



FINANCIAL STATEMENTS

2003 - 2004

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Brunel University
Annual financial report for the year ended 31 July 2004

Scope of the financial statements

The financial statements comprise the consolidated results of the University and its subsidiary undertakings. The University's subsidiary companies consist of Brunel University Services Limited (BUSL) and an 'Enterprise' group of companies, with Brunel University Enterprises Limited (BUEL) as the holding company. BUSL and BUEL are wholly owned subsidiary companies of the University. BUEL itself has two subsidiaries, Brunel Science Park Limited (BSPL) and Episport Limited. The University's other subsidiary, Phalarope Limited (in which the University holds a 50.01% stake), ceased trading on 1 November 1999 and subsequent activity has been confined to the collection of receivables and the settlement of the company's liabilities to Brunel University.

BUSL was originally established as a shared service centre for the BUEL group, but became a wholly owned subsidiary of the University on 1 January 2003. It commenced, on 1 May 2003, a new trade as a Library Services company providing library services to Brunel University. BUEL was established to pursue activities that are not open to the University as a charity, principally through the commercial exploitation of assets held by, and generated within, the University. BSPL manages the Science Park activity on the Uxbridge campus.

Details of the University's majority shareholdings in other companies, all non-trading, are set out below:

	Number of shares held	Nominal value	Cost (£)	% of issued share capital
Episport Limited	1	£1	1	100%
Learning Interactive Limited	49	£1	49	100%
Performance Brunel	1	£1	1	100%
Purebreathe Limited	1	£1	1	100%
Rheomatix Limited	100	£1	100	100%
Sound Innovations Limited	1	£1	1	100%
Synbiogen Limited	1	£1	1	100%

Sums of £446,220 and £58,463 were donated by BUSL and BSPL respectively to the University by Gift Aid.

Basis of preparation

The financial statements have been prepared in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education Institutions, and in accordance with applicable Accounting Standards.

Results for the year

The Group's consolidated income, expenditure and results for the year to 31 July 2004 are summarised as follows:-

	2003/04	2002/03
	£000	£000
Income	101,742	93,088
Expenditure	(97,581)	(90,887)
Surplus before tax & minority interests	4,161	2,201
Taxation, sale of goodwill & minority interests	0	8
Surplus on disposal of assets	37,559	0
Surplus attributable to the group	41,720	2,209
Depreciation attributable to revaluations	169	311
Realisation of property revaluation gains	10,897	0
Historical cost surplus	52,786	2,520

Brunel University

Annual financial report (continued)

The Group's total income grew by 9.3% compared with 4.9% in 2002/03, and the component elements of income and expenditure are shown in the Consolidated Income and Expenditure Account. Whilst the Group achieved a historical cost surplus of £52.8 million for the year, resulting in an accumulated income and expenditure reserve of £98.6 million, the operating surplus excluding asset disposals was £4.16 million (4.1%). The surplus from the asset disposals will be fully reinvested in the further development of the Uxbridge campus.

This represents a very good performance for the year, although £2.1 million of the surplus is attributable to the interest earned from the investment of the asset sale proceeds together with one-off VAT recoveries secured in the year.

The Group's total expenditure of £97.581 million increased by 7.4% compared with 4% in 2002/03. Staff costs increased by 5.2% overall, although this includes £707k restructuring costs (£570k in 2002/03).

Capital expenditure

Capital expenditure on land, buildings and equipment totalled £32.5 million for the year. The major additions related to the further development and refurbishment of the Uxbridge campus including the Library extension (£5m), Infrastructure works (£5m), the Central Lecture Block (£3m), the final completion of a new Student Hall of Residence (£3m), the High Performance Centre (£2.7m), further development of Sports facilities (£2.2m), the refurbishment of the Engineering Complex (£2m) and the refurbishment of the ITRI building (£2m).

Investment performance

Over the year to 31 July 2004, the medium-term portion of the University's investments under external management by Lazard Asset Management Ltd achieved a return of 2.84% against a return of 2.11% by the chosen benchmark (FTA UK Government under 5 Years). The shorter-term portion under the management of Royal London Cash Management outperformed the Invesco Local Authority 7 Day Deposit Index, the Invesco One Month CD Index, and the Average Base Rate.

Borrowings

Student halls of residence are required to be self-financing, and the Group borrowed an additional £9.5 million in the year to 31 July 2004 to finance the new student hall of residence.

Future Developments

The University received the agreed sale proceeds for the Twickenham site in October 2003, and will lease back, at a peppercorn rent, that part of the site that is required by the University until the move of the Education department to the Uxbridge campus. The date on which the University is expected to give vacant possession of the site is the end of September 2005. In line with the University's Estate Strategy, Council approved the disposal of the Osterley site, and contracts for the sale of the site were signed in February 2004. The University will remain in occupation of the site until November 2006.

J Ellwood
Chair of Finance Committee

25 November 2004

Brunel University Corporate Governance

The University is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the University has applied the principles set out in Section 1 of The Combined Code – Principles of Good Corporate Governance and Code of Best Practice insofar as they are applicable to Higher Education institutions. Its purpose is to help the reader of the accounts understand how the principles have been applied.

The University is an autonomous body established by Royal Charter. Like most public bodies it operates within a strong framework of regulation. Not only does the University comply with all mandatory requirements but it also strives to operate that guidance which represents best practice. The University has adopted the Guide for Members of Governing Bodies of Universities and Colleges in England, Wales and Northern Ireland published in April 2001 by the Committee of University Chairmen.

The University's Council is responsible for the University's system of internal control and for reviewing its effectiveness. It has established the processes to comply with the direction from HEFCE for the identification, evaluation and management of the key risks facing the University. The Council has responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, whilst safeguarding the public and other funds and assets for which it is responsible, in accordance with the responsibility assigned to the Council in the Charter and Statutes and the Financial Memorandum with HEFCE. Such a system is designed to manage rather than eliminate the risk of failure to achieve business, operational, compliance and financial objectives, and 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.

The Council has adopted a risk management policy, and has identified where the principal management responsibility rests for risk management. The Council is of the view that an ongoing process for identifying, evaluating and managing the University's significant risks has been in place, and operating effectively, since 31 July 2003. A Risk Management Group has been established, whose responsibilities include the commissioning and ongoing maintenance of a risk management strategy, and the identification of the control strategy for each of the significant risks. The Risk Management Group provides to the Audit Committee reports on the progress in implementing the risk strategy, which in turn provides advice to the Council on the effectiveness of the policies, and also monitors the implementation of risk management. The University's internal auditor advises the Audit Committee on these matters, and also provides an independent opinion on the adequacy and effectiveness of the system of internal control, together with recommendations for improvement. The Council has ensured that the meeting calendar enables risk management and internal control to be considered on a regular basis during the year.

Summary of the University's structure of Corporate Governance

The University's Council comprises lay members, academic staff and students appointed under the Statutes of the University. The majority of members are non-executive. The role of the Chairman of Council is separate from the role of the University's Vice-Chancellor as Chief Executive. Council is responsible for the strategic direction of the University while the executive officers are responsible for the operational management of the institution. Council approves all major developments and receives regular reports on the day to day activities of the University. Council conducts ordinary business at four meetings in each year and by way of standing committees which include a Finance Committee, a Nominations Committee, a Remuneration Committee and an Audit Committee. Council also appoints members to joint committees with Senate including Strategic Planning and Resources Committee and Honorary Degrees Committee. Each of these committees is formally constituted with terms of reference and includes lay members of Council. In the case of the Audit Committee, it is comprised entirely of lay members appointed by Council from amongst its members, and co-opted lay members appointed by Council. The Chair of Council is ex-officio on all Council and Joint Committees, except the Audit Committee.

