



**Financial Statements  
2006-07**

**Brunel University**

**Financial statements for the year ended 31 July 2007**

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**Brunel University**  
**Annual financial report for the year ended 31 July 2007**

**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), Brunel University Enterprises Limited (BUEL) and Brunel Science Park Limited (BSPL).

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, and also the management of the Science Park activity. BUSL traded, until 31 October 2006, as a Library Services company providing library services to Brunel University; it is now a dormant company. BSPL is a dormant company.

**Results for the year**

The Group's consolidated income, expenditure and results for the year to 31 July 2007 are summarised as follows:-

	2006/07	2005/06
	£000	Restated £000
Income	131,783	118,257
Expenditure	(140,058)	(126,094)
(Deficit) before tax and minority interests	<u>(8,275)</u>	<u>(7,837)</u>
Surplus on disposal of assets	20,801	4,940
Surplus/(Deficit) attributable to the group	<u>12,526</u>	<u>(2,897)</u>
Depreciation attributable to revaluations	(12,242)	169
Realisation of property revaluation gains	12,242	0
Historical costs surplus/(deficit)	<u><u>12,526</u></u>	<u><u>(2,728)</u></u>

The Group's total income of £131.8 million grew by 11.4% compared with 8.1% in 2005/06, and the component elements of income and expenditure are shown in the Consolidated Income and Expenditure Account.

The Group's total expenditure of £140.1 million increased by 11.1% compared with 17.2% in 2005/06. Staff costs increased by 6.1% overall. The Group's activities produced a historical cost surplus of £12.5 million.

As reported in last years Financial Annual Report, the disposal of the Osterley site was completed during the year, giving rise to the substantial surplus on disposal of assets.

**Capital expenditure**

Capital expenditure on land, buildings and equipment totalled £45.9 million for the year. The major additions related to new Student Halls of Residence (£22.7m), the purchase of green field land adjacent to the Uxbridge campus (£5.3m), further additions for improvements of energy provision (£9.2m), with the remainder being incurred on further improvements to the Uxbridge campus..

**Brunel University**  
**Annual financial report (continued)**

**Investment performance**

Since August 2005 the short and medium-term portions of the University's investments have been managed in house. Actual performance of 5.27% for the year outperformed the chosen benchmarks of Average Base Rate (5.14%) and the Financial Times 7 day rate (5.15%).

**Borrowings**

Student halls of residence are required to be self-financing. The Group has negotiated a loan facility of £100 million to finance the construction costs of the student halls of residence. Borrowing costs have been fixed through the use of a 40 year interest rate swap arrangement, and this will enable the University to set its rents for the student residences at the lowest possible levels. The University drew down £15 million of this facility during the year.

**Future Developments**

In line with the University's Estate Strategy, Council approved the disposal of the Runnymede site, and completion of the disposal took place during September 2007. Following the considerable investment over recent years the University is now research intensive, which represents a successful outcome to the strategy pursued. The University has now consolidated its activities onto the Uxbridge campus, and over the forthcoming years will continue to invest in student residencies and academic buildings in order to improve the services it is able to offer its students.

J McGrath  
Chair of Finance Committee

## **Independent auditors' report to the Council of Brunel University**

We have audited the Group and University financial statements (the 'financial statements') of Brunel University for the year ended 31 July 2007 which comprise the Consolidated Income and Expenditure Account, the Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Council, in accordance with the Charter and Statutes of the University. Our audit work has been undertaken so that we might state to the Council those matters we are required to state to it in an auditor's report, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council for our audit work, for this report, or for the opinions we have formed.

### **Respective Responsibilities of the University Council and Auditors**

The University Council's responsibilities for preparing the Council report and the group financial statements in accordance with the Statement of Recommended Practice:- Accounting for Further and Higher Education (2003), applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities on page 7,

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 (2003). We also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received and whether, in all material respects, income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England and Training and Development Agency for Schools. We also report to you whether in our opinion the Council Report is not consistent with the financial statements, if the University has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Council Report and the Corporate Governance Statement and consider the implications for our report if we become aware of any apparent misstatements within them or material inconsistencies with the financial statements.

### **Basis of Opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and the Audit Code of Practice issued by the Higher Education Funding Council for England. 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 University's 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 that we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

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

### Opinion

In our opinion:

- i. the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the University and the Group at 31 July 2007 and of the Group's surplus of income over expenditure for the year then ended;
- ii. the financial statements have been properly prepared in accordance with the Statement of Recommended Practice:- Accounting for Further and Higher Education (2003);
- iii. in all material respects, income from the Higher Education Funding Council for England and the Training and Development Agency for Schools, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2007 have been applied for the purposes for which they were received; and,
- iv. in all material respects, income during the year ended 31 July 2007 has been applied in accordance with the University's statutes and, where appropriate, with the financial memorandum with the Higher Education Funding Council for England and the funding agreement with the Training and Development Agency for Schools.

KPMG LLP  
Chartered Accountants  
Registered Auditor

## **Brunel University Corporate Governance**

The following statement is provided to enable readers of the annual report and accounts of the University to obtain an understanding of the University's governance and legal structure.

The University is an autonomous body established by Royal Charter. Its objects, powers and framework of governance are set out in the Charter and its supporting Statutes, the latest version of which was approved by the Privy Council in May 2005. Like most public bodies it operates within a strong framework of regulation, and endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership). 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 Higher Education Governing Bodies in the UK published in November 2004 by the Committee of University Chairmen.

The Charter and Statutes require the University to have two separate bodies, the Council and the Senate, each with clearly defined functions and responsibilities, to oversee and manage its activities. It may have another body, the Court, which does not have any legal or other powers in respect of the University.

The University's Council is the executive governing body, and is responsible for setting the strategic direction of the University, responsible for the finance, property, investments and general business of the University. It has a majority of members from outside the University (described as independent members), from whom its chair and deputy chair must be drawn. Members also include representatives of the staff of the University, and the student body. None of the independent members receive any payment, apart from the reimbursement of expenses, for the work they do for the University.

The Senate is the academic authority of the University, and draws its membership entirely from the academic staff and the students of the University. Its role is to direct and regulate the teaching and research work of the University.

The principal academic and administrative officer of the University is the Vice-Chancellor, who has a general responsibility to the Council for maintaining and promoting the efficiency and good order of the University. Under the terms of the formal Financial Memorandum between the University and the Higher Education Funding Council for England, the Vice-Chancellor is the accounting officer of the University and, in that capacity, can be summoned to appear before the Public Accounts Committee of the House of Commons.

