staff Costs for the above persons	£000	£000
Wages and salaries	41,580	40,213
Social security costs	3,471	3,214
Other pension costs	5,585	5,056
Total	**50,636**	**48,483**

	2008	2007
Staff Costs by Departments	£000	£000
Teaching departments	29,676	25,024
Teaching support services	2,312	5,642
Administration and central services	18,252	17,409
Premises	396	408
Total	**50,636**	**48,483**

Staff costs in prior year financial statements totalled £46,671k. The difference is due to a reallocation between other operating expenses and staff costs. Current year balances are comparable to prior year balances.

6. STAFF continued

Directors' Emoluments

The emoluments paid to the four members of the Governing Body (2007 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:

	2008	2007
	£	£
Salaries	309,074	285,971
Benefits in Kind	1,763	867
Employers Pension Contributions	39,986	36,377
Total	**350,823**	**323,215**

	2008	2007
Emoluments of the Vice Chancellor who is also the highest paid Director	£	£
Emoluments of the Vice Chancellor	175,478	157,617
Employer's pension contributions	24,494	21,745
Total emoluments of the Vice Chancellor	**199,972**	**179,362**

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:

	2008	2007
	Number	Number
£100,000 to £109,999	2	2
£110,000 to £119,999	2	-

7. OTHER OPERATING EXPENSES

		2008	2007
		£000	£000
Academic departments		11,201	9,260
Academic services departments		2,180	1,477
Administration and central services		6,208	4,243
Premises (non residential and catering operations)		5,113	4,545
Residences and catering operations		5,575	4,677
Research grants and contracts		595	492
Other expenditure		1,365	1,352
Total		**32,237**	**26,046**
Other operating expenses include:			
Auditors' remuneration -	external audit - group	69	69
	internal audit	32	32
Other services from external audit -	taxation	2	8
	project audits	33	28
Operating leases rentals -	land and buildings	2,999	2,514
	plant and machinery	32	29

8. INTEREST PAYABLE

	2008	2007
	£000	£000
Loans not wholly repayable within five years	1,377	1,332

9. TAXATION

(a) Analysis of charges in the year

	2008	2007
	£000	£000
UK Corporation tax on profits for the year	-	-
Adjustment in respect of previous years	-	-
Total current tax (credit) / charge (note b)	**-**	**-**
Deferred tax		
Current year origination and reversal of timing differences	(9)	-
Change in tax rate: impact on deferred tax asset	9	-
Recognition of previously unprovided deferred tax asset	(66)	(21)
Total deferred tax (credit) (note 20)	(66)	(21)
Tax credit on surplus on ordinary activities	**(66)**	**(21)**

(b) Factors affecting tax charge for the year

The tax charge for the period is lower (2007 lower) than the standard rate of corporation tax in the UK 29.33% (2007 30%). The differences are explained below:

	2008	2007
	£000	£000
Surplus on ordinary activities before taxation	1,520	1,549
Surplus on ordinary activities multiplied by the standard rate of corporation tax	445	465
Effects of:		
Income not subject to corporation tax	(481)	(422)
Expenses not deductible for tax purposes	65	68
Depreciation in excess of capital allowance	9	(6)
Short term timing differences	8	5
Adjustments in respect of previous periods	(46)	-
(Losses recognised)/ not recognised	-	(110)
Current tax (credit) charge for the year (note a)	**-**	**-**

9. TAXATION continued

(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:	2008	2007
	£000	£000
University's surplus for the year	3,274	725
Surplus generated by the subsidiary undertaking (Salomons Centre Ltd)	6	46
(Deficit) / surplus generated by the subsidiary undertaking (The St Gregory's Foundation Canterbury)	(2,136)	377
(Deficit) / surplus generated by the subsidiary undertaking (Medco (CCCU) Limited)	(62)	128
Depreciation charge on consolidation	(8)	(10)
Impairment of (MedCo CCCU Limited) investment	1,154	-
Net (loss) / gain on disposals	(642)	304
Total surplus	**1,586**	**1,570**