In respect of its strategic and development responsibilities, Council receives recommendations and advice from the Strategic Planning and Resources Committee, a joint committee of Council and Senate, the body responsible for the University's academic affairs. The committee's membership includes three lay members appointed by Council from amongst its members.

Brunel University

Corporate Governance (cont'd)

The Finance Committee supervises all matters relating to the finance, accounts and financial regulations of the University, the investment of its funds, the receipt of its income and the expenditure thereof, and the management of its borrowings. The Finance Committee presents a report to each meeting of Council.

The Nominations Committee, in its recommendations to Council, seeks to ensure diversity, breadth and continuity of expertise amongst the membership of Council. It also undertakes succession planning with respect to the membership and leadership of committees.

The Remuneration Committee reviews and recommends the salary and conditions of service of the Vice-Chancellor and the severance arrangements of higher paid staff as defined from time to time in the Accounts Direction made by the Higher Education Funding Council for England. It also receives a report from the Vice-Chancellor on the performance of the senior management team.

The Audit Committee meets at least three times a year to consider reports from the External and Internal Auditors containing recommendations for the improvement of the University's systems of risk management and internal control and the management's responses and implementation progress. It also receives and considers reports from time to time from the Higher Education Funding Council for England. Whilst executive officers attend meetings of the Audit Committee as necessary, they are not members of the Committee. The Committee meets with the External Auditors and the Internal Auditor on their own for independent discussions at least annually. The Committee and Internal Auditor each present an Annual Report to Council.

Council's responsibilities for the Financial Statements

In accordance with the University's Royal Charter, the Council of Brunel University is responsible for the administration and management of the affairs of the Group and University and is required to present audited financial statements for each financial year.

The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and University. This enables it to ensure that the financial statements are prepared in accordance with the University's Royal Charter, the Statement of Recommended Practice - Accounting for Further and Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Higher Education Funding Council for England and the Council of the University, the Council, 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 Group and University and of the Group's surplus or deficit and cash flows for that year.

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

- select suitable accounting policies and apply them consistently;
- make judgments 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 presume that the University will continue in operation. The Council has adopted the going concern basis as it is satisfied that the University has adequate resources to continue in operation for the foreseeable future.

The Council has taken reasonable steps to:

- ensure that funds from the Higher Education Funding Council for England, the Teacher Training Agency and the Learning and Skills Council are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Higher Education Funding Council and the respective Funding Agreements with the other bodies and with any other conditions which the three bodies 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 prevent and detect fraud;
- secure the economical, efficient and effective management of the University'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.

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, deans of faculty and heads of academic, administrative and support departments;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular review of key performance indicators and business risks and of financial results involving variance reporting;
- 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 University Council;
- comprehensive Financial Regulations, promoted by Finance Committee and adopted by Council;
- a professional internal audit service with a programme approved by the Audit Committee and whose head provides that committee with a report on internal audit activity that assists it in formulating its opinion on the 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.

Independent auditors' report to the Council of Brunel University

We have audited the financial statements which comprise the consolidated income and expenditure account, the balance sheets, the cash flow statement, the statement of total recognised gains and losses and the related notes which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and in accordance with the accounting policies set out in the Statement of Accounting Policies.

Respective responsibilities of the Council and auditors

The Council's responsibility 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 Institutions, applicable United Kingdom law and accounting standards is set out in the Statement of the Council's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and United Kingdom Auditing Standards issued by the Auditing Practices Board. This opinion has been prepared for and only for the Council of the University 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 Statement of Recommended Practice - Accounting for Further and Higher Education Institutions. We also 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 University, 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 University's statutes and where appropriate with the financial memorandum with the Higher Education Funding Council for England. We also report to you if, in our opinion, the University 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 or material inconsistencies with the financial statements. The other information comprises the annual financial report, the corporate governance statement and the statement of Council's responsibilities.

We also review the statement of internal control included as part of the corporate governance statement and comment if the statement is inconsistent with our knowledge of the University. 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 University's corporate governance procedures or its risk and control procedures.

The maintenance and integrity of the Brunel University website is the responsibility of the Council; 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.

Independent auditors' report to the Council of Brunel University (cont'd)

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board and 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 Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group and University'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 mis-statement, 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 University and the Group at 31 July 2004, and of the Group's surplus of income over expenditure, recognised gains and losses and cashflows for the year then ended and the statements have been properly prepared in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education.
- ii. In all material respects, income from the Higher Education Funding Council for England, the Teacher Training Agency and the Learning and Skills Council and grants and income for specific purposes and from other restricted funds administered by the University have been applied only for the purposes for which they were received.
- iii. In all material respects, income has been applied in accordance with the Royal Charter and Statutes governing Brunel University and, where appropriate, in accordance with the financial memoranda with the Higher Education Funding Council for England dated August 2000 and October 2003.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

17 December 2004

Brunel University

Statement of principal accounting policies

Basis of preparation

These financial statements have been prepared in accordance with both the Statement of Recommended Practice - Accounting for Further and Higher Education Institutions (SORP) and applicable United Kingdom Accounting Standards.

Basis of accounting

The financial statements are prepared under the historical cost convention modified by the revaluation of certain fixed assets and investments.

Basis of consolidation

The consolidated financial statements consolidate the financial statements of the University and its subsidiary undertakings for the financial year to 31 July. Intra-group sales and profits are eliminated fully on consolidation. The consolidated financial statements do not include those of the Union of Brunel Students as it is a separate body in which the University has no direct financial interest nor has it control or significant influence over policy decisions.

Recognition of income

Income from research grants and contracts and other services rendered is included to the extent of the completion of the contract or service concerned. This is generally equivalent to the sum of the relevant expenditure incurred during the year and any related contributions towards overhead costs. Such income that was earned, but not invoiced, at the year end is included as accrued income.

All income from investments, other than specific endowment asset investments, is credited to the Income and Expenditure Account on a receivable basis.

Recurrent grants from funding councils are recognised in the period in which they are receivable. Non-recurrent grants from funding councils or other bodies received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the useful economic life of the assets. Specific grants from funding councils are recognised to the extent of the relevant expenditure incurred during the year, together with any related contributions to overhead costs, or when the related terms and conditions of the grants have been fully satisfied.

Maintenance of premises

The University has a long-term maintenance programme which is periodically reviewed and for which sums are set aside on a regular basis. The programme covers both major cyclical activities and major maintenance costs expected to occur on an irregular basis. Both long-term and routine corrective maintenance is charged to the income and expenditure account as incurred, unless it is classified as a capital asset under FRS 15.

Foreign currency translation

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates 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.

Brunel University

Statement of principal accounting policies (continued)

Pension schemes

Retirement benefits for the University's staff are provided by the Universities' Superannuation Scheme, the Teachers' Pension Scheme and the London Pensions Fund Authority Pension Fund. These are defined benefit schemes, each of which is described further in the Notes to the Accounts. Pension costs are assessed on the latest published actuarial valuations of the schemes and are accounted for on the basis of charging the cost of providing pensions over the period during which the University benefits from the employees' services. Unless it is considered prudent to recognise deficiencies over a shorter period, variations from regular cost are spread over the average remaining working lifetime of members of the schemes after making allowances for future withdrawals.

Tangible fixed assets

a Land and buildings

Land and buildings are stated at cost or, in the case of buildings for which the cost cannot readily be ascertained, at valuation. The basis of valuation is depreciated replacement cost and the valuation of the Osterley campus as at 31 January 1995 was performed by Drivers Jonas, Chartered Surveyors. Land is held freehold and is not depreciated as it is considered to have an indefinite useful life. Buildings are depreciated over their expected useful economic lives of fifty years except in the case of certain temporary structures which warrant a shorter period. Improvements to leasehold premises are amortised over the period of the lease.

