

Supplement A to Circular 02/07

CASTERBRIDGE COLLEGE

**Model Report and Financial Statements
For the Year Ended 31 July 2002**

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Casterbridge College

Report of the Members of the Corporation for the Period from 1 August 2001 to 31 July 2002

Corporation

- 1 The corporation was established under The Further and Higher Education Act 1992 for the purpose of conducting Casterbridge College. The college is an exempt charity for the purposes of the Charities Act 1993.

Corporation Name

- 2 The corporation was incorporated as Casterbridge College of Arts and Technology. On 1 October 2000 the Secretary of State granted consent to the corporation to change its name to Casterbridge College. The corporation believes that the new name represents the broader activities of the college.

Mission

- 3 The college's mission as approved by its members is:
 - *to lead in meeting the needs for accessible, responsive, high-quality education training and complementary services in the community of Casterbridge and its surroundings.*

Objectives

- 4 In 2000 the college prepared a strategic plan for the period 1 August 2000 to 31 July 2004. This strategic plan includes an accommodation strategy and financial forecasts. The corporation monitors the performance of the college against these plans. The plans are reviewed and updated each year. The college's continuing strategic objectives are:
 - to achieve a student body of 4,200 full-time equivalents (FTEs) by 31 July 2004
 - to improve student retention to 92% by 31 July 2004
 - to achieve a grade 2 for all areas in the 2003 college inspection
 - to retain the Investors in People award
 - to achieve space utilisation of five square metres per FTE by 31 July 2003
 - to maintain the financial viability of the college by maintaining cash days in hand of 40, a current ratio of 2:1, and accumulated reserves of 5% of income.

The college is on target for achieving these objectives.

- 5 The college's specific objectives for 2001/02 and achievement of those objectives is addressed below:
- the college achieved an estimated 581,000 funding units against an allocation of 606,000 units (see below)
 - on 15 January 2002 the corporation resolved to merge with Wessex College of Agriculture; this merger was achieved on 1 August 2002
 - to improve student retention to 90%; this was achieved
 - to maintain financial viability of the college by maintaining cash days in hand of 40, a current ratio of 2:1, and accumulated reserves of 5% of income; this was achieved
 - to open outreach centres in Upper Bridgethorpe and North Town; the centre in Upper Bridgethorpe has been successfully opened, the North Town centre has been delayed.

Performance Indicators

- 6 Performance indicators relating to key areas of the college's activity are set out in the Council's publication *Summary Statistics for Further Education Institutions: England 1999/2000*. This document compares the performance of different colleges in the following areas:
- Achievement of funding target
 - Percentage change in student numbers
 - In-year retention rates
 - Achievement rates
 - Contribution to national targets.

Student Numbers

- 7 The college is funded according to the units of activity it generates each year. In 2001/02 the college achieved an estimated 581,000 units against an allocation of 606,000 units.
- 8 This represents growth of 3% over 2000/01. The majority of this growth has been achieved by opening an outreach centre in Upper Bridgethorpe. The centre caters for the rural population of Upper Bridgethorpe and surrounding villages, which does not have easy access to the main college site. The college will be opening a further outreach centre at North Town in September 2002. This centre had originally been planned for January 2002 and the delay accounts for the shortfall in units against the college's allocation.
- 9 The college is likely to exceed its objective of 4,200 FTEs.

Student Achievements

- 10 Students achieved an estimated 65% of their qualification aims (2001: 62%).

Curriculum Developments

- 11 Methods of teaching and learning are under continuous review and development to ensure that the curriculum meets the needs of the local population.
- 12 The need for outreach centres was identified following discussions with Wessex Learning and Skills Council and the local learning partnership. A centre has been opened in Upper Bridgethorpe and a further centre is planned for North Town.
- 13 The new building, opened during the year, incorporates a learning resource centre, thus enabling greater use of modern teaching methods.
- 14 Higher National Diploma programmes franchised from Wessex University are continuing to be expanded.