11. TANGIBLE ASSETS

	Consolidated			
	Freehold land & buildings	Assets under construction	Fixtures, Fittings and Equipment	Total
Cost	£000	£000	£000	£000
At 1 August 2007	68,832	5,324	11,547	85,703
Additions	174	9,191	1,223	10,588
Transfer	(323)	323	-	-
Assets coming into use	1,764	(3,103)	1,339	-
Disposals	(878)	-	(274)	(1,152)
At 31 July 2008	**69,569**	**11,735**	**13,835**	**95,139**
Accumulated depreciation				
At 1 August 2007	11,393	-	7,376	18,769
Charge for the year	1,562	-	2,453	4,015
Disposals	(62)	-	(247)	(309)
At 31 July 2008	**12,893**	**-**	**9,582**	**22,475**
Net book value				
At 31 July 2008	**56,676**	**11,735**	**4,253**	**72,664**
At 31 July 2007	57,439	5,324	4,171	66,934
Financed by capital grant	12,833	120	625	13,578
Other	43,843	11,615	3,628	59,086
Total	**56,676**	**11,735**	**4,253**	**72,664**

11. TANGIBLE ASSETS continued

	University			
	Freehold land & buildings	Assets under construction	Fixtures, Fittings and Equipment	Total
Cost	£000	£000	£000	£000
At 1 August 2007	62,664	4,676	9,135	76,475
Additions	173	9,065	1,008	10,246
Transfer	(323)	323	-	-
Intergroup transfer	2,206	749	-	2,955
Assets coming into use	1,764	(3,103)	1,339	-
Disposals	(822)	-	(274)	(1,096)
At 31 July 2008	**65,662**	**11,710**	**11,208**	**88,580**
Accumulated depreciation				
At 1 August 2007	9,832	-	5,502	15,334
Charge for the year	1,292	-	2,088	3,380
Transfers	710	-	-	710
Disposals	(47)	-	(247)	(294)
At 31 July 2008	**11,787**	**-**	**7,343**	**19,130**
Net book value				
At 31 July 2008	**53,875**	**11,710**	**3,865**	**69,450**
At 31 July 2007	52,832	4,676	3,633	61,141
Financed by capital grant	12,833	120	625	13,578
Other	41,042	11,590	3,240	55,872
Total	**53,875**	**11,710**	**3,865**	**69,450**

The donation of assets from The St Gregory's Foundation amounting to £2,955,426 along with the aggregate depreciation of £709,931 are included in the Transfer lines above

12. INVESTMENTS

	University only		
	Shares / Capital Contribution	Loans	Total
	£000	£000	£000
Cost			
At 1 August 2007	5,782	241	6,023
Impairment of investment in MedCo Ltd	(1,154)	-	(1,154)
At 31 July 2008	**4,628**	**241**	**4,869**
Provisions			
At 1 August 2007 and 31 July 2008	**(872)**	**(241)**	**(1,113)**
Net book value			
At 31 July 2008	**3,756**	**-**	**3,756**
At 31 July 2007	4,910	-	4,910

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 (2007 £410,000).

Medco (CCCU) Ltd 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 Extaordinary general meeting on the 7 November 2006. The investment in MedCo (CCCU) Ltd was impaired during the year to reflect the net asset position of the subsidiary company.

Knight Ryan Limited, a subsidiary of the University, is a dormant company as at 31 July 2008.

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

13. STOCK

	Consolidated		University	
	2008	2007	2008	2007
	£000	£000	£000	£000
Stocks of finished goods	**452**	**448**	**436**	**440**

14. DEBTORS

	Consolidated		University	
	2008	2007	2008	2007
	£000	£000	£000	£000
Trade debtors	3,499	2,185	2,927	1,721
Intercompany debtors	-	-	1,142	695
Prepayments and accrued income	2,368	3,341	2,291	3,286
Total	**5,867**	**5,526**	**6,360**	**5,702**

Amounts owed by subsidiary undertakings are unsecured, interest free and repayable 30 days from the date of invoice.