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

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable, whether through the economic benefits of use or through disposal.

Buildings under construction are accounted for at cost, based on the value of architects' certificates and other direct costs incurred to 31 July. They are not depreciated until the accounting period in which they are brought into use.

b Equipment

Equipment costing less than £10,000 per individual item or group of related items is written off to the income and expenditure account in the year of acquisition. All other equipment is capitalised at cost. Capitalised equipment is depreciated over its expected useful economic life, as follows:

Furniture, printing and catering equipment	-	10 years
Telephone and security equipment	-	7 years
File servers and other central computing equipment, office equipment, other academic equipment	-	5 years
Motor vehicles	-	4 years
Groups of public domain and other personal computers	-	3 years
Equipment acquired for research projects	-	project life

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated in accordance with the above policy. The related grant is treated as a deferred capital grant and released to income and expenditure account over the expected useful economic life of the equipment (the period of the grant in respect of sponsored research projects).

c Books

The cost of book purchases is written off in the group accounts in the year of acquisition.

Brunel University

Statement of principal accounting policies (continued)

Leased assets

Fixed assets held under finance leases and the related lease obligations are recorded in the Balance Sheet at the fair value of the leased assets at the inception of the lease. The excess of lease payments over recorded lease obligations are treated as finance charges which are amortised and charged to the income and expenditure account over the shorter of the lease term or the useful economic life of equivalent owned assets to give a constant rate of charge on the remaining balance of the obligations.

Investments

Fixed asset investments that are not listed on a recognised stock exchange are carried at historical cost less any provision for impairment in their value.

Endowment asset investments are stated at market value, and current asset investments are stated at the lower of cost or net realisable value.

Stocks

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

Cash flows and liquid resources

Cash flows comprise 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.

Liquid resources comprise assets held as a readily disposable store of value. They include term deposits, government securities, certificates of deposit and loan stock held as part of the University's treasury management activities. They exclude any such assets held as Endowment Asset Investments.

Provisions

Provisions are recognised when the University 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.

Taxation status

The University is an exempt charity within the meaning of Schedule 2 to the Charities Act 1993 and as such is a charity within the meaning of Section 506(1) of the Taxes Act 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 is included within the appropriate expenditure heading. The University's subsidiary companies are subject to Corporation Tax and VAT in the same way as any other commercial organisation.

Consolidated income and expenditure account for the year ended 31 July 2004

		2003-04 £000	2002-03 £000
Income			
Funding Council grants	1	42,944	40,005
Tuition fees and education contracts	2	28,129	26,487
Research grants and contracts	3	8,675	9,076
Other income	4	20,257	16,906
Endowment and investment income	5	1,737	614
Total income		101,742	93,088
Expenditure			
Staff costs	6	56,958	54,138
Other operating expenses	7	35,001	31,737
Depreciation	12	4,413	4,028
Interest payable	8	1,209	984
Total expenditure		97,581	90,887
Surplus on continuing operations after depreciation of fixed assets at valuation and before taxation		4,161	2,201
Surplus on disposal of assets	12	37,559	0
Surplus on continuing operations after depreciation of fixed assets at valuation and disposal of assets but before taxation		41,720	2,201
Taxation recoverable/(payable)	10	0	8
Surplus on continuing operations after depreciation of fixed assets at valuation, disposal of assets and taxation	11	41,720	2,209

All results are from continuing operations.

Note of historical cost surplus for the year ended 31 July 2004

	Note	Group 2003-04 £000	Group 2002-03 £000
Surplus on continuing operations after depreciation of fixed assets at valuation and disposal of assets but before taxation		41,720	2,201
Difference between historical cost depreciation and the actual charge calculated on the revalued amount	24	169	311
Realisation of property revaluation gains of previous years	24	10,897	0
Historical cost surplus before taxation		52,786	2,512
Historical cost surplus after taxation		52,786	2,520

**Consolidated statement of total recognised gains and losses
for the year ended 31 July 2004**

		2003-04	2002-03
	Note	£000	£000
Surplus on continuing operations after depreciation of fixed assets at valuation, disposal of assets and taxation		41,720	2,209
Net income from endowments	23	(65)	(131)
Appreciation/reduction in endowment asset investment values	23	(77)	0
New endowments	23	377	108
Total recognised gains relating to the year		41,955	2,186
Reconciliation			
Opening reserves and endowments		70,959	68,773
Total recognised gains and losses for the year		41,955	2,186
Closing reserves and endowments		112,914	70,959

Balance sheets

as at 31 July 2004

	Note	Group		University	
		2004	2003	2004	2003
		£000	£000	£000	£000
Fixed assets					
Tangible fixed assets	12	118,688	103,401	112,665	102,518
Investments	13	108	108	33	33
		118,796	103,509	112,698	102,551
Endowment assets	14	1,770	1,535	1,770	1,535
Current assets					
Stock	15	80	81	65	66
Debtors	16	12,667	10,109	18,459	11,701
Investments	17	33,023	3,250	33,023	3,250
Cash at bank and in hand		10,152	834	10,052	675
		55,922	14,274	61,599	15,692
Creditors:					
amounts falling due within one year	18	(22,237)	(21,012)	(21,033)	(20,963)
Net current assets/(liabilities)		33,685	(6,738)	40,566	(5,271)
Total assets less current liabilities		154,251	98,306	155,034	98,815
Creditors:					
amounts falling due after more than one year	19	(23,032)	(14,026)	(23,027)	(14,021)
Provisions for liabilities and charges	21	(1,175)	(1,189)	(1,175)	(1,189)
Net assets		130,044	83,091	130,832	83,605
Deferred capital grants	22	17,130	12,132	17,130	12,132
Endowments					
Specific	23	977	1,056	977	1,056
General	23	793	479	793	479
		1,770	1,535	1,770	1,535
Reserves					
Revaluation reserve	24	12,579	23,645	12,579	23,645
Income and expenditure reserve	25	98,565	45,779	99,353	46,293
		111,144	69,424	111,932	69,938
Total funds		130,044	83,091	130,832	83,605

The financial statements on pages 9 to 33 were approved by the Council on 15 December 2004 and signed on its behalf by:

W Greaves
Chairman of Council

S Schwartz
Vice-Chancellor
& Principal

T Holloway
Director of Finance

Consolidated cash flow statement
for the year ended 31 July 2004

	Note	2003-04 £000	2002-03 £000
Cash flow from operating activities	26	7,748	6,296
Returns on investments and servicing of finance	27	528	(370)
Taxation	10	0	8
Capital expenditure and financial investment	28	24,045	(15,454)
Management of liquid resources	29	(29,873)	9,415
Financing	30	8,901	(592)
Increase/(decrease) in cash for the period	31	<u>11,349</u>	<u>(697)</u>

Reconciliation of net cash flow to movement in net debt

Increase/(decrease) in cash for the period	31	11,349	(697)
Increase/(decrease) in endowment asset investments	31	312	(23)
Cash outflow/(inflow) from liquid resources	31	29,873	(9,415)
(New loans)/Cash used to decrease loans	31	(8,901)	592
Non-cash changes	31	(177)	0
Change in net funds/(debt)		<u>32,456</u>	<u>(9,543)</u>
Opening net debt at 1 August	31	(11,034)	(1,491)
Closing net funds/(debt) at 31 July	31	<u>21,422</u>	<u>(11,034)</u>