Transparency arrangements

- 15 The corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the full corporation. Full minutes of all meetings are available from the clerk to the corporation at:

Casterbridge College
Park Lane
Casterbridge
Wessex

- 16 The clerk to the corporation maintains a register of financial and personal interests of the governors. The register is available for inspection at the above address.

Finances

- 17 The college generated an operating deficit in the year of £9,770,000 (2000/01 surplus of £572,000). The result in 2001/02 is stated after accounting for the disposal of the Church Street annexe.
- 18 During the year the college took out a secured loan of £4.5 million to help finance a new building on its main site. The building cost £12.1 million and replaces a number of poor-quality temporary classrooms. The building includes a learning resource centre, which has enabled the college to change its teaching methods, to make greater use of information technology, to accommodate delivery of curriculum 2000, and to be more efficient. The building was opened on 10 October 2002 by the Secretary of State. The balance of the capital cost was met by use of the disposal proceeds from sale of the college's Church Street annexe for £7,500,000.

- 19 The college has accumulated reserves of £17,359,000 and cash balances of £8,512,000. The college wishes to continue to accumulate reserves and cash balances in order to create a contingency fund.
- 20 The college has two subsidiary companies, ABC Limited and XYZ Limited. The principal business activity of ABC limited is the rental of property. XYZ Limited carries out training of employees on behalf of employers. Any surpluses generated by the subsidiaries are transferred to the college under gift aid. In the current year the surpluses generated were £18,000 and £12,000 for ABC Limited and XYZ Limited respectively.

Post-balance Sheet Events

- 21 On 1 August 2002 the college merged its activities with those of Wessex College of Agriculture.

Staff and Student Involvement

- 22 The college considers good communication with its staff to be very important and to this end publishes a regular newsletter, which is available to all staff. The college encourages staff and student involvement through membership of formal committees.

Taxation

- 23 The majority of the college's activities do not fall to be charged to corporation tax.

Employment of Disabled Persons

- 24 The college considers all applications for employment from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled every effort is made to ensure that employment with the college continues. The college's policy is to provide training, career development and opportunities for promotion that are, as far as possible, identical to those for other employees.

Disability Statement

- 25 The college seeks to achieve the objectives set down in the Disability Discrimination Act 2000 and in particular makes the following commitments:
- a) as part of the redevelopment of the buildings it is installing lifts and ramps so that eventually most of the facilities will allow access to people with a disability;
 - b) there is a list of specialist equipment, such as lighting for audio facilities, which the college can make available for use by students;

- c) the admissions policy for all students is described in the college charter. Appeals against a decision not to offer a place are dealt with under the complaints policy;
- d) the college has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities;
- e) specialist programmes are described in programme information guides, and achievements and destinations are recorded and published in the standard college format;
- f) counselling and welfare services are described in the college charter.

Planned Maintenance Programme

26 The cost of the college's planned maintenance programme over a period of five years is estimated to be £2,000,000, resulting in an average annual charge of £400,000. The programme was developed following a survey of the college's estate, which was carried out during 1998/99. The programme is reviewed each year.

27 The college plans to carry out the works, which were outstanding at 31 July 2002, together with the works planned for the following two years, by 31 July 2004 and has set aside funds for this purpose.

Planned maintenance programme

	2001/02	2002/03	2003/04	2004/05	2005/06
Year	1	2	3	4	5
	£000	£000	£000	£000	£000
Outstanding at 1 August	70	70	43	0	20
Average annual charge	400	400	400	400	400
Actual or planned expenditure	(400)	(427)	(443)	(380)	(400)
Outstanding at 31 July	70	43	0	20	20