15. INVESTMENTS

	Consolidated		University	
	2008	2007	2008	2007
	£000	£000	£000	£000
Deposits maturing between 1 and 2 years	**201**	**190**	**-**	**-**

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		University	
	2008	2007	2008	2007
	£000	£000	£000	£000
Bank loans	295	347	295	347
Creditors	5,715	3,263	5,507	3,038
Amounts due to subsidiary undertakings	-	-	96	124
Social security and other taxation payable	2,067	1,732	1,671	1,507
Accruals and deferred income	16,536	12,039	13,539	9,968
Total	**24,613**	**17,381**	**21,108**	**14,984**

Amounts due to subsidiary undertakings are unsecured, interest free and repayable 30 days from the date of invoice.

The bank loans relate to the capital repayments for the Lanfranc hall of residence, the Broadstairs campus and the student accommodation in Broadstairs.

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

	Consolidated and University	
	2008	**2007**
	£000	£000
Unsecured loan	200	191
Mortgages	24,203	19,443
Total	**24,403**	**19,634**

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.

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 property. 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 Thanet. The loan is repayable over 30 years at Lloyds TSB Base Rate + 0.45% and secured by a mortgage on the property. 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 £500,000. Further draw downs 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 property. The loan facility of £16.1m was converted to a loan facility of £36m in March 2008. A further fixed loan of £5m was drawn down in July 2008 with an interest rate of 5.35% for a 5 year period.

18. BORROWINGS

	Consolidated and University	
Bank loans and overdrafts	**2008**	**2007**
Bank loans and overdrafts are repayable as follows:	£000	£000
In one year or less	295	347
Between one and two years	186	350
Between two and five years	6,585	1,708
In five years or more	17,632	17,576
Total	**24,698**	**19,981**

19. PROVISIONS FOR LIABILITIES AND CHARGES

	2008
	£000
Dilapidation provision at start of year	**77**
Charges for the year	27
Utilised in the year	(3)
Dilapidation provision at end of year	**101**

The group has provided for potential future dilapidation costs of their leased property at the Medway campus based on latest management estimates.

20. DEFERRED TAX ASSET

	2008	2007
	£000	£000
Depreciation in excess of accelerated capital allowances	112	60
Unutilised losses and other short term timing differences	18	4
Undiscounted asset for deferred tax	**130**	**64**
Deferred tax asset at start of year	64	
Deferred tax credit to income and expenditure account (note 9)	66	
Deferred tax asset at end of year	**130**	

Amounts unprovided for deferred tax assets are as follows:

	2008	2007
	£000	£000
Depreciation in excess of accelerated capital allowances	112	109
Short term timing differences	18	23
Losses	-	47
Total	**130**	**179**

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.

21. DEFERRED CAPITAL GRANTS

	Consolidated and University		
	Funding Council Grants	Other Grants	Total
At 1 August 2007	£000	£000	£000
Buildings	3,342	5,526	8,868
Equipment	933	243	1,176
Total	**4,275**	**5,769**	**10,044**
Receivable in year			
Buildings	4,188	-	4,188
Equipment	-	(56)	(56)
Total	4,188	(56)	4,132
Released in year			
Buildings	79	144	223
Equipment	375	1	376
Total	454	145	599
At 31 July 2008			
Buildings	7,451	5,382	12,833
Equipment	558	186	744
Total	**8,009**	**5,568**	**13,577**

22. ENDOWMENTS

	Consolidated and University Restricted permanent
	£000
Balance at 1 August 2007	
Capital	**114**
Accumulated income	-
Increase in cash balances held for funds	2
At 31 July 2008	**116**
Represented by:	
Capital	114
Accumulated income	2
	116

The above amounts are represented by cash balances.

23. RESERVES

Income and Expenditure Reserve - Consolidated

	2008	2007
	£000	£000
Balance at 1 August	32,792	30,920
Surplus for the year, excluding FRS17	1,906	1,872
At 31 July	**34,698**	**32,792**

Income and Expenditure Reserve – University

	2008	2007
	£000	£000
Balance at 1 August	30,865	29,535
Surplus for the year, excluding FRS17	2,952	1,330
At 31 July	**33,817**	**30,865**

Pension Reserve – Consolidated and University

	2008	2007
	£000	£000
Balance at 1 August	(4,831)	(8,200)
Actuarial (loss) / gain on the pension scheme	(3,756)	3,671
Deficit for the year for FRS17	(320)	(302)
At 31 July	**(8,907)**	**(4,831)**

24.