Notes to the accounts

	2003-04	2002-03
	£000	£000
1 Funding Council grants		
Recurrent grant		
Higher Education Funding Council for England	36,819	35,959
Teacher Training Agency	2,537	2,136
Learning and Skills Council	36	156
Specific grants (HEFCE)		
HE Reach out to Business & Community	211	325
Learning & teaching development	170	160
Rewarding & Developing Staff	1,426	166
Higher Education Initiative Fund	66	136
Joint Information Systems Committee	5	0
Other grants	384	171
Specific grants (TTA)		
Other grants	292	243
Specific grants (LSC)		
Other grants	0	23
Deferred capital grants released in year		
Buildings	528	305
Equipment	470	225
	42,944	40,005
2 Tuition fees and education contracts		
Full-time students charged home fees	11,483	11,903
Full-time students charged overseas fees	8,919	7,071
Part-time fees	2,402	2,386
Bench Fees	103	64
Research training support grants	14	21
Short course fees	243	351
NHS education contracts	4,965	4,691
	28,129	26,487
3 Research grants and contracts		
OST Research Councils	2,923	3,844
UK-based charities	809	800
UK central & local govt., health & hospital authorities	2,021	1,242
UK industry, commerce & public corporations	1,142	999
European Commission	1,297	1,496
EU other	60	70
Other overseas	122	207
Other sources	301	418
	8,675	9,076

Notes to the accounts

	2003-04	2002-03
	£000	£000
4 Other income		
Residences, catering and conferences	13,510	11,458
Science Park	726	744
Libraries	16	8
Sports Centre	645	667
Rent and room hire	455	755
Released from deferred capital grants	29	35
Other services rendered	935	827
Other income	3,941	2,412
	<u>20,257</u>	<u>16,906</u>
5 Endowment and investment income		
Transferred from specific endowments	37	39
Income from general endowment asset investments	23	16
Income from current asset investments	1,677	559
	<u>1,737</u>	<u>614</u>
6 Staff numbers and costs	Number	Number
Average staff numbers during the year by major category:		
Academic and hourly paid lecturers	863	853
Technical	85	89
Administrative & academic support	252	208
Other, including clerical and manual	971	906
	<u>2,171</u>	<u>2,056</u>
Other staff numbers for 2003-04 include students recruited through the University's Job Shop.		
	£000	£000
Staff costs for the above persons:		
Wages and salaries	46,795	45,283
Social security costs	4,007	3,442
Contributions to occupational pension schemes	5,449	4,843
Restructuring costs	707	570
	<u>56,958</u>	<u>54,138</u>
	£000	£000
Employment costs for staff on permanent contracts	40,735	38,263
Employment costs for staff on short-term contracts	15,516	15,305
Restructuring costs	707	570
	<u>56,958</u>	<u>54,138</u>

Notes to the accounts

6 Staff numbers and costs (cont'd)

Emoluments of the Vice-Chancellor, excluding employer's National Insurance Contributions, were:

	2003-04	2002-03
	£000	£000
Salary	156	146
Performance related pay	11	10
Cash equivalent benefit in kind (car)	10	10
Other benefits in kind (accommodation and private health insurance)	7	8
	<u>184</u>	<u>174</u>
Pension contributions	23	25
	<u>207</u>	<u>199</u>

The emoluments of the Vice-Chancellor are shown on the same basis as for higher paid staff. A contribution equivalent to the USS rate is made into a personal pension plan.

The number of staff, excluding the Vice-Chancellor, who received emoluments, excluding employer's National Insurance contributions, in the following ranges was:

	2003-04	2002-03
£70,000 - £79,999	20	8
£80,000 - £89,999	3	0
£90,000 - £99,999	4	3
£100,000 - £109,999	0	2
£110,000 - £119,999	3	0
£120,000 - £129,999	2	0

7 Other operating expenses

	2003-04	2002-03
	£000	£000
External staffing and services	3,212	2,084
I.T. expenditure (hardware and software not capitalised)	3,160	2,569
Equipment and furniture not capitalised	2,369	1,751
Books and periodicals	2,218	2,214
Fellowships, scholarships and prizes	2,599	2,407
Courses, conferences, travel and subsistence	2,780	2,497
Subscriptions and professional fees	1,991	1,759
Advertising	669	646
Consumables	1,078	1,415
Rent and rates	1,344	1,177

Notes to the accounts

	2003-04 £000	2002-03 £000
7 Other operating expenses (cont)		
Heat, light, power and water	1,860	1,841
Repairs and maintenance	3,884	4,483
Other premises costs	2,005	1,790
Telephones and postage	993	846
Catering supplies	1,017	1,029
Grants to Union of Brunel Students	770	744
Auditors' remuneration - external audit *	66	69
- internal audit	53	0
Insurance	505	448
Contribution to provisions	809	739
Other expenditure	1,619	1,229
	<u>35,001</u>	<u>31,737</u>

*includes £56,136 in respect of the University (2002/3 £61,930)

8 Interest payable

Loans wholly repayable by instalments after five years	<u>1,209</u>	<u>984</u>
	<u>1,209</u>	<u>984</u>

9 Analysis of 2003-04 expenditure by activity

	Staff costs £000	Other operating expenses £000	Dep'n £000	Interest payable £000	Total £000
Academic departments	31,594	7,918	650	0	40,162
Academic services	4,002	4,518	268	1	8,789
Research grants and contracts	4,606	3,598	161	0	8,365
Residences, catering, conferences & Science Park	4,140	5,364	1,155	1,159	11,818
Premises	3,551	7,629	1,885	32	13,097
Administration	5,694	3,525	244	17	9,480
Other services	3,371	2,449	50	0	5,870
Total per Income and Expenditure Account	<u>56,958</u>	<u>35,001</u>	<u>4,413</u>	<u>1,209</u>	<u>97,581</u>

The depreciation charge has been funded by:

Deferred capital grants released (Note 22)	1,188
Revaluation reserve released (Note 24)	169
General income	3,056
	<u>4,413</u>

10 Taxation

UK corporation tax (recoverable)/payable on the profits of and by Brunel University Enterprises Ltd group

	<u>0</u>	<u>(8)</u>
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11 Surplus on continuing operations

The surplus on continuing operations for the year is made up as follows:

University surplus for the year	3,931	2,694
Surplus on sale of asset	37,559	0
Retained deficit generated by the subsidiary undertakings	(274)	(609)
Surplus generated by the subsidiary undertakings and transferred to the University by Gift Aid	504	124
	<u>41,720</u>	<u>2,209</u>

Notes to the accounts

12 Tangible fixed assets

Group

	Land & buildings £000	Assets under construction £000	Equipment £000	Total £000
Cost or Valuation				
At 1 August 2003:				
Valuation	26,744	0	0	26,744
Cost	76,266	17,187	11,297	104,750
Less disposals in year	(14,386)	(398)	(2,659)	(17,443)
Additions at cost	0	32,543	0	32,543
Transfers between accounts	21,178	(22,154)	976	0
At 31 July 2004:				
Valuation	<u>14,435</u>	<u>0</u>	<u>0</u>	<u>14,435</u>
Cost	<u>95,367</u>	<u>27,178</u>	<u>9,614</u>	<u>132,159</u>
Depreciation				
At 1 August 2003				
	21,501	0	6,592	28,093
Charge for the year	2,679	0	1,734	4,413
Eliminated in respect of disposals	(1,942)	0	(2,658)	(4,600)
At 31 July 2004				
	<u>22,238</u>	<u>0</u>	<u>5,668</u>	<u>27,906</u>
Net book value at 31 July 2004	<u>87,564</u>	<u>27,178</u>	<u>3,946</u>	<u>118,688</u>
Net book value at 1 August 2003				
	<u>81,509</u>	<u>17,187</u>	<u>4,705</u>	<u>103,401</u>
Inherited	12,579	0	0	12,579
Financed by capital grant	13,203	0	3,927	17,130
Other	61,782	27,178	19	88,979
Net book value at 31 July 2004	<u>87,564</u>	<u>27,178</u>	<u>3,946</u>	<u>118,688</u>

The transitional rules set out in FRS15 - Tangible Fixed Assets - have been applied and accordingly, the book values at implementation have been retained.