Council conducts ordinary business at four meetings in each year, and much of its detailed work is initially handled by way of standing committees, in particular the Finance Committee, the Nominations Committee, the Remuneration Committee and the Audit Committee. The decisions of these committees are reported formally to the Council.

These committees, and in some cases others, are formally constituted as committees of the Council, with written terms of reference and specified membership, including a significant proportion of independent members, from whom the chair is selected. In the case of the Audit Committee, it is comprised entirely of independent members appointed by Council from amongst its members, and co-opted independent members appointed by Council. The Chair of Council is ex-officio on all Council and Joint Committees, except the Audit Committee.

As chief executive of the University, the Vice-Chancellor exercises considerable influence upon the development of institutional strategy, the identification and planning of new developments, and shaping of the institutional ethos. The Vice Principal, Pro Vice-Chancellors and the senior administrative officers all contribute in various ways to these aspects of the work, but the ultimate responsibility for what is done rests with the Council.

The University maintains a register of interests of members of the Council and senior officers which may be consulted by arrangement with the University's Secretary and Registrar.

## **Brunel University Corporate Governance (cont'd)**

The statutes of the University specify that there shall be a Secretary to Council, who shall be appointed by the Council after it has considered a joint report from the Vice-Chancellor and Chair of the Council. The Secretary shall be responsible to the Council. Any enquiries about the constitution and governance of the University should be addressed to the Secretary to Council.

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

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 also appoints members to joint committees with Senate including Strategic Planning and Review Committee and Honorary Degrees Committee. Each of these committees is formally constituted with terms of reference and includes independent members of Council.

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 the Higher Education Funding Council for England (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.

## **Brunel University Corporate Governance (cont'd)**

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 reviews the adequacy and effectiveness of the risk management process and the system of internal control, makes recommendations for improvement, where needed, and provides regular reports thereon to the Audit Committee.

The internal auditor also provides Council with an independent opinion each year on the adequacy and effectiveness of the University's risk management, control and governance processes. The Council has ensured that the meeting calendar enables risk management and internal control to be considered on a regular basis during the year.

## **Brunel University**

### **Statement of Primary Responsibilities of the Council**

The principal responsibilities of the Council are as follows:

- 1 to approve the mission and strategic vision of Brunel University, long-term academic and business plans, and key performance indicators, and to ensure that these meet the interests of stakeholders;
- 2 to delegate authority to the Vice-Chancellor, as chief executive, for the academic, corporate, financial, estate and personnel management of the University, and to establish and keep under regular review the policies, procedures and limits within such management functions as shall be undertaken by, and under the authority of, the Vice-Chancellor;
- 3 to ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, and procedures for handling internal grievances and for managing conflicts of interest;
- 4 to ensure processes are in place to monitor and evaluate the performance and effectiveness of the University against the plans and approved key performance indicators, which should be, where possible and appropriate, benchmarked against other comparable institutions;
- 5 to establish processes to monitor and evaluate the performance and effectiveness of the Council itself;
- 6 to conduct its business in accordance with best practice in higher education corporate governance, and with the principles of public life drawn up by the Committee on Standards in Public Life;
- 7 to safeguard the good name and values of Brunel University;
- 8 to appoint the Vice-Chancellor as chief executive and to put in place suitable arrangements for monitoring his/her performance;
- 9 to appoint a secretary to the governing body and to ensure that, if the person appointed has managerial responsibilities in the University, there is an appropriate separation in the lines of accountability;
- 10 to be the employing authority for all staff in the University, and to be responsible for establishing a human resources strategy;
- 11 to be the principal financial and business authority of the University, to ensure that proper books of account are kept, to approve the annual budget and financial statements, and to have overall responsibility for the University's assets, property and estate;
- 12 to be the University's legal authority and, as such, to ensure that systems are in place for meeting all University's legal obligations, including those arising from contracts and other legal commitments made in the name of Brunel University;
- 13 to make such provision as it thinks fit for the general welfare of students, in consultation with the Senate;
- 14 to act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the University; and,
- 15 to ensure that the University's constitution (as laid down in the Charter and Statutes) is followed at all times, and that appropriate advice is available to enable this to happen.

## **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, 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 has ensured that:

- suitable accounting policies are selected and applied consistently;
- judgments and estimates made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and,
- financial statements are prepared on the going concern basis.

The Council has taken reasonable steps to:

- ensure that funds from the Higher Education Funding Council for England and the Teacher Development Agency 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 Agreement with the other body and with any other conditions which the two 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; and,
- 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, 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; and,
- 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 risk management, including internal financial control.

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

## **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 is credited to the Income and Expenditure Account on a receivable basis. Income from specific endowments not expended in accordance with the restrictions of the endowment is transferred from the income and expenditure account to Specific Endowments.

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.

During the year the accounting policy on capitalisation of interest has been changed, such that interest relating to the financing of constructed land and buildings projects has been capitalised in accordance with FRS15. Comparatives have been restated accordingly and a prior year adjustment has been made, to quantify the effect of this accounting policy change on the results of previous periods.

##### **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

## **Brunel University**

### **Statement of principal accounting policies (continued)**

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.

#### **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.

**Brunel University**  
**Statement of principal accounting policies (continued)**

**Post retirement benefits**

The University is a member of a pension scheme providing benefits based on final pensionable salary. The assets of the scheme are held separately from those of the University. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The pension scheme surplus, to the extent that it is recoverable, or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

## Consolidated income and expenditure account

for the year ended 31 July 2007

		2006-07	2005-06
		£000	Restated £000
<b>Income</b>			
Funding Council grants	1	50,456	48,302
Tuition fees and education contracts	2	40,436	33,145
Research grants and contracts	3	12,192	11,385
Other income	4	27,312	24,645
Endowment and investment income	5	1,387	780
<b>Total income</b>		<u>131,783</u>	<u>118,257</u>
<b>Expenditure</b>			
Staff costs	6	77,920	73,426
Other operating expenses	7	50,156	43,887
Depreciation	12	8,467	6,712
Interest payable	8	3,515	2,069
<b>Total expenditure</b>		<u>140,058</u>	<u>126,094</u>
Deficit on continuing operations after depreciation of fixed assets at valuation and before taxation		(8,275)	(7,837)
Surplus on disposal of assets		<u>20,801</u>	<u>4,940</u>
Surplus/(Deficit) on continuing operations after depreciation of fixed assets at valuation and disposal of assets but before taxation	11	12,526	(2,897)
Taxation recoverable/(payable)	10	<u>0</u>	<u>0</u>
<b>Surplus/(Deficit) on continuing operations after depreciation of fixed assets at valuation, disposal of assets and taxation</b>	25	<u><u>12,526</u></u>	<u><u>(2,897)</u></u>

All results are from continuing operations. Details of the restatement of comparatives are set out in note 25.