RECONCILIATION OF CONSOLIDATED OPERATING SURPLUS TO NET CASH FROM OPERATING ACTIVITIES	2008	2007
	£000	£000
Surplus for the year after depreciation of assets and before tax	1,520	1,549
FRS 17 charge greater than contributions	424	302
Depreciation (note 11)	4,015	3,970
Deferred capital grants released to income (note 21)	(599)	(783)
Loss / (gain) on sale of tangible fixed assets	642	(304)
Interest payable and similar charges (note 8)	1,377	1,332
Interest receivable and similar income (note 5)	(649)	(399)
Increase in stocks	(4)	(74)
(Increase) / decrease in debtors	(1,961)	(2,245)
Increase in short term creditors	7,242	3,171
Increase in provision for dilapidations	24	27
Net cash inflow from operating activities	**12,031**	**6,546**

25. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2008	2007
	£000	£000
Other interest received	534	390
Interest paid	(1,336)	(1,288)
Net cash outflow from returns on investments and servicing of finance	**(802)**	**(898)**

26. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2008	2007
	£000	£000
Purchase of tangible fixed assets	(9,694)	(5,785)
Sale of tangible fixed assets	201	787
Endowments increase (note 22)	2	15
Payments to acquire endowment assets	(2)	(15)
Deferred capital grants received	4,868	241
Net cash outflow from capital expenditure and financial investment	**(4,625)**	**(4,757)**

27. FINANCING

	2008	2007
	£000	£000
Debt due beyond a year:		
New secured loan repayable by 2034	5,000	-
Repayments of amounts borrowed	(292)	(140)
Net cash inflow from financing	**4,708**	**(140)**

28. ANALYSIS OF CHANGES IN NET DEBT

	At 1 August 2007	Cash Flow	At 31 July 2008
	£000	£000	£000
Cash at bank and in hand	6,766	11,312	18,078
Short term deposits	190	11	201
	6,956	11,323	18,279
Debts due in less than one year	(347)	52	(295)
Debt due after one year	(19,634)	(4,769)	(24,403)
Total	**(13,025)**	**6,606**	**(6,419)**

29. MAJOR NON CASH TRANSACTIONS

There were no major non cash transactions during the year, or the prior year.

30. 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:

	2008	2007
	£000	£000
Contributions to TPS	2,926	2,596
Contributions to LGPS	1,953	1,894
Contributions to USS	49	28
Total pension cost	**4,928**	**4,518**

Percentage employers contribution to TPS as at year end	14.1%	14.1%
Percentage employers contribution to LGPS as at year end	17.6%	17.4%
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:

	TPS	LGPS	USS
Latest actuarial valuations	31/3/04	31/3/07	31/3/05
Actuarial method	Prospective benefits	Projected unit	Projected unit
Investment returns per annum	6.5%	4.5%	4.5%
Salary scale increases per annum	4.5%	4.7%	3.9%
Pension increases per annum	3.5%	3.2%	2.9%
Market value of assets at date of last valuation	-	£2,580m	£21,740m
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%

30. PENSION SCHEMES continued

The assets of the Salomons Centre Limited is not separately identifiable from that of its parent undertaking Canterbury Christ Church University and so this information is disclosed in consolidated form. Paragraph 9(b) of FRS 17 allows schemes, which cannot identify the assets separately, to be accounted for as if they were defined contribution schemes.

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 2005 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.

Teachers' Pensions Scheme

The TPS is an unfunded scheme and contributions are made to the Exchequer. The payments from the scheme are made from funds voted by Parliament. The contribution rate payable by the employer is 14.1% of pensionable salaries. The pensions cost is assessed every five years in accordance with the advice of the government actuary.