Members

28 The Governors who served on the Board during the year were as follows:

	<i>Date of appointment</i>	<i>Term of office</i>	<i>Date of resignation</i>	<i>Status of appointment</i>	<i>Committees served</i>
Mrs J Smith	30 Sep 1998 Reappointed 29 Sep 2001	3 years		Independent member	chair: corporation chair: remuneration; finance and general purposes; search
Mr T Ross	-			Principal	
Mr T Cobley	2 Sep 1999	4 years		Independent member	Chair: finance and general purposes
Mr A Jones	2 Sep 1999	4 years		Independent member	Chair: audit
Mr A Patel	2 Sep 1999	4 years		Independent member	Finance and general purposes
Mrs J Singh	30 Sep 2001	3 years		Community representative	Finance and general purposes: search
Mr A Child	30 Sep 2001	4 years		Co-opted member	Audit
Ms W South	1 Oct 2001	1 year	1 July 2002	Student member	
Mr D Potter	4 Sep 2000	4 years		Independent member	Remuneration
Mrs O Owen	4 Sep 2000	4 years		Independent member	Audit
Ms S Boot	1 Oct 2002	1 year		Student member	
Mr T White	30 Sep 2001	3 years		Staff member	
Mrs L Wood	2 Dec 2001	3 years		Co-opted member	Remuneration Chair: search committee
Mr M Spencer	2 Dec 2001	3 years		Independent member	Finance and general purposes
Ms L Ashley	1 Oct 2001	3 years		Independent member	Finance and general purposes
Mr H Hobbs	1 Oct 2001	3 years		Independent member	Finance and general purposes
Mrs S Ridge, a retired solicitor, acts as clerk to the corporation					

[Signature]

Mrs J Smith

Chairman

31 October 2002

Professional Advisers

External Auditors:

Touche-Brand
6 High Street
Casterbridge
Wessex

ISR Auditors:

Williams-Jones
23 The Mall
Newtown
Wessex

Internal Auditors:

Marwick-Foster
11 Main Street
Urbville
Wessex

Bankers:

Mid-West Lloyd Plc
2 High Street
Casterbridge
Wessex

Solicitors:

Smith & Johnson
2 Regent Street
County Town
Wessex

Corporate Governance

The College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles set out in section one of the *Combined Code on Corporate Governance* issued by the London Stock Exchange in June 1998. Its purpose is to help the reader of the accounts understand how the principles have been applied.

With the exception of the full implementation of the Turnbull guidance as noted below under 'internal control', in the opinion of the Corporation, the College complies with all the provisions of the Combined Code in so far as they apply to the Further Education Sector, and it has complied throughout the year ended 31 July 2002.

The Corporation

The composition of the Corporation is set out on pageIt is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters such as health and safety and environmental issues. The Corporation meets on a termly basis.

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are finance and general purposes, remuneration, search and audit.

All governors are able to take independent professional advice in furtherance of their duties at the College's expense and have access to the Clerk to the Corporation, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment and removal of the Clerk are matters for the Corporation as a whole.

Formal agendas, papers and reports are supplied to governors in a timely manner, prior to Board meetings. Briefings are also provided on an ad-hoc basis.

The Corporation has a strong and independent non-executive element and no individual or group dominates its decision making process. The Corporation considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

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

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a nominations committee which is comprised of..... which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office not exceeding 4 years.

Remuneration Committee

Throughout the year ending 31 July 2002, the College's remuneration committee comprised The committee's responsibilities are to make recommendations to the Board on the, remuneration and benefits of the Principal and other senior postholders.

Details of remuneration for the year ended 31 July 2002 are set out in note to the financial statements.

Audit Committee

The audit committee comprises the Chairman and three other members of the Corporation (excluding the Principal). The committee operates in accordance with written terms of reference approved by the Corporation.

The Audit Committee meets on a termly basis and provides a forum for reporting by the College's internal and external auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the Funding Council as they affect the College's business.

The College's internal auditors monitor the systems of internal control in accordance with an agreed plan of input and report their findings to management and the Audit Committee. Management are responsible for the implementation of agreed recommendations and internal audit undertake periodic follow up reviews to ensure such recommendations have been implemented.

The Audit Committee also advises the Corporation on the appointment of internal and external auditors and their remuneration for both audit and non-audit work.

Internal Control

The Corporation is ultimately responsible for the College's system of internal control and for reviewing its effectiveness. However, such a system is

designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Corporation has delegated the day to day responsibility to the Principal, as Accounting Officer for reviewing the adequacy of the system of internal financial control and making any appropriate amendments. He/she is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal financial control.