### Note of historical cost surplus for the year ended 31 July 2007

		Group	Group
	Note	2006-07	Restated 2005-06
		£000	£000
Surplus/(Deficit) on continuing operations after depreciation of fixed assets at valuation and disposal of assets but before taxation		12,526	(2,897)
Difference between historical cost depreciation and the actual charge calculated on the revalued amount	24	(12,242)	169
Realisation of property revaluation gains of previous years	24	12,242	0
<b>Historical cost surplus/(deficit) before taxation</b>		<u><u>12,526</u></u>	<u><u>(2,728)</u></u>
<b>Historical cost surplus/(deficit) after taxation</b>		<u><u>12,526</u></u>	<u><u>(2,728)</u></u>

## Consolidated statement of total recognised gains and losses

for the year ended 31 July 2007

		2006-07	2005-06
	Note	£000	Restated £000
Surplus/(Deficit) on continuing operations after depreciation of fixed assets at valuation, disposal of assets and taxation	25	12,526	(2,897)
Net income from endowments	23	(150)	(80)
Appreciation in endowment asset investment values	23	0	5
New endowments	23	151	102
Actuarial gain/(loss) in respect of pension scheme	32	6,533	(255)
<b>Total recognised gains/(losses) relating to the year</b>		19,060	(3,125)
 <b>Reconciliation</b>			
Opening reserves and endowments excluding pension scheme		93,104	96,229
Release of Revaluation Reserve on disposal of Osterley		(12,242)	0
Total recognised gains for the year		19,060	(3,125)
<b>Closing reserves and endowments</b>		99,922	93,104

# Balance sheets

as at 31 July 2007

	Note	Group		University	
		2007 £000	2006 Restated £000	2007 £000	2006 Restated £000
<b>Fixed assets</b>					
Tangible fixed assets	12	232,771	200,056	232,771	191,421
Investments	13	123	123	33	33
		<u>232,894</u>	<u>200,179</u>	<u>232,804</u>	<u>191,454</u>
<b>Endowment asset investments</b>	14	1,864	1,863	1,864	1,863
<b>Current assets</b>					
Stock	15	96	95	96	80
Debtors	16	10,712	12,540	11,620	21,308
Investments	17	4,430	15,172	4,430	15,172
Cash at bank and in hand		2,167	92	1,855	0
		<u>17,405</u>	<u>27,899</u>	<u>18,001</u>	<u>36,560</u>
<b>Creditors:</b>					
amounts falling due within one year	18	(30,698)	(32,439)	(30,518)	(31,314)
<b>Net current (liabilities)/assets</b>		<u>(13,293)</u>	<u>(4,540)</u>	<u>(12,517)</u>	<u>5,246</u>
<b>Total assets less current liabilities</b>		221,465	197,502	222,151	198,563
<b>Creditors:</b>					
amounts falling due after more than one year	19	(73,700)	(59,249)	(73,695)	(59,244)
<b>Provisions for liabilities and charges</b>	21	(1,067)	(1,103)	(1,067)	(1,103)
<b>Net assets excluding pension liability</b>		146,698	137,150	147,389	138,216
<b>Pension liability</b>	32	(14,737)	(20,282)	(14,737)	(20,282)
<b>Net assets including pension liability</b>		<u>131,961</u>	<u>116,868</u>	<u>132,652</u>	<u>117,934</u>
<b>Deferred capital grants</b>	22	32,039	23,764	32,039	23,764
<b>Endowments</b>					
Specific	23	1,172	1,288	1,172	1,288
General	23	692	575	692	575
		<u>1,864</u>	<u>1,863</u>	<u>1,864</u>	<u>1,863</u>
<b>Reserves</b>					
Revaluation reserve	24	0	12,242	0	12,242
Income and expenditure reserve excluding pension liability	25	112,795	99,281	113,486	100,347
Pension reserve	41	(14,737)	(20,282)	(14,737)	(20,282)
Income and expenditure reserve including pension liability		98,058	78,999	98,749	80,065
		<u>98,058</u>	<u>78,999</u>	<u>98,749</u>	<u>80,065</u>
<b>Total funds</b>		<u>131,961</u>	<u>116,868</u>	<u>132,652</u>	<u>117,934</u>

The financial statements on pages 10 to 35 were approved by the Council on 21 November and signed on its behalf by:

J. Ellwood  
Chair of Council

Prof. C. Jenks  
Vice-Chancellor  
& Principal

R. Eastwood  
Director of Finance

## Consolidated cash flow statement

for the year ended 31 July 2007

	Note	2006-07 £000	2005-06 Restated £000
Cash flow from operating activities	26	(2,727)	(1,867)
Returns on investments and servicing of finance	27	(2,128)	(1,289)
Taxation	10	0	0
Capital expenditure and financial investment	28	(10,552)	(45,443)
Management of liquid resources	29	3,680	7,251
Financing	30	14,444	36,665
Increase/(Decrease) in cash for the period	31	2,717	(4,683)

### Reconciliation of net cash flow to movement in net debt

Increase/(Decrease) in cash for the period	31	2,717	(4,683)
Increase in endowment asset investments	31	1	22
Cash inflow/(outflow) from liquid resources	31	1,199	(7,251)
(New loans)/Cash used to decrease loans	31	(14,444)	(36,665)
(Decrease)/Increase in assets held for disposal	31	(11,941)	14,240
Change in net debt		(22,468)	(34,337)
Opening net debt at 1 August	31	(43,455)	(9,118)
Closing net debt at 31 July	31	(65,923)	(43,455)

## Notes to the accounts

	2006-07	2005-06
	£000	Restated £000
<b>1 Funding Council grants</b>		
Recurrent grant		
Higher Education Funding Council for England	42,920	41,367
Teacher Development Agency	2,323	2,540
Specific grants (HEFCE)		
Learning & teaching development	338	155
Rewarding & Developing Staff	627	373
Higher Education Innovation Fund	1,047	1,959
Other grants	26	655
Specific grants (TDA)		
Other grants	267	109
Deferred capital grants released in year		
Buildings	1,973	691
Equipment	935	453
	<u>50,456</u>	<u>48,302</u>
<b>2 Tuition fees and education contracts</b>		
Full-time students charged home fees	16,728	11,492
Full-time students charged overseas fees	14,630	12,644
Part-time fees	2,530	2,479
Doctoral Training Grant	349	180
Research training support grants	13	15
Short course fees	964	877
Other fees	60	61
NHS education contracts	5,162	5,397
	<u>40,436</u>	<u>33,145</u>
<b>3 Research grants and contracts</b>		
OST Research Councils	4,420	4,705
UK-based charities	290	285
UK Government and health authorities	3,740	2,970
UK industry, commerce and public corporations	1,054	891
European Commission	1,622	1,445
EU other	171	121
Other overseas	217	175
Other sources	678	793
	<u>12,192</u>	<u>11,385</u>