Land and buildings for Osterley were re-valued in 1995 by Drivas Jonas, a firm of independent chartered surveyors. The valuation represented the surveyors opinion of land and building values of the various properties on the basis of existing use value, depreciated replacement cost or open market value as appropriate. There has been no subsequent re-valuation.

The University disposed of its Twickenham site and will be reinvesting the proceeds in the Uxbridge campus. A surplus of £37.559 million, on proceeds of £50.4 million, arose from the disposal.

Land and buildings with net book value of £21.55 million have been financed by exchequer funds. It is a condition of funding imposed by the Secretary of State and the Treasury that no transaction involving these assets should be entered into without the prior approval of the Higher Education Funding Council for England.

Notes to the accounts

12 Tangible fixed assets (cont)

University

	Land & buildings £000	Assets under construction £000	Equipment £000	Total £000
Cost or Valuation				
At 1 August 2003:				
Valuation	26,744	0	0	26,744
Cost	76,266	16,304	11,297	103,867
Less disposals in year	(14,386)	(398)	(2,659)	(17,443)
Additions at cost	0	27,403	0	27,403
Transfers between accounts	21,178	(22,154)	976	0
At 31 July 2004:				
Valuation	<u>14,435</u>	<u>0</u>	<u>0</u>	<u>14,435</u>
Cost	<u>95,367</u>	<u>21,155</u>	<u>9,614</u>	<u>126,136</u>
Depreciation				
At 1 August 2003	21,501	0	6,592	28,093
Charge for the year	2,679	0	1,734	4,413
Eliminated in respect of disposals	(1,942)	0	(2,658)	(4,600)
At 31 July 2004	<u>22,238</u>	<u>0</u>	<u>5,668</u>	<u>27,906</u>
Net book value at 31 July 2004	<u>87,564</u>	<u>21,155</u>	<u>3,946</u>	<u>112,665</u>
Net book value at 1 August 2003	<u>81,509</u>	<u>16,304</u>	<u>4,705</u>	<u>102,518</u>
Inherited	12,579	0	0	12,579
Financed by capital grant	13,203	0	3,927	17,130
Other	61,782	21,155	19	82,956
Net book value at 31 July 2004	<u>87,564</u>	<u>21,155</u>	<u>3,946</u>	<u>112,665</u>

Notes to the accounts

	Group		University	
	2004	2003	2004	2003
	£000	£000	£000	£000
13 Fixed asset investments				
Investment in CVCP Properties plc	33	33	33	33
Investment in associated companies	75	75	0	0
	108	108	33	33

Details of the University's majority shareholdings are set out on page 2. The University's wholly owned subsidiary, Brunel University Enterprises Ltd, has the following minority shareholdings in companies incorporated in England and Wales:

<i>Company</i>	<i>Number of shares held</i>	<i>Nominal value</i>	<i>Cost</i>	<i>% of issued share capital</i>
Ability Products Limited (<i>development of medical instrumentation</i>)	5	£1	£5	50%
Active Fasteners Limited (<i>commercialisation of active disassembly technology</i>)	18	20p	£7	18.8%
Advanced Acoustic Emissions (<i>development of early fault detection</i>)	98	£1	£98	49%
BioRegional MiniMills (UK) Limited (<i>development of small scale clean technology</i>)	2	£1	£2	0.5%
Cascade Fund Management Limited (<i>provision of start-up finance</i>)	20	£1	£20	20%
Dynamic Extractions Limited (<i>development of pharmaceutical processing equipment</i>)	224	20p	£35,000	22.4%
Extansys Limited (<i>development of legacy system management software</i>)	24	£1	£24	24%
Polymus Ltd (<i>development of plastic actuators</i>)	15	£1	£10,000	10%
R.T. Circuits Ltd (<i>development of lithographic circuits</i>)	6,667	50p	£9,999	0.2%

14 Endowment assets

	Group and University	
	2004	2003
	£000	£000
Valuation at 1 August 2003	1,535	1,558
Additions	437	163
Disposals	(125)	(186)
Reduction in endowment asset investment values	(77)	0
Valuation at 31 July 2004	1,770	1,535

15 Stock

	Group		University	
	2004	2003	2004	2003
	£000	£000	£000	£000
Stock	80	81	65	66

Accrued income in respect of Research projects, previously shown as Work in Progress, is now shown in Note 16 - Prepayments and accrued income. The amounts for the Group and University are £1.763 million for 2004 and £2.023 million for 2003.

16 Debtors

	Group		University	
	2004	2003	2004	2003
	£000	£000	£000	£000
Amounts falling due within one year:				
Debtors	8,997	7,000	8,496	6,698
Taxation and social security	476	0	476	0
Amounts owed by group undertakings	0	0	6,353	1,944
Prepayments and accrued income	3,127	3,059	3,127	3,059
	12,600	10,059	18,452	11,701
Amounts falling due after one year:				
Loans	67	50	7	0
	12,667	10,109	18,459	11,701

17 Current asset investments

	Group and University	
	2004	2003
	£000	£000
U K Government securities	2,425	3,041
Eurosterling bonds	198	209
Certificates of Deposit	1,500	0
Money market deposits	28,900	0
	33,023	3,250

Current asset investments are stated net of impairment of £100,000.

Notes to the accounts

18 Creditors: amounts falling due within one year	Group		University	
	2004	2003	2004	2003
	£000	£000	£000	£000
Bank loans	473	578	473	578
Overdrafts	18	2,048	0	2,000
Inherited liabilities	0	14	0	14
Trade creditors	9,612	5,404	8,404	4,939
Amounts due to group undertakings	0	0	43	541
Taxation and social security	1,331	1,403	1,331	1,403
Accruals and deferred income *	10,803	11,565	10,782	11,488
	22,237	21,012	21,033	20,963

* includes a payment in advance of £3 million as a deposit on the proposed sale of the Osterley campus

19 Creditors: amounts falling due after more than one year

Bank loans	23,027	13,690	23,027	13,690
Inherited liabilities	5	336	0	331
	23,032	14,026	23,027	14,021

20 Borrowings

Bank loans and overdrafts are repayable as follows:

In one year or less	473	2,626	473	2,578
Between one and two years	498	484	498	484
Between two and five years	1,657	1,652	1,657	1,652
After five years	20,872	11,554	20,872	11,554
	23,500	16,316	23,500	16,268

Inherited liabilities are repayable as follows:

In one year or less	0	14	0	14
Between one and two years	5	18	0	13
Between two and five years	0	33	0	33
After five years	0	285	0	285
	5	350	0	345

Bank loans, including mortgages, are secured on various freehold properties of the University which have an asset value of £20.21 million.

Notes to the accounts

21 Provisions for liabilities and charges	Group and University
	Pensions-related
	£000
At 1 August 2003	1,189
Expenditure in the year	(94)
Transferred from income and expenditure account	80
At 31 July 2004	<u>1,175</u>

All provisions relate to the University.