[The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place and operational for the period from the beginning of January 2002 up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation. The governors are unable to state that a formalised process has been in place for the first five months of the year, as this period was needed to put in place the procedures which the Corporation agreed should be established].

OR

[The Corporation is unable to state that a formalised process for identifying, evaluating and managing the College's significant risks has been in place and operational during the year ended 31 July 2002. In the period up to 31 July 2002, the College has put in place the procedures the Corporation agreed should be established and the Corporation is of the view that they have been operational from 1 August 2002].

The Corporation expects to be able to make a full statement on their corporate governance policy and their review of risks and the systems put in place to mitigate those risks in their report for the year to 31 July 2003.

Going Concern

After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

[Signed]
[Date]
[Chair]

Statement of the Responsibilities of the Members of the Corporation

The members of the corporation are required to present audited financial statements for each financial year.

Within the terms and conditions of the Financial Memorandum agreed between the Learning and Skills Council (the Council) and the corporation of the college, the corporation, through its Principal, is required to prepare financial statements for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions and which give a true and fair view of the state of affairs of the college and the result for that year.

In preparing the financial statements, the corporation is required to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare financial statements on the going concern basis unless it is inappropriate to assume that the college will continue in operation.

The corporation is responsible for keeping proper accounting records, which disclose with reasonable accuracy, at any time, the financial position of the college and to enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it to safeguard assets of the college and to prevent and detect fraud and other irregularities.

Members of the corporation are responsible for ensuring that funds from the Council are used only in accordance with the Financial Memorandum with the Council and any other conditions that the Council may from time to time prescribe. Members of the corporation must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and ensure they are used properly. In addition, members of the corporation are responsible for securing economical, efficient and effective management of the college's resources and expenditure, so that the benefits that should be derived from the application of public funds by the Council are not put at risk.

Signed on behalf of the Corporation

Chair

Date

Statement on the System of Internal Financial Control

As Accounting Officer, I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated by Casterbridge College.

The system can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

The system of internal financial control is based on a framework of regular management information, administrative procedures including the segregation of duties, and a system of delegation and accountability. In particular, it includes:

- comprehensive budgeting systems with an annual budget which is reviewed and agreed by the governing body
- regular reviews by the governing body of periodic and annual financial reports which indicate financial performance against forecasts
- setting targets to measure financial and other performance
- clearly defined capital investment control guidelines
- the adoption of formal project management disciplines where appropriate.

Casterbridge College has an internal audit service, which operates in accordance with the requirements of the Council's *Audit Code of Practice*. The work of the internal audit service is informed by an analysis of the risks to which the college is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the college's governing body on the recommendation of the audit committee. At least annually, the Head of Internal Audit (HIA) provides the governing body with a report on internal audit activity in the college. The report includes the HIA's independent opinion on the adequacy and effectiveness of the college's system of internal control, including internal financial control.

My review of the effectiveness of the system of internal financial control is informed by the work of the internal auditors, the audit committee which oversees the work of the internal auditor, the executive managers within the college who have responsibility for the development and maintenance of the financial control framework, and comments made by the college's external auditors and the Council appointed auditors of the college's individualised student record and funding claim in their management letters and other reports.

Principal

Date

Independent Auditors' Report to the Corporation of Casterbridge College

We have audited the financial statements on pages 16 to 46

Respective Responsibilities of the Members of the Corporation of Casterbridge College and Auditors

The College's Corporation is responsible for preparing the Members' Report and, as described in the statement of responsibilities on page 12, the financial statements in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions and applicable United Kingdom law and Accounting Standards.

Our responsibilities as independent auditors are established in the United Kingdom by applicable statute relevant legal and regulatory requirements, the Auditing Practices Board and our profession's ethical guidance. 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 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions. We also report to you whether, in our opinion, in all material respects, monies expended out of funds from whatever source administered by the College for specific purposes have been properly applied for those purposes and, if appropriate, managed in compliance with relevant legislation and whether in our opinion, in all material respects, monies expended out of funds provided by the Learning and Skills Council [and Higher Education Funding Council for England] have been applied in accordance with the financial memorandum between the Learning and Skills Council and the Corporation of the College [and the funding agreement with the Higher Education Funding Council for England] and any other terms and conditions attached to them.

