

Brunel
UNIVERSITY
WEST LONDON

Financial Statements
2007-08

Brunel University

Financial statements for the year ended 31 July 2008

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Brunel University Operating and Financial Review

During the year to 31st July 2008 Brunel University has successfully completed a number of significant activities which will support its continued development. These include:

- Publication of the Strategic Plan, 2008 to 2012
- Disposal of Runnymede Campus
- Completion of Isambard Kingdom student accommodation
- Continued growth in research contracts awarded

These have provided the University with a foundation on which to continue to develop its activities whilst recognising the significant spending pressures affecting the higher education sector. Demand for student places at the University continues to strengthen, resulting in the University operating close to capacity in terms of on campus student numbers.

Operating Results 2007/08

The overall operating deficit for the year ended 31st July 2008 was £4.1m, significantly reduced from the deficit of £8.3m for the year ended 31st July 2007:

| | 2007/08 £m | 2006/07 £m | Movement £m |
|---|---------------|---------------|----------------|
| Income | 141.2 | 131.8 | 9.4 |
| Expenditure | (145.3) | (140.1) | (5.2) |
| Operating Deficit | (4.1) | (8.3) | 4.2 |
| Disposal of Fixed Assets | 44.4 | 20.8 | 23.6 |
| Surplus for the Year | 40.3 | 12.5 | 27.8 |
| Net Cash Flow from Operating Activities | 0.3 | (2.7) | 3.0 |
| Short Term Investments | 24.1 | 4.4 | 19.7 |
| Capital Expenditure | 51.4 | 45.9 | 5.5 |
| Reserves | 132.0 | 98.1 | 33.9 |

The majority of the growth in income arises from variable tuition fees for UK and EU based students, introduced in 2006/07. In addition tuition fees from overseas students increased from £14.6m in 2007 to £16.5m in 2008. Research grants and contracts income earned during the year increased to £14.9m in 2008, from £12.2m in 2007, an increase of 22%.

Total expenditure, at £145.3m in 2008, includes staff costs of £83.6m up from £77.9m in 2006/07. This represents 59.2% of total income in 2007/08, only marginally increased from 59.1% in 2006/07. Offsetting the increase in staff costs was a reduction in other operating expenses. The progress made in 2007/08 towards returning the University to consistent operating surpluses is encouraging.

Capital expenditure totalled £51.4m as the final stage of the development of student accommodation on the Uxbridge campus came to a conclusion. The disposal of the Runnymede campus (giving rise to the surplus on disposal of fixed assets of £44.4m) and the drawdown of further long term loans funded the continued capital expenditure.

The long terms loans are on a floating rate, with the exposure managed through interest rate swaps. The holding of significant sums on short term investment ensures the liquidity of the University is managed to minimise any risk. There has been no loss arising out of the non performance of a

counterparty, which is controlled by an appropriate treasury management policy, setting out minimum credit ratings and limits on amounts available to be invested with any individual counterparty.

Student Numbers

Demand for places to be a student at Brunel University continues to demonstrate growth, with overall student numbers during 2007/08 being 13,761 representing an overall increase of 2.1% on 2006/07. Recruitment of overseas student numbers has grown by 9.9%:

| Student Numbers (headcount at 1st Dec) | 2006/07 | | | 2007/08 | | |
|---|---------------|--------------|---------------|---------------|--------------|---------------|
| | Home/EU | Overseas | Total | Home/EU | Overseas | Total |
| Foundation year | 197 | 51 | 248 | 241 | 100 | 341 |
| Undergraduate | 9,068 | 822 | 9,890 | 9,068 | 799 | 9,867 |
| PGCE | 332 | 15 | 347 | 313 | 10 | 323 |
| Postgraduate Taught | 1,331 | 906 | 2,237 | 1,354 | 1,019 | 2,373 |
| Postgraduate Research | 502 | 258 | 760 | 530 | 327 | 857 |
| Total | 11,430 | 2,052 | 13,482 | 11,506 | 2,255 | 13,761 |

Undergraduate student numbers remain almost constant, with the significant growth being achieved in the key areas of Postgraduate Taught and Postgraduate Research, with growth of 6.1% and 12.8% respectively in 2007/08. This reflects the successful transition to Brunel becoming a research intensive University.

As with all the best universities, the focus continues to be on quality teaching and quality research. The increasing demand for places at Brunel, as well as growth in research grants awarded to the University, evidence success in these areas, inevitably leading to the education of able and confident graduates who, in turn, increase the reputation of Brunel in the world at large.

The Strategic Plan, 2008 to 2012

During the year to 31st July 2008 the Strategic Plan, 2008 to 2012 was published, aiming to move towards 2012 with academic confidence, financial security and a growing national and international reputation, outlining the mission of the University:

“To advance knowledge and understanding, and provide society with confident, talented and versatile graduates”

The Strategic Plan identified five strategic imperatives that will help crystallise and assess our progress towards the vision of being a world-class creative community:

- Encourage and support a vibrant research community that is research intensive; creative and collaborative; and engaged with the world at large
- Enhance the student experience by focussing on the needs of our students
- Compete globally through collaborations and partnerships, encouraging staff and students to be global citizens
- Enhance the enterprise culture by encouraging stronger business awareness and expanding enterprise and knowledge transfer activities
- Provide an enabling environment where staff contribution, retention and development are valued

Runnymede Disposal

During September 2007, as part of the overall master plan for the consolidation and development of the Uxbridge campus, the campus at Runnymede was