22 Deferred capital grants	Group and University		
	Funding Councils	Other grants & benefactions	Total
	£000	£000	£000
At 1 August 2003:			
Land and buildings	9,626	883	10,509
Equipment	1,430	193	1,623
	<u>11,056</u>	<u>1,076</u>	<u>12,132</u>
Cash received:			
Land and buildings	3,001	248	3,249
Equipment	2,761	176	2,937
	<u>5,762</u>	<u>424</u>	<u>6,186</u>
Released to Income and Expenditure Account:			
Land and buildings	528	27	555
Equipment	470	163	633
	<u>998</u>	<u>190</u>	<u>1,188</u>
At 31 July 2004:			
Land and buildings	12,099	1,104	13,203
Equipment	3,721	206	3,927
	<u>15,820</u>	<u>1,310</u>	<u>17,130</u>

All deferred capital grants relate to the University.

23 Endowments	Group and University		
	Specific	General	Total
	£000	£000	£000
At 1 August 2003	1,056	479	1,535
Additions	29	348	377
Reduction in endowment asset investment value	(42)	(35)	(77)
Investment income and appreciation	37	23	60
Release to Income and Expenditure Account	(103)	(22)	(125)
At 31 July 2004	<u>977</u>	<u>793</u>	<u>1,770</u>

The treatment of accumulated income held within specific endowments does not follow that recommended in the Statement of Recommended Practice. Holdings of endowment assets are currently being reviewed and, until that review has been completed, it is not possible to quantify the correct entries to be made. The necessary entries will be made in the accounts for the year ended 31 July 2005.

Notes to the accounts

23 Endowments (cont'd)

	Group and University		
	Specific £000	General £000	Total £000
Scholarship funds	464	0	464
Chairs and lectureships funds	219	0	219
Prize funds	71	0	71
Other funds	223	793	1,016
Total	977	793	1,770

All endowments relate to the University.

24 Revaluation reserve

	Group £000	University £000
At 1 August 2003	23,645	23,645
Eliminated in respect of disposal	(10,897)	(10,897)
Transfer to income and expenditure reserve in respect of depreciation on revalued assets	(169)	(169)
At 31 July 2004	12,579	12,579

25 Income and expenditure reserve

	Group £000	University £000
Surplus after depreciation of assets at valuation and taxation	41,720	41,994
Release from revaluation reserve	11,066	11,066
Historical cost surplus after tax and minorities	52,786	53,060
Balance at 1 August 2003	45,779	46,293
Balance at 31 July 2004	98,565	99,353

**26 Reconciliation of consolidated operating surplus
to net cash inflow from operating activities**

	2003-04 £000	2002-03 £000
Surplus after depreciation of assets at valuation:		
Continuing operations	41,720	2,201
Depreciation (Note 12)	4,413	4,028
Deferred capital grants released to income (Note 22)	(1,188)	(873)
Surplus on disposal of tangible fixed asset (Note 12)	(37,559)	0
Investment income (Note 5)	(1,737)	(614)
Interest payable (Note 8)	1,209	984
Decrease/(increase) in stocks (Note 15)	1	(423)
(Increase)/decrease in debtors (Note 16)	(2,558)	449
Increase in creditors (Note 18)	3,361	802
Decrease in provisions (Note 21)	(14)	(258)
Current asset investment impairment	100	0
Net cash inflow from operating activities	7,748	6,296

Notes to the accounts

	2003-04 £000	2002-03 £000
27 Returns on investments and servicing of finance		
Income received from endowment asset investments (Note 5)	60	55
Income received from current asset investments (Note 5)	1,677	559
Interest paid (Note 8)	(1,209)	(984)
Net cash inflow/(outflow) from returns on investments and servicing of finance	<u>528</u>	<u>(370)</u>
28 Capital expenditure and financial investment		
Tangible fixed assets acquired (Note 12)	(32,543)	(19,252)
Proceeds on disposal of tangible fixed assets (Note 12)	50,402	0
Fixed asset investment (acquired)/redeemed (Note 13)	0	(55)
Payments to acquire endowment assets (Note 23)	(377)	131
Deferred capital grants received (Note 22)	6,186	3,830
Endowments received (Note 23)	377	(108)
Net cash inflow/(outflow) from capital expenditure and financial investment	<u>24,045</u>	<u>(15,454)</u>
29 Management of liquid resources		
Sale of investments	0	9,477
Purchase of investments	541	0
Placing of deposits	(30,414)	(62)
Net cash (outflow)/inflow from management of liquid resources	<u>(29,873)</u>	<u>9,415</u>
30 Financing		
Debt due beyond a year:		
New loans (Notes 18 and 19)	9,548	0
Capital repayments (Notes 18 and 19)	(647)	(592)
Net cash inflow/(outflow) from financing	<u>8,901</u>	<u>(592)</u>

Notes to the accounts

31 Analysis of changes in net funds

	At 1 August £000	Cash flows £000	Other changes £000	At 31 July £000
Cash at bank and in hand	834	9,318	0	10,152
Overdrafts	(2,049)	2,031	0	(18)
Net cash	(1,215)	11,349	0	10,134
Short-term investments:				
Endowment asset investments	1,535	312	(77)	1,770
Other	3,250	29,873	(100)	33,023
Debt due within one year	(578)	105	0	(473)
Debt due after one year	(14,026)	(9,006)	0	(23,032)
Net funds	(11,034)	32,633	(177)	21,422

32 Pension schemes

The three principal pension schemes for the University's staff are the Universities' Superannuation Scheme (USS) and the Teachers' Pension Scheme (TPS) for academic staff, and the London Pensions Fund Authority Scheme (LPFA) for other staff. The schemes are defined benefit schemes based on a final pensionable salary. The University also pays pension contributions into a personal defined contribution pension plan (at the same rate as USS contributions) on behalf of the Vice Chancellor.

The total pension cost for the University and its subsidiaries was:

	2003-04 £000	2002-03 £000
Contributions to USS	3,565	3,275
Contributions to TSS	470	394
Contributions to LPFA	1,176	1,043
Contributions to other pension schemes	159	58
Provision for ex-WLIHE pensions increases	79	73
Total pension cost	5,449	4,843

Universities Superannuation Scheme

USS provides a defined benefit scheme for employees of UK universities and some other employers. The assets of the scheme are held in a separate trustee-administered fund. The fund is valued every three years by a professionally qualified independent actuary using the projected unit method, the rate of contribution being determined by the trustee on the advice of the actuary. The contribution rate recommended following the 2002 valuation has regard to the surplus disclosed, the benefit improvements introduced subsequent to the valuation, and the need to spread the surplus in a prudent manner over the future working lifetime of current scheme members.

32 Pension schemes (cont'd)

SSAP 24

It is not possible to identify the University's share of the underlying assets and liabilities in the USS scheme and hence, using the exemption under SSAP 24, contributions to the scheme are accounted for as if it were a defined contribution scheme, with the cost recognised in the Income and Expenditure account being equal to the contributions payable to the scheme.

The assumptions and other data which have the most significant effect on the determination of future contribution levels together with the employers contribution rate, are as follows:

Date of most recently published actuarial valuation	31 March 2002
Investment returns per annum	6.0%
Salary scale increases per annum	3.7%
Pension increases per annum	2.7%
Market value of assets at last valuation date	£19,938 million
Proportion of members' accrued benefits covered by the actuarial value of the assets	101%
Employer's contribution rate	14%

FRS 17

It is not possible to identify the University's share of the underlying assets and liabilities in the USS scheme and hence, using the exemption under FRS 17, contributions to the scheme are accounted for as if it were a defined contribution scheme, with the cost recognised in the Income and Expenditure account being equal to the contributions payable to the scheme.

Teachers Pension Scheme

TPS is an unfunded defined benefit scheme administered by the Teachers Pensions Agency in accordance with the Teachers' Superannuation (Consolidation) Regulations 1988. Contributions on a 'pay-as-you-go' basis are paid to the Exchequer under arrangements governed by the Superannuation Act 1972.