## Notes to the accounts

	2006-07	2005-06 Restated
	£000	£000
<b>4 Other income</b>		
Residences, catering and conferences	19,433	16,565
Science Park	741	787
Libraries	26	130
Sports Centre	593	671
Rent and room hire	323	121
Released from deferred capital grants	395	69
Other services rendered	530	642
Other income	5,271	5,660
	<u>27,312</u>	<u>24,645</u>
<b>5 Endowment and investment income</b>		
Transferred from specific endowments	59	53
Income from general endowment asset investments	33	24
Income from current asset investments	1,295	703
	<u>1,387</u>	<u>780</u>
<b>6 Staff numbers and costs</b>	Number	Number
Average staff numbers during the year by major category:		
Academic and hourly paid lecturers	932	909
Technical	76	79
Administrative and academic support	344	331
Other, including clerical and manual	1,055	1,104
	<u>2,407</u>	<u>2,423</u>
Staff numbers are based on headcount, and other staff numbers for 2006-07 include students recruited through the University's Job Shop.		
	£000	£000
Staff costs for the above persons:		
Wages and salaries	63,224	58,449
Social security costs	5,434	5,170
Contributions to occupational pension schemes	7,578	6,765
Pension liabilities	752	791
Restructuring costs	932	2,251
	<u>77,920</u>	<u>73,426</u>
	£000	£000
Employment costs for staff on permanent contracts	62,235	54,621
Employment costs for staff on short-term contracts	14,001	15,763
Pension liabilities	752	791
Restructuring costs	932	2,251
	<u>77,920</u>	<u>73,426</u>

## Notes to the accounts

### 6 Staff numbers and costs (cont'd)

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

	2006-07	2005-06
	£000	£000
Salary	165	221
Performance related pay	12	6
Benefit in kind	0	10
	<u>177</u>	<u>237</u>
Pension contributions	25	32
	<u>202</u>	<u>269</u>

The emoluments of the Vice-Chancellor are shown on the same basis as for higher paid staff. For 2005-06, the emoluments shown are for the former, interim and current post holders. The University's pension contributions to USS are paid at the same rates as for other academic staff. A contribution equivalent to the USS rate was made into the personal pension plan of the former Vice-Chancellor.

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

	2006-07	2005-06
£70,000 - £79,999	37	32
£80,000 - £89,999	16	15
£90,000 - £99,999	4	4
£100,000 - £109,999	5	5
£110,000 - £119,999	6	3
£120,000 - £129,999	1	2
£130,000 - £139,999	0	0
£140,000 - £149,999	0	3
£150,000 - £159,999	1	0
£160,000 - £169,999	1	0
£170,000 - £179,999	0	0
£180,000 - £189,999	0	0
£190,000 - £199,999	0	0
£200,000 - £200,999	1	0

	2006-07	2005-06
	£000	£000
<b>7 Other operating expenses</b>		
External staffing and services	5,116	4,906
I.T. expenditure (hardware and software) not capitalised	3,360	3,631
Equipment and furniture not capitalised	3,211	2,917
Books, periodicals and electronic resources	3,294	2,756
Fellowships, scholarships and prizes	4,818	3,538
Courses, conferences, travel and subsistence	4,760	4,491
Subscriptions and professional fees	3,764	3,545
Advertising	684	727
Consumables	1,400	1,524
Rent and rates	1,442	1,442
	<u>31,849</u>	<u>29,477</u>
c/f		

## Notes to the accounts

	2006-07	2005-06
	£000	Restated £000
<b>7 Other operating expenses (cont)</b>		
Heat, light, power and water	3,720	3,237
Repairs and maintenance	5,347	4,294
Premises costs	1,809	1,759
Telephones and postage	640	754
Catering supplies	1,863	1,261
Grants to Union of Brunel Students	860	840
Auditors' remuneration - external audit	45	42
- internal audit	50	42
Insurance	576	604
Contribution to provisions	2,016	4
Other expenditure	1,381	1,573
	<u>50,156</u>	<u>43,887</u>
<b>8 Interest payable</b>		
Loans wholly repayable by instalments within five years	16	4
Loans wholly repayable by instalments after five years	3,771	2,192
Capitalisation of Interest on constructed assets	(508)	(414)
Net loss on pension scheme	236	287
	<u>3,515</u>	<u>2,069</u>

### 9 Analysis of 2006-07 expenditure by activity

	Staff costs £000	Other operating expenses £000	Dep'n £000	Interest payable £000	Total £000
Academic departments	44,262	11,685	1,232	0	57,179
Academic services	5,306	4,661	322	6	10,295
Research grants and contracts	5,617	5,645	370	0	11,632
Residences, catering, conferences & Science Park	5,778	7,844	1,911	3,248	18,781
Premises	3,661	12,068	4,472	0	20,201
Administration	7,845	4,463	133	16	12,457
Other services	5,451	3,790	27	245	9,513
Total per Income and Expenditure Account	77,920	50,156	8,467	3,515	140,058

The depreciation charge has been funded by:

Deferred capital grants released (Note 22)	3,673
Revaluation reserve released (Note 24)	0
General income	4,794
	<u>8,467</u>

### 10 Taxation

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

<u>0</u>	<u>0</u>
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## Notes to the accounts

	2006-07	2005-06
	£000	Restated £000
<b>11 Surplus/(Deficit) on continuing operations</b>		
The (deficit) on continuing operations for the year is made up as follows:		
University (deficit) for the year	(8,029)	(7,609)
Surplus on sale of asset	20,801	4,940
Retained deficit generated by the subsidiary undertakings	(246)	(228)
Surplus generated by the subsidiary undertakings and transferred by Gift Aid	0	0
	<u>12,526</u>	<u>(2,897)</u>