We also report to you if, in our opinion, the Members' Report is not consistent with the financial statements, if the College 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 Members' Report (including the corporate governance statement) and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of Audit Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board and the Audit Code of Practice issued by the Learning and Skills Council. An audit includes examination, on a test basis, of evidence relevant to amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the College's Corporation in the preparation of the financial

statements, and of whether the accounting policies are appropriate to the College'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 us 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 the financial statements give a true and fair view of the state of affairs of the College [and the group] as at 31 July 2002 and of the group's deficit of income over expenditure for the year then ended, and are properly prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions.

In our opinion, in all material respects, monies expended out of funds from whatever source administered by the College for specific purposes have been properly applied for those purposes and, if appropriate, managed in compliance with relevant legislation for the year ended 31 July 2002.

In our opinion, in all material respects, monies expended out of funds provided by the Learning and Skills Council [and Higher Education Funding Council for England] have been applied in accordance with the Financial Memorandum between the Learning and Skills Council and the Corporation of the College [and the funding agreement with the Higher Education Funding Council for England] and any other terms and conditions attached to them for the year ended 31 July 2002.

Touche-Brand
Chartered Accountants
Registered Auditors

Date

Casterbridge College

Notes to the Financial Statements for the Period from 1 August 2001 to 31 July 2002

1 Statement of Accounting Policies

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting in Further and Higher Education Institutions and in accordance with applicable Accounting Standards. They conform to guidance published by the Learning and Skills Council ("the LSC"), in Circular 02/XX.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets.

Basis of consolidation

The consolidated financial statements include the College and its subsidiaries, ABC Limited and XYZ Limited. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS2, the activities of the student union have not been consolidated because the college does not control those activities.

Recognition of income

Income from grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned. All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

Income receivable from the Learning and Skills Council is recognised in line with the latest estimates of grant receivable for an academic year. The final grant allocation is determined in the subsequent February, following an audit of the College's units of activity.

Pension schemes

Retirement benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Fund (LGPF). These are defined benefit schemes, which are externally funded and contracted out of the State Earnings Related Pension Scheme. Contributions to the schemes are charged to the income and expenditure account so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll.

The contributions are determined by qualified actuaries on the basis of triennial valuations using the projected unit method for the LGPF and quinquennial valuations using a prospective benefit method for the TPS.

Tangible fixed assets

Land and buildings

Land and buildings inherited from the Local Education Authority and buildings acquired since incorporation are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. Land and buildings acquired since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of between 20 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

Finance costs, which are directly attributable to the construction of land and buildings, are not capitalised as part of the cost of those assets.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable.

Equipment

Equipment costing less than £1,000 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost.

All assets are depreciated over their useful economic life as follows:

Motor vehicles and general equipment	-	3 years
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Computer equipment	-	3 years
Furniture and Fittings	-	5 years

Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Leasing agreements, which transfer to the College substantially all the benefits and risks of ownership of an asset, are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital elements of the leasing commitments are shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements.

The capital element is applied to reduce the outstanding obligations and the interest element is charged to the income and expenditure account in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets.

Stocks

Stocks are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Maintenance of premises

The cost of routine corrective maintenance is charged to the income and expenditure account in the period it is incurred.

Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial year with all resulting exchange differences being taken to the income and expenditure account in the period in which they arise.

Taxation

The College is an exempt charity within the meaning of schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of section 506(1) of the Income and Corporation Taxes Act (ICTA) 1988.

Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 505 of

the ICTA 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 College receives no similar exemption in respect of Value Added Tax.

Liquid resources

Liquid resources include sums on short-term deposits with recognised banks, building societies and government securities.

Provisions

Provisions are recognised when the College has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.