Under the definitions set out in FRS17, the TPS is a multi-employer defined benefit pension scheme. The University is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the University has taken advantage of the exception in FRS17 and has accounted for its contributions as it it were a defined contribution scheme.

Universities Superannuation Scheme

USS is valued every three years by professionally qualified independent actuaries using the projected unit method, the rates of contrbution 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.

Under the definitiions set out in FRS17, the USS is a multi-employer defined benefit pension scheme. The University is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the University has taken advantage of the expemtion of FRS17 and has accounted for its contributions as if it were a defined contribution scheme.

30. PENSION SCHEMES continued

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.

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 2008.

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 2008 were:

	2008	2007	2006
	% pa	% pa	% pa
Inflation	3.8	3.3	3.1
Rate of increase in salaries	5.3	4.8	4.6
Rate of increase for pensions	3.8	3.3	3.1
Discount rate for liabilities	6.7	5.8	5.1

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed 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

30. PENSION SCHEMES continued

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

	Long term rate of return expected at 31 July 2008	Value at 31 July 2008	Long term rate of return expected at 31 July 2007	Value at 31 July 2007	Long term rate of return expected at 31 July 2006	Value at 31 July 2006
	% per annum	£000	% per annum	£000	% per annum	£000
Equities	7.8	18,065	8.0	19,106	7.7	15,974
Bonds	5.7	4,653	5.2	3,019	4.7	2,911
Property	5.7	2,737	6.0	2,754	5.7	2,085
Cash	4.8	1,916	5.1	2,348	4.8	1,775
Total	**7.0**	**27,371**	**7.2**	**27,227**	**6.9**	**22,745**

The following amounts at 31 July 2008 were measured and recognised in accordance with the requirements of FRS17:

	2008	2007	2006
	£000	£000	£000
Total market value assets	27,371	27,227	22,745
Present value of scheme liabilities	(36,230)	(32,009)	(30,894)
Present value of unfunded liabilities	(48)	(49)	(51)
Deficit in the scheme - Net pension liability	**(8,907)**	**(4,831)**	**(8,200)**

30. PENSION SCHEMES continued

	2008	2007
	£000	£000
Analysis of amounts charged to staff costs within operating surplus		
Current service cost	1,976	2,059
Past service cost	474	94
Curtailment and settlement	43	47
Total operating charge	**2,493**	**2,200**

	2008	2007
	£000	£000
Analysis of the amount that is credited to other finance income/(charged) to interest payable		
Expected return of pension scheme assets	2,037	1,647
Interest on expected scheme liabilities	(1,933)	(1,643)
Net return	**104**	**4**

	2008	2007
	£000	£000
Analysis of the amount that would be recognised in statement of total recognised gains and losses (STRGL)		
Experience (losses)/gains arising on scheme assets	(4,060)	580
Experience gains/(losses) arising on scheme liabilities	2,883	(2)
Change in financial assumptions underlying the present value of the scheme liabilities	(2,579)	3,093
Total actuarial (loss)/gains recognised in STRGL	**(3,756)**	**3,671**

30. PENSION SCHEMES continued

Movement in deficit during year	**2008**	**2007**
	£000	£000
Deficit on scheme at 1 August	(4,831)	(8,200)
Movement in year:		
-current service cost	(1,976)	(2,059)
-contributions	2,065	1,890
-contributions in respect of unfunded benefits	4	4
-past service costs	(474)	(94)
-Impact of settlements and curtailments	(43)	(47)
-net return on assets	104	4
-actuarial (losses) / gains	(3,756)	3,671
Deficit on scheme at 31 July	**(8,907)**	**(4,831)**

Reconciliation of Defined Benefit Obligation	**2008**	**2007**
	£000	£000
Opening Defined Benefit Obligation	**32,058**	**30,945**
Current Service Cost	1,976	2,061
Interest Cost	1,933	1,643
Contributions by Members	695	658
Actuarial (Gains)	(304)	(3,093)
Past Service Costs	474	94
Losses on Curtailments	43	47
Estimated Unfunded Benefits Paid	(4)	(4)
Estimated Benefts Paid	(593)	(293)
Closing Defined Benefit Obligation	**36,278**	**32,058**