## 12 Tangible fixed assets

**Group**

	Land & buildings £000	Assets under construction £000	Equipment £000	Total £000
<b>Cost or Valuation</b>				
At 1 August 2006:				
Valuation	14,435	0	0	14,435
Cost as restated	162,728	46,930	12,807	222,465
Less disposals in year	(5,023)	0	(5,519)	(10,542)
Additions at cost	7,126	38,796	0	45,922
Transfers between accounts	39,520	(43,101)	3,581	0
Transfer to current asset investments	(3,354)	(443)	0	(3,797)
At 31 July 2007:				
Valuation	<u>14,435</u>	<u>0</u>	<u>0</u>	<u>14,435</u>
Cost	<u>200,997</u>	<u>42,182</u>	<u>10,869</u>	<u>254,048</u>
<b>Depreciation</b>				
At 1 August 2006 as restated	27,726	0	9,118	36,844
Charge for the year	6,205	0	2,262	8,467
Eliminated in respect of disposals	(2,451)	0	(5,645)	(8,096)
Transfer to current asset investments	(1,503)	0	0	(1,503)
At 31 July 2007	<u>29,977</u>	<u>0</u>	<u>5,735</u>	<u>35,712</u>
<b>Net book value at 31 July 2007</b>	<u>185,455</u>	<u>42,182</u>	<u>5,134</u>	<u>232,771</u>
Net book value at 1 August 2006 as restated	<u>149,437</u>	<u>46,930</u>	<u>3,689</u>	<u>200,056</u>
Inherited	0	0	0	0
Financed by capital grant	16,933	12,890	2,216	32,039
Other	<u>168,522</u>	<u>29,292</u>	<u>2,918</u>	<u>200,732</u>
<b>Net book value at 31 July 2007</b>	<u>185,455</u>	<u>42,182</u>	<u>5,134</u>	<u>232,771</u>

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

## Notes to the accounts

### 12 Tangible fixed assets (cont)

### University

	Land & buildings £000	Assets under construction £000	Equipment £000	Total £000
<b>Cost or Valuation</b>				
At 1 August 2006:				
Valuation	14,435	0	0	14,435
Cost as restated	154,096	46,930	12,332	213,358
Less disposals in year	(4,791)	0	(5,428)	(10,219)
Additions at cost	15,526	38,797	383	54,706
Transfers between accounts	39,520	(43,102)	3,582	0
Transfer to current asset investments	(3,354)	(443)	0	(3,797)
At 31 July 2007:				
Valuation	<u>14,435</u>	<u>0</u>	<u>0</u>	<u>14,435</u>
Cost	<u>200,997</u>	<u>42,182</u>	<u>10,869</u>	<u>254,048</u>
<b>Depreciation</b>				
At 1 August 2006 as restated				
	27,380	0	8,992	36,372
Charge for the year	6,205	0	2,262	8,467
Eliminated in respect of disposals	(2,105)	0	(5,519)	(7,624)
Transfer to current asset investments	(1,503)	0	0	(1,503)
At 31 July 2007	<u>29,977</u>	<u>0</u>	<u>5,735</u>	<u>35,712</u>
<b>Net book value at 31 July 2007</b>	<u>185,455</u>	<u>42,182</u>	<u>5,134</u>	<u>232,771</u>
Net book value at 1 August 2006 as restated				
	<u>141,151</u>	<u>46,930</u>	<u>3,340</u>	<u>191,421</u>
Inherited				
	0	0	0	0
Financed by capital grant				
	16,933	12,890	2,216	32,039
Other				
	<u>168,522</u>	<u>29,292</u>	<u>2,918</u>	<u>200,732</u>
<b>Net book value at 31 July 2007</b>	<u>185,455</u>	<u>42,182</u>	<u>5,134</u>	<u>232,771</u>

## Notes to the accounts

	Group		University	
	2007	2006	2007	2006
	£000	£000	£000	£000
<b>13 Fixed asset investments</b>				
Investment in CVCP Properties plc	33	33	33	33
Investment in associated companies	90	90	0	0
	<u>123</u>	<u>123</u>	<u>33</u>	<u>33</u>

The University's wholly owned subsidiary, Brunel University Enterprises Ltd, has the following minority shareholdings in companies incorporated in England and Wales:

Company	Cost	% of issued share capital
Ability Products Ltd ( <i>development of medical instrumentation</i> )	£5	33.3%
Advanced Acoustic Emissions ( <i>development of early fault detection</i> )	£98	49.0%
BioRegional MiniMills (UK) Ltd ( <i>development of small scale clean technology</i> )	£2	0.5%
Cascade Fund Management Ltd ( <i>provision of start-up finance</i> )	£20	20.0%
Dynamic Extractions Ltd ( <i>development of pharmaceutical processing equipment</i> )	£35,000	24.9%
FlexnLock Ltd ( <i>development of articulated polymer structures</i> )	£37	37.5%
ForceSenSys ( <i>development of multi-beam resonating sensor technology</i> )	£25,000	13.9%
Lifelab Innovations Ltd ( <i>development of technology in respiratory physiology</i> )	£20,000	25.2%
Performance Brunel ( <i>development of analysis of sporting performance</i> )	£13	43.3%
Polymus Ltd ( <i>development of plastic actuators</i> )	£10,000	10.0%
R.T. Circuits Ltd ( <i>development of lithographic circuits</i> ) (see Note)	£0	0.2%

Note: R.T. Circuits Ltd is in liquidation and the costs of the shares have been fully pr

	Group and University	
	£000	£000
Valuation at 1 August 2006	1,863	1,836
Additions	243	179
Disposals	(242)	(157)
Increase in endowment asset investment values	<u>0</u>	<u>5</u>
Valuation at 31 July 2007	1,864	1,863

	Group		University	
	2007	2006	2007	2006
	£000	£000	£000	£000
<b>15 Stock</b>				
Stock	<u>96</u>	<u>95</u>	<u>96</u>	<u>80</u>

	Group		University	
	2007	2006	2007	2006
	£000	£000	£000	£000
<b>16 Debtors</b>				
<b>Amounts falling due within one year:</b>				
Debtors	7,600	9,540	7,424	8,387
Taxation and social security	0	0	0	0
Amounts owed by group undertakings	0	0	1,342	10,287
Prepayments and accrued income	<u>2,854</u>	<u>2,797</u>	<u>2,854</u>	<u>2,634</u>
	10,454	12,337	11,620	21,308
<b>Amounts falling due after one year:</b>				
Loans	<u>258</u>	<u>203</u>	<u>0</u>	<u>0</u>
	<u>10,712</u>	<u>12,540</u>	<u>11,620</u>	<u>21,308</u>

## Notes to the accounts

### 17 Current asset investments

	Group and University	
	2007	2006
	£000	£000
Money market deposits	2,136	937
Assets held for disposal	2,294	14,235
	<u>4,430</u>	<u>15,172</u>

### 18 Creditors: amounts falling due within one year

	Group		University	
	2007	2006	2007	2006
	£000	£000	£000	£000
Bank loans	684	691	684	691
Overdrafts	0	642	0	286
Trade creditors	15,903	10,956	15,851	10,394
Amounts due to group undertakings	0	0	59	0
Taxation and social security	156	1,774	146	1,762
Accruals and deferred income	13,955	18,376	13,778	18,181
	<u>30,698</u>	<u>32,439</u>	<u>30,518</u>	<u>31,314</u>