SSAP 24

It is not possible to identify the University's share of the underlying assets and liabilities in the TPS scheme and hence, using the exemption under SSAP 24, contributions to the scheme are accounted for as if it were a defined contribution scheme, with the cost recognised in the Income and Expenditure account being equal to the contributions payable to the scheme.

The pensions costs are assessed not less than every five years in accordance with the advice of the government actuary, using the prospective benefits method. The assumptions and other data which have the most significant effect on the determination of future contribution levels, together with the employers' contribution rate, are as follows:

Date of most recently published actuarial valuation	31 March 2001
Investment returns per annum	7.0%
Salary scale increases per annum	5.0%
Pension increases per annum	3.5%
Market value of assets at last valuation date	£142,880 million
Proportion of members' accrued benefits covered by the actuarial value of the assets	97%

The employer contribution rate has been 13.5% since 1 April 2003.

32 Pension schemes (cont'd)

FRS 17

It is not possible to identify the University's share of the underlying assets and liabilities in the scheme and hence, using the exemption under FRS 17, contributions to the scheme are accounted for as if it were a defined contribution scheme, with the cost recognised in the Income and Expenditure account being equal to the contributions payable to the scheme.

London Pensions Fund Authority Pension Scheme (LPFA)

The University participates as an Admitted Body in the LPFA which is administered in accordance with the Local Government Pensions Scheme Regulations 1997. The fund is valued every three years by actuaries, and the projected unit method is used in respect of the Active Sub-Fund in which the University participates. Each participating employer has their own contribution rate reflecting its long term future service rate, adjusted for the funding level in respect of past service.

SSAP 24

The assumptions and other data which have the most significant effect on the determination of future contribution levels, together with the employers' contribution rate, are as follows:

Date of most recently published actuarial valuation	31 March 2001
Investment returns per annum	6.3%-6.6%
Salary scale increases per annum	4.3%
Pension increases per annum	2.8%
Market value of assets at last valuation date	£2,853 million
Proportion of members' accrued benefits covered by the actuarial value of the assets	108%
Employer's contribution rate	9.8%

FRS 17

The following information regarding the LPFA is based upon the full actuarial valuation of the fund as at 31 March 2001, rolled forward to 31 July 2004 by Hymans Robertson, an independent firm of actuaries. The major assumptions are:

	At 31 July '04	At 31 July '03
Inflation	2.9%	2.6%
Rate of increase in salaries	4.4%	4.1%
Rate of increase for pensions	2.9%	2.6%
Discount rate	6.5%	6.2%

Notes to the accounts

32 Pension schemes (cont'd)

	At 31 July '04		At 31 July '03	
	Long-term rate of return	Fund Value £000	Long-term rate of return	Fund Value £000
Equities	7.9%	1,093,000	8.0%	1,052,900
Bonds	5.4%	159,000	5.0%	169,800
Property	6.7%	105,000	6.0%	65,800
Cash	4.5%	17,000	3.5%	0
Total market value of assets		<u>1,374,000</u>		<u>1,288,500</u>

The following amounts at 31 July 2004 were measured in accordance with the requirements of FRS 17:

	At 31 July '04 £000	At 31 July '03 £000
Estimated asset share	35,283	32,910
Present value of scheme liabilities	(47,360)	(44,240)
Present value of unfunded liabilities	(52)	(30)
Deficit in the scheme	<u>(12,129)</u>	<u>(11,360)</u>

Under the transitional arrangements of FRS 17, no provision has been made for the deficit in the scheme. If provision were made, the following entries would be required:

	At 31 July '04 £000	At 31 July '03 £000
Net assets		
Net assets excluding FRS 17 pension (liability) / asset	130,044	83,091
Net pension (liability) / asset	(12,129)	(11,360)
Net assets including FRS 17 pension (liability) / asset	<u>117,915</u>	<u>71,731</u>
Income and expenditure (I&E) reserve		
I&E reserve excluding FRS 17 pension (liability) / asset	98,565	45,779
Pension reserve	(12,129)	(11,360)
I&E reserve including FRS 17 pension (liability) / asset	<u>86,436</u>	<u>34,419</u>

Under the transitional arrangements of FRS 17, the pension charge for the year calculated under FRS 17 assumptions, is not included in the financial statements, as this is currently calculated on a SSAP 24 basis.

Notes to the accounts

32 Pension schemes (cont'd)

If the pension charge had been included on an FRS 17 basis, the following entries would be required:

	Year ended 31 July 2004 £000	Year ended 31 July 2003 £000
Analysis of amount charged to income and expenditure account		
Current service cost	1,431	1,440
Past service cost	45	50
Curtailments and Settlements	89	50
Total operating charge	<u>1,565</u>	<u>1,540</u>
Analysis of net return on pension scheme		
Expected return on pension scheme assets	2,464	2,490
Interest on pension liabilities	<u>(2,762)</u>	<u>(2,460)</u>
Net return	<u>(298)</u>	<u>30</u>
Analysis of amounts recognised in statement of total gains and losses (STRGL)		
Actual return less expected return on pension scheme assets	21	(2,540)
Experience gains and losses arising on the scheme liabilities	66	(20)
Changes in assumptions underlying the present value of the scheme liabilities	<u>(67)</u>	<u>0</u>
Actuarial gain/(loss) recognised in STRGL	<u>20</u>	<u>(2,560)</u>
Movement in deficit during the year		
Deficit in scheme at 1 August	(11,360)	(8,355)
Movement in year:		
Current service costs	(1,431)	(1,440)
Contributions	1,070	1,065
Contributions in respect of Unfunded Benefits	4	0
Past service costs	(45)	(50)
Impact of Curtailments and Settlements	(89)	(50)
Net return on assets	(298)	30
Actuarial gain/(loss)	<u>20</u>	<u>(2,560)</u>
Deficit in scheme at 31 July	<u>(12,129)</u>	<u>(11,360)</u>
History of experience gains and losses		
Difference between the expected and actual return on assets	21	(2,540)
Value of Assets	35,283	32,910
Percentage of scheme assets	0.1%	(7.7%)
Experience gains/(losses) on scheme liabilities	66	(20)
Present value of Liabilities	47,411	44,270
Percentage of the present value of scheme liabilities	0.1%	0.0%
Total amount recognised in STRGL	20	(2,560)
Present value of Liabilities	47,411	44,270
Percentage of the present value of scheme liabilities	0.0%	(5.8%)

Notes to the accounts

33 Post Balance Sheet Events

On 20 February 2004 the University agreed to sell at a future date the Osterley campus, although it will continue to occupy the site until November 2006. The net carrying value of the Osterley site at 31 July 2004 was £534,000. An advance payment of £3 million has been received in connection with this sale.

34 Capital commitments

Consolidated and University

	2004	2,003
	£000	£000
Commitments contracted for at 31 July	<u>10,400</u>	<u>14,877</u>

35 Contingent liabilities

A claim against the University has been made in the ordinary course of business. The University has received legal advice that it has a very strong case to defend the claim and, as a consequence, no financial provision has been made in these accounts. It is considered that if the University were to be unsuccessful in its defence of the claim, the costs likely to be incurred are not material.

36 Related party transactions

Transactions between Brunel University and its subsidiary undertakings, Brunel University Enterprises Limited, Brunel University Services Limited and Phalarope Limited have been eliminated on consolidation and do not need to be disclosed, therefore, in this note.