30. PENSION SCHEMES continued

Reconciliation of Fair Value of Employer Assets	**2008** £000	**2007** £000
Opening Fair Value of Employer Assets	**27,227**	**22,745**
Expected Return on Assets	2,037	1,647
Contributions by Members	695	658
Contrubitions by the Employer	2,065	1,890
Contributions in respect of Unfunded Benefits	4	4
Actuarial (Losses)/Gains	(4,060)	580
Unfunded Benefits Paid	(4)	(4)
Benefits Paid	(593)	(293)
Closing Fair Value of Employer Assets	**27,371**	**27,227**

History of Experience Gains and Losses:

Difference between the expected and actual return on scheme assets:	**2008** £000	**2007** £000	**2006** £000	**2005** £000	**2004** £000
Amount	(4,060)	580	1,625	1,877	309
Percentage of scheme assets	(14.8%)	2.1%	7.1%	10.6%	2.1%
Experience gains and losses on scheme liabilities:					
Amount	2,883	(2)	(2)	(242)	(46)
Percentage of the present value of scheme liabilities	8.0%	(0.0%)	(0.0%)	(0.9%)	(0.3%)
Total amount recognised in the statement of total recognised gains and losses:					
Amount	(3,756)	3,671	299	(5,165)	263
Percentage of the present value of the scheme liabilities	(10.4%)	11.5%	0.9%	(19.8%)	1.5%

Following the 2007 valuation the employer's contribution has been reviewed to reflect the future service funding requirements. Employee contribution is fixed by statute and has not been changed. The investment strategy will be reviewed to ensure the best possible returns are obtained.

31. POST BALANCE SHEET EVENTS

The Directors of Knight Ryan Limited have passed a resolution to wind up the company pursuant of section 652 of the Companies Act. The application is with Companies House who issue a public notice to ensure there are no outstanding creditors, therefore confirming the company is dissolved. It is anticipated that the process will be finalised by the end of November 2008.

The Centre for Applied Social & Psychological Development and the Centre for Leadership and Management Development together with the associated corporate support teams transferred from Salomons to the University on 1st August 2008. Salomons Centre Limited continues as a facilities management company. As at 31 July 2008, Salomons Centre Limited had received advance income and had prepaid expenditure on these operations. The net effect of this is that Salomons Centre Limited will be transfering a balance of £625,573 to the University and £485,079 to Medco. The activities will continue to be operated by the University with limited changes to operations.

32. CAPITAL COMMITMENTS

	2008	2007
	£000	£000
Commitments contracted at 31 July	26,126	1,112

33. FINANCIAL COMMITMENTS

At 31 July 2008 the University had annual commitments under non-cancellable operating leases as follows:

	Buildings		Equipment	
	2008	2007	2008	2007
	£000	£000	£000	£000
Expiring in less than two years	305	277	-	-
Expiring between two and five years	311	149	32	29
Expiring in over five years	2,383	2,365	-	-
Total	**2,999**	**2,791**	**32**	**29**

34. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 July 2008, or at the 31 July 2007.

35. 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 2007/08 financial year, the University paid Kent Man Limited £87,526 (2006/07 £99,996), and received £185,000 (2006/07 £185,000) in income. Included in the University's debtor balance at 31 July 2008 was £102,180 (2006/07 £86,096) owed by Kent Man.

36. STUDENT SUPPORT FUNDS

Funding Council grants are available solely for students: the University acts only as 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 2007 to 31 August 2008.

Student Associates Scheme	2008	2007
	£000	£000
Funding Council grants	176	163
Total funds utilised	(162)	(116)
Balance unspent at 31 July	**14**	**47**

Access To Learning Funds	2008	2007
	£000	£000
Funding Council grants	517	664
Interest earned	9	12
	526	676
Balance brought forward from previous year	30	21
Administration fee	(14)	(18)
Disbursed to students	(541)	(649)
Balance unspent at 31 July	**1**	**30**