### 19 Creditors: amounts falling due after more than one year

Bank loans	73,546	59,094	73,546	59,094
Other loans	149	150	149	150
Other Creditors	5	5	0	0
	<u>73,700</u>	<u>59,249</u>	<u>73,695</u>	<u>59,244</u>

### 20 Borrowings

Bank loans and overdrafts are repayable  
as follows:

In one year or less	684	1,128	684	772
Between one and two years	876	547	876	547
Between two and five years	2,392	1,829	2,392	1,829
After five years	70,427	56,923	70,427	56,923
	<u>74,379</u>	<u>60,427</u>	<u>74,379</u>	<u>60,071</u>

### 21 Provisions for liabilities and charges

	Group and University
	£000
At 1 August 2006	1,103
Expenditure in the year	(36)
Transferred from income and expenditure account	<u>0</u>
At 31 July 2007	<u>1,067</u>

## Notes to the accounts

### 22 Deferred capital grants

	Group and University		
	Funding Councils £000	Other grants & benefactions £000	Total £000
At 1 August 2006:			
Land and buildings	16,674	2,318	18,992
Equipment	4,528	244	4,772
	21,202	2,562	23,764
Cash received:			
Land and buildings	10,970	317	11,287
Equipment	366	478	844
	11,336	795	12,131
Released to Income and Expenditure Account:			
Land and buildings	1,973	393	2,366
Equipment	935	372	1,307
	2,908	765	3,673
less Capital grants on land and buildings held for disposal	86	97	183
At 31 July 2007:			
Land and buildings	25,585	2,145	27,730
Equipment	3,959	350	4,309
	29,544	2,495	32,039

*All deferred capital grants relate to the University.*

### 23 Endowments

	Group and University		
	Specific £000	General £000	Total £000
At 1 August 2006	1,288	575	1,863
Additions/(Disposals)	162	(11)	151
Investment income and appreciation	59	33	92
Release to Income and Expenditure Account	(337)	95	(242)
At 31 July 2007	1,172	692	1,864

	Group and University		
	Specific £000	General £000	Total £000
Scholarship funds	762	0	762
Chairs and lectureships funds	108	0	108
Prize funds	89	0	89
Other funds	213	692	905
Total	1,172	692	1,864

*All endowments relate to the University.*

## Notes to the accounts

<b>24 Revaluation reserve</b>	Group £000	University £000
At 1 August 2006	12,242	12,242
Eliminated in respect of disposal	(12,242)	(12,242)
Transfer to income and expenditure reserve in respect of depreciation on revalued assets	0	0
At 31 July 2007	<u>0</u>	<u>0</u>

<b>25 Income and expenditure reserve excluding pension reserve</b>	Group £000	University £000
Surplus after depreciation of assets at valuation and taxation and pension reserve movement in year	12,526	12,151
Less Pension Reserve movement in the year	<u>988</u>	<u>988</u>
Surplus after depreciation of assets at valuation and taxation	<u>13,514</u>	<u>13,139</u>
Historical cost surplus after tax and minorities	13,514	13,139
Balance at 1 August 2006	<u>99,281</u>	<u>100,347</u>
Balance at 31 July 2007	<u>112,795</u>	<u>113,486</u>

The prior year adjustment relating to the University represents the effect on the change in accounting policy re capitalisation of interest relating to the financing of constructed land and buildings projects in accordance with FRS15. This change in accounting policy reduced the deficit in 2005/06 by £0.4 million

<b>26 Reconciliation of consolidated operating surplus/(deficit) to net cash (outflow)/inflow from operating activities</b>	2006-07 £000	2005-06 £000
Surplus/(Deficit) after depreciation of assets at valuation:		
Continuing operations	12,526	(2,897)
FRS 17 Pension charge (Note 32)	988	1,078
Depreciation (Note 12)	8,467	6,712
Deferred capital grants released to income (Note 22)	(3,673)	(2,112)
Surplus on disposal of tangible fixed asset (Note 12)	(20,801)	(4,940)
Investment income (Note 5)	(1,387)	(780)
Interest payable (Note 8)	3,515	2,069
Increase in stocks (Note 15)	(1)	(9)
Decrease/(Increase) in debtors (Note 16)	1,828	(849)
(Decrease) in creditors (Note 18)	(4,153)	(71)
Decrease in provisions (Note 21)	(36)	(68)
<b>Net cash (outflow) from operating activities</b>	<u>(2,727)</u>	<u>(1,867)</u>

## Notes to the accounts

	2006-07	2005-06		
	£000	Restated £000		
<b>27 Returns on investments and servicing of finance</b>				
Income received from endowment asset investments (Note 5)	92	77		
Income received from current asset investments (Note 5)	1,295	703		
Interest paid (Note 8)	<u>(3,515)</u>	<u>(2,069)</u>		
Net cash (outflow) from returns on investments and servicing of finance	<u>(2,128)</u>	<u>(1,289)</u>		
<b>28 Capital expenditure and financial investment</b>				
Tangible fixed assets acquired (Note 12)	(45,922)	(52,644)		
Proceeds on disposal of tangible fixed assets (Note 12)	23,239	4,940		
Fixed asset investment (acquired)/redeemed (Note 13)	0	(25)		
Payments to acquire endowment assets (Note 23)	(151)	(102)		
Deferred capital grants received (Note 22)	12,131	2,286		
Endowments received (Note 23)	151	102		
Net cash outflow from capital expenditure and financial investment	<u>(10,552)</u>	<u>(45,443)</u>		
<b>29 Management of liquid resources</b>				
Sale of investments	0	3,188		
Withdrawals from deposits	3,680	4,063		
Net cash inflow from management of liquid resources	<u>3,680</u>	<u>7,251</u>		
<b>30 Financing</b>				
Debt due beyond a year:				
New other loans (Notes 18 and 19)	0	28		
New bank loans net of capital repayments (Notes 18 and 19)	14,444	36,637		
Net cash inflow/(outflow) from financing	<u>14,444</u>	<u>36,665</u>		
<b>31 Analysis of changes in net funds</b>				
	At 1 August 2006 £000	Cash flows £000	Other changes £000	At 31 July 2007 £000
Cash at bank and in hand	92	2,075	0	2,167
Overdrafts	(642)	642	0	0
Net cash	<u>(550)</u>	2,717	0	2,167
Short-term investments:				
Endowment asset investments	1,863	1	0	1,864
Assets held for disposal	14,235	(11,941)	0	2,294
Other	937	1,199	0	2,136
Debt due within one year	(691)	7	0	(684)
Debt due after one year	(59,249)	(14,451)	0	(73,700)
Net funds	<u>(43,455)</u>	<u>(22,468)</u>	0	<u>(65,923)</u>

# Notes to the accounts

## 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 paid pension contributions into a personal defined contribution pension plan (at the same rate as USS contributions) on behalf of the former Vice Chancellor.

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

	2006-07	2005-06
	£000	£000
Contributions to USS	5,458	4,846
Contributions to TPS	379	472
Contributions to LPFA	1,652	1,427
Contributions to other pension schemes	54	16
Provision for ex-WLIHE pensions increases	35	4
<b>Total pension cost</b>	<b>7,578</b>	<b>6,765</b>

### *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. This remains the same following the 2005 valuation.

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 2005
Investment returns per annum	6.2%
Salary scale increases per annum	3.9%
Pension increases per annum	2.9%
Market value of assets at last valuation date	£21,740 million
Proportion of members' accrued benefits covered by the actuarial value of the assets	109%
Employer's contribution rate	14%

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.

## Notes to the accounts

### 32 Pension schemes (cont'd)

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 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.

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 2004
Investment returns per annum	6.5%
Salary scale increases per annum	5.0%
Pension increases per annum	3.5%
Market value of assets at last valuation date	£162,650 million
Proportion of members' accrued benefits covered by the actuarial value of the assets	97%

The employer contribution rate has been 14.1% since 1 April 2007.

#### ***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. For the year ended 31 July 2007, the employer's contribution rates were 13.6% until 31 March 2007 and 15.4% from 1 April 2007, the employee's rate was 6%, the employer's contributions were £1.65 million and the employees' contributions were £0.7 million.

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%

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 2007 by Hymans Robertson, an independent firm of actuaries. The major assumptions are:

	At 31 July '07	At 31 July '06	At 31 July '05
Inflation	3.3%	3.1%	2.8%
Rate of increase in salaries	4.8%	4.6%	4.3%
Rate of increase for pensions	3.3%	3.1%	2.8%
Discount rate	5.8%	5.1%	5.0%

## Notes to the accounts

### 32 Pension schemes (cont'd)

The University's share of the total value of the LPFA fund is estimated to be as follows:

	At 31 July '07		At 31 July '06		At 31 July '05	
	Long-term rate of return	Fund Value £000	Long-term rate of return	Fund Value £000	Long-term rate of return	Fund Value £000
Equities	7.9%	29,392	7.6%	25,819	7.3%	29,960
Bonds	6.6%	10,447	6.3%	8,143	4.7%	3,662
Property	7.0%	6,383	6.7%	5,031	5.4%	2,579
Cash	5.1%	1,527	4.8%	3,325	4.5%	1,777
Total market value of assets		<u>47,749</u>		<u>42,318</u>		<u>37,978</u>

The following amounts at 31 July 2007 were measured in accordance with the requirements of FRS 17:

	At 31 July '07 £000	At 31 July '06 £000	At 31 July '05 £000
Estimated asset share	47,749	42,318	37,978
Present value of scheme liabilities	(62,486)	(62,582)	(56,897)
Present value of unfunded liabilities	0	(18)	(29)
Deficit in the scheme	<u>(14,737)</u>	<u>(20,282)</u>	<u>(18,948)</u>

#### Movement in surplus/(deficit) during the year:

	Year ended 31 July 2007 £000	Year ended 31 July 2006 £000
<b>Analysis of amount charged to income and expenditure account</b>		
Current service cost (net of employee contributions)	2,370	2,181
Past service cost	0	38
Curtailments and Settlements	211	83
Total operating charge	<u>2,581</u>	<u>2,302</u>

#### Analysis of net return on pension scheme

Expected return on pension scheme assets	2,984	2,580
Interest on pension liabilities	(3,220)	(2,867)
Net return	<u>(236)</u>	<u>(287)</u>

#### Analysis of amounts recognised in statement of total gains and losses (STRGL)

Actual return less expected return on pension scheme assets	2,104	1,728
Experience gains and losses arising on the scheme liabilities	20	11
Changes in assumptions underlying the present value of the scheme liabilities	4,409	(1,994)
Actuarial loss recognised in STRGL	<u>6,533</u>	<u>(255)</u>

Deficit in scheme at 1 August	(20,282)	(18,948)
Movement in year:		
Current service costs	(2,370)	(2,181)
Contributions	1,829	1,509
Contributions in respect of Unfunded Benefits	0	2
Past service costs	0	(38)
Impact of Curtailments and Settlements	(211)	(83)
Net return on assets	(236)	(287)
Actuarial (loss)/gain	<u>6,533</u>	<u>(255)</u>
Deficit in scheme at 31 July	<u>(14,737)</u>	<u>(20,281)</u>

## Notes to the accounts

### 32 Pension schemes (cont'd)

History of experience gains and losses	Year ended				
	31 July 2007 £000	31 July 2006 £000	31 July 2005 £000	31 July 2004 £000	31 July 2003 £000
Difference between the expected and actual return on assets	2,104	1,728	3,972	21	(2,540)
Value of Assets	47,749	42,318	37,978	35,283	32,910
Percentage of scheme assets	4.4%	4.1%	10.5%	0.1%	(7.7%)
Experience gains/(losses) on scheme liabilities	20	11	693	66	(20)
Present value of Liabilities	62,486	62,600	56,926	47,411	44,270
Percentage of the present value of scheme liabilities	0.0%	0.0%	1.2%	0.1%	(0.1%)
Total amount recognised in STRGL	6,533	(255)	(6,126)	20	(2,560)
Present value of Liabilities	62,486	62,600	56,926	47,411	44,270
Percentage of the present value of scheme liabilities	10.5%	(0.4%)	(10.8%)	0.0%	(5.8%)

### 33 Post Balance Sheet Events

On 28 September 2007 the University disposed of the Runnymede campus.

### 34 Capital commitments

	Consolidated and University	
	2007 £000	2006 £000
Commitments contracted for at 31 July	49,080	19,927

### 35 Contingent liabilities

The University is not aware of any contingent liabilities which fall to be disclosed in accordance with standard accounting practice.

### 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 2007, the University paid a grant of £860,100 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)

	2006-07 £000	2005-06 £000
Balance brought forward at 1 August	31	89
Funding Council grants received	439	626
Disbursed to students	(313)	(684)
Balance carried forward at 31 July	157	31

## Notes to the accounts

<b>38 SSSS* hardship funds (TDA)</b>	2006-07	2005-06
	£000	£000
Balance brought forward at 1 August	14	0
Funding Council grants received/(claw back)	(7)	36
Disbursed to students	0	(22)
Balance carried forward at 31 July	<u>7</u>	<u>14</u>

\* *Secondary Shortage Subject Scheme*

<b>39 Teacher Training Bursaries</b>	2006-07	2005-06
	£000	£000
Teacher Development Agency grant received	2,161	2,141
Disbursed to students	(1,721)	(1,856)
Balance due to Teacher Development Agency	<u>440</u>	<u>285</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.

## 40 Financial Commitments

At 31 July 2007, the University had annual commitments under non-cancellable operating leases as follows:

	2006-07	2005-06
	£000	£000
Within one year	1,759	1,587
Within two to five years	799	0
After five years	0	0
	<u>2,558</u>	<u>1,587</u>

## 41 Pension reserve

	Group and University	
	£000	£000
Balance at 1 August 2006	(20,282)	(20,282)
Movement in year excluding actuarial gain	(988)	(988)
Actuarial gain for year	6,533	6,533
Balance at 31 July 2007	<u>(14,737)</u>	<u>(14,737)</u>

# Brunel University

## 5 year summary of consolidated financial statements (unaudited)

**2007**      **2006**      **2005**      **2004**      **2003**  
 £000      £000      £000      £000      £000

### Income and expenditure account

Funding Council grants	50,456	48,302	45,979	42,944	40,005
Tuition fees and education contracts	40,436	33,145	31,186	28,129	26,487
Research grants and contracts	12,192	11,385	8,622	8,675	9,076
Other income	27,312	24,645	21,727	20,257	16,906
Endowment and investment income	1,387	780	1,889	1,737	614
<b>Total income</b>	<b>131,783</b>	<b>118,257</b>	<b>109,403</b>	<b>101,742</b>	<b>93,088</b>
Staff costs	77,920	73,426	62,377	56,958	54,138
Other operating expenses	50,156	43,887	39,066	35,001	31,737
Depreciation	8,467	6,712	5,062	4,413	4,028
Interest payable	3,515	2,069	1,395	1,209	984
<b>Total expenditure</b>	<b>140,058</b>	<b>126,094</b>	<b>107,900</b>	<b>97,581</b>	<b>90,887</b>
<b>Operating surplus/(deficit) before tax and minorities</b>	<b>(8,275)</b>	<b>(7,837)</b>	<b>1,503</b>	<b>4,161</b>	<b>2,201</b>
Surplus on sale of assets	20,801	4,940	0	37,559	0
Realisation of property revaluation gains	12,242	0	0	10,897	0

### Balance Sheet

Fixed assets	232,894	200,179	168,457	118,796	103,509
Endowment asset investments	1,864	1,863	1,836	1,770	1,535
Net current assets/(liabilities)	(13,293)	(4,540)	(7,571)	33,685	(6,738)
Creditors: due after more than one year	(73,700)	(59,249)	(22,784)	(23,032)	(14,026)
Provisions for liabilities and charges	(1,067)	(1,103)	(1,171)	(1,175)	(1,189)
Provision for FRS 17 pension liability	(14,737)	(20,282)	(18,948)	0	0
<b>Total net assets</b>	<b>131,961</b>	<b>116,868</b>	<b>119,819</b>	<b>130,044</b>	<b>83,091</b>
Deferred capital grants	32,039	23,764	23,590	17,130	12,132
Endowments	1,864	1,863	1,836	1,770	1,535
Revaluation reserve	0	12,242	12,410	12,579	23,645
Income and expenditure reserve excluding pension reserve	112,795	99,281	100,931	98,565	45,779
Pension reserve	(14,737)	(20,282)	(18,948)	0	0
Minority interests	0	0	0	0	0
<b>Total funds</b>	<b>131,961</b>	<b>116,868</b>	<b>119,819</b>	<b>130,044</b>	<b>83,091</b>

### Key ratios

External borrowings : General endowments plus Income and expenditure reserves excluding pension reserve

Brunel	0.66	0.61	0.23	0.24	0.35
<i>England mean</i>			0.50	0.50	0.51

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

Brunel	18	47	44	169	17
<i>England mean</i>			60	65	63

Current assets : Current liabilities

Brunel	0.57	0.86	0.76	2.51	0.68
<i>England mean</i>			1.21	1.27	1.24

Staff costs : Total expenditure (%)

Brunel	55.9	58.0	57.7	58.4	59.6
<i>England mean</i>			58.1	58.2	58.4

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

Brunel	(5.8)	(7.0)	2.0	4.1	2.4
<i>England mean</i>			1.8	2.4	1.7

## Brunel University Membership of Council during the 2006-07 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 C Jenks	Vice-Chancellor and Principal			
Professor M Sarhadi	Vice-Principal			
Mr J Ellwood	Independent Member			Chair: Council, Chair: Nominations Committee, Chair: Remuneration Committee, Finance Committee
Mr V Allport	Independent Member			Finance Committee
Mr D Finlayson	Independent Member			
Mrs J Kelly	Independent Member			Finance Committee
Mrs M Lenton	Independent Member			Audit Committee
Mr R Lougee	Independent Member			Audit Committee
Dr J McGrath	Independent Member			Chair: Finance Committee, Remuneration Committee, Nominations Committee
Dr J Murphy	Independent Member			Finance Committee, Remuneration Committee, Nominations Committee
Dr D Rimmer	Independent Member			
Mr A Siddiqui	Independent Member			Audit Committee
Mr J M Sheasby	Independent Member		27.06.2007	Chair: Audit Committee
Mr P M Smith	Independent Member			
Mr C Thorneycroft-Smith	Independent Member	1.01.2007		Chair: Audit Committee
Mr T A C Webb	Independent Member			Finance Committee, Remuneration Committee, Nominations Committee
Professor J Beasley	Appointed by Senate			Finance Committee
Professor L De Souza	Appointed by Senate			Finance Committee
Professor A Olowofoyeku	Appointed by Senate			
Professor I Campbell	Appointed by Senate			
Professor K Darby-Dowman	Elected Academic Member			Finance Committee
Dr M Rand-Weaver	Elected Academic Member			
Lady K Chisholm	Elected Staff Member		1.04.2007	
Mr D Snowden	Elected Staff Member			
Mr B Stiff	Elected Staff Member	5.06.2007		
Mr S Collins	Student Member			Finance Committee

### Professional Advisers

#### Bankers

HSBC Bank plc, Uxbridge

#### External auditors

KPMG LLP, Birmingham

#### Legal advisers

Eversheds, London

Nabarro Nathanson, London

#### Indirect tax advisers

Ellis Chapman & Associates,

Knutsford, Cheshire