Due to the nature of the University's operations and the composition of its Council (being drawn from public and private sector organisations), it is inevitable that transactions will take place with organisations in which a member of Council may have an interest. All transactions involving organisations in which a member of Council may have an interest are conducted at arm's length, and in accordance with the University's financial regulations and normal procedures.

Brunel University considers the Union of Brunel Students to be a related party due to the level and nature of the transactions between the organisations. During the year to 31 July 2004, the University paid grant of £769,700 to the Union, and provided the Union with accommodation on all campuses free of rent and most other occupancy costs.

37 Access and hardship funds (HEFCE)

	2003-04	2002-03
	£000	£000
Balance brought forward at 1 August	43	77
Funding Council grants	735	741
Disbursed to students	(773)	(775)
Balance carried forward at 31 July	<u>5</u>	<u>43</u>

Notes to the accounts

38 SSSS* hardship funds (TTA)	2003-04	2002-03
	£000	£000
Balance brought forward at 1 August	0	0
Funding Council grants	57	33
Disbursed to students	(58)	(33)
Balance carried forward at 31 July	<u>(1)</u>	<u>0</u>

* *Secondary Shortage Subject Scheme*

39 Teacher Training Bursaries	2003-04	2002-03
	£000	£000
Teacher Training Agency grant received	1,989	1,682
Disbursed to students	(1,790)	(1,548)
Balance due to Teacher Training Agency	<u>199</u>	<u>134</u>

Funding Council hardship funds and bursaries, as detailed in notes 37 to 39, are available solely for students; the University acts only as a paying agent. The funds and related disbursements are therefore excluded from the Income and Expenditure Account.

5 year summary of consolidated financial statements (unaudited)

2004 **2003** **2002** **2001** **2000**
 £000 £000 £000 £000 £000

Income and expenditure account

Funding Council grants	42,944	40,005	39,362	37,681	37,529
Tuition fees and education contracts	28,129	26,487	22,192	20,733	18,688
Research grants and contracts	8,675	9,076	9,523	7,645	7,304
Other income	20,257	16,906	16,795	16,354	14,829
Endowment and investment income	1,737	614	849	1,237	939
Total income	101,742	93,088	88,721	83,650	79,289
Staff costs	56,251	53,568	51,652	47,854	46,443
Restructuring costs	707	570	273	280	758
Other operating expenses	35,001	31,737	30,319	27,718	25,393
Depreciation	4,413	4,028	4,200	3,662	3,318
Interest payable	1,209	984	932	1,157	841
Total expenditure	97,581	90,887	87,376	80,671	76,753
Operating surplus before tax and minorities	4,161	2,201	1,345	2,979	2,536
Surplus on sale of assets	37,559	0	0	0	0
Realisation of property revaluation gains	10,897	0	0	0	0

Balance Sheet

Fixed assets	118,796	103,509	88,230	74,603	72,653
Endowment asset investments	1,770	1,535	1,558	1,804	1,628
Net current assets	33,685	(6,738)	4,240	15,616	15,770
Creditors: due after more than one year	(23,032)	(14,026)	(14,647)	(15,261)	(15,896)
Provisions for liabilities and charges	(1,175)	(1,189)	(1,558)	(1,343)	(1,509)
Total net assets	130,044	83,091	77,823	75,419	72,646
Deferred capital grants	17,130	12,132	9,175	7,724	8,106
Endowments	1,770	1,535	1,558	1,804	1,628
Revaluation reserve	12,579	23,645	23,956	24,266	24,575
Income and expenditure reserve	98,565	45,779	43,259	41,639	38,351
Minority interests	0	0	(14)	(14)	(14)
Total funds	130,044	83,091	77,934	75,419	72,646

Key ratios

External borrowings : General endowments plus Income and expenditure reserves

Brunel	0.24	0.35	0.38	0.38	0.41
England mean		0.51	0.50	0.48	0.45

Net cash plus Current asset investments : Expenditure excluding depreciation (days)

Brunel	169	17	54	82	88
England mean		63	58	49	52

Current assets : Current liabilities

Brunel	2.51	0.68	1.21	2.20	2.42
England mean		1.24	1.24	1.34	1.42

Staff costs : Total expenditure (%)

Brunel	58.4	59.6	59.4	59.7	60.5
England mean		58.4	57.8	58.0	57.7

Operating surplus/(deficit) after tax : Total income (%)

Brunel	4.1	2.4	1.5	3.6	3.2
England mean		1.7	0.8	0.4	1.9

Brunel University
Membership of Council during the 2003-04 year

	Status of Appointment	Date appointed in-year	Date resigned in year	Committees Served
The Rt Hon. Lord Wakeham DL	Chancellor			
Dr D Kingsmill	Pro Chancellor			Remuneration Committee, Nominations Committee
Professor S Schwartz	Vice-Chancellor and Principal			
Professor M Sarhadi	Vice-Principal			
Mr W Greaves	Independent Lay Member			Chair: Council, Chair: Nominations Committee, Chair: Remuneration Committee, Finance Committee
Mr V Allport	Independent Lay Member			
Cllr R Cadbury	Independent Lay Member	01/05/04		
Cllr M Cranfield-Adams	Independent Lay Member			
Ms R Davies	Independent Lay Member		31/07/04	
Cllr C Ellar	Independent Lay Member		30/04/04	
Mr J Ellwood	Independent Lay Member			Chair: Finance Committee, Remuneration Committee, Nominations Committee
Mr J Fallow	Independent Lay Member			
Mr C H Glass	Independent Lay Member		31/07/04	
Mr J Grant	Independent Lay Member		31/08/03	
Cllr A Haas	Independent Lay Member			
Mr A Kilkerr	Independent Lay Member	10/12/03	31/08/03	Audit Committee
Dr J McGrath	Independent Lay Member	10/12/03		Finance Committee, Remuneration Committee
Dr J Murphy	Independent Lay Member	10/12/03		
Revd. S Orchard	Independent Lay Member			Finance Committee
Dr D Payne	Independent Lay Member			
Mr B Rigby	Independent Lay Member		31/08/03	Finance Committee
Dr D Rimmer	Independent Lay Member			
Mr J M Sheasby	Independent Lay Member			Chair: Audit Committee
Mr P M Smith	Independent Lay Member			
Mrs S Staples	Independent Lay Member			Finance Committee
Mr T A C Webb	Independent Lay Member			Finance Committee, Nominations Committee
Mrs R Wingrove	Independent Lay Member			Finance Committee
Dr S Benson	Appointed by Senate	21/10/03		
Professor L De Souza	Appointed by Senate			
Professor C Ioannidis	Appointed by Senate			Finance Committee
Professor A Irwin	Appointed by Senate		31/12/03	
Professor R Newbold	Appointed by Senate		31/12/03	
Professor A Olowofoyeku	Appointed by Senate			
Professor R Paul	Appointed by Senate			Finance Committee
Professor S Tassou	Appointed by Senate	21/10/03		
Professor S Watts	Appointed by Senate			
Ms M Gallagher	Elected Academic Member			
Professor G Mitra	Elected Academic Member		31/07/04	
Dr J Newby	Elected Academic Member		31/07/04	
Mr T Watson	Elected Academic Member			
Mr J Dangerfield	Student Member			Finance Committee
Ms E Sian-Jones	Student Member			
Mr S Townley	Student Member			
Mr C Odell	Student Member			

Professional Advisers

Bankers

HSBC Bank plc, Uxbridge

Investment managers

Lazard Asset Management Ltd, London
 Royal London Cash Management
 (formerly Union Fund Management Ltd)

Legal advisers

Eversheds, London
 Nabarro Nathanson, London
 Mills & Reeve, Cambridge

Indirect tax advisers

Ellis Chapman & Associates,
 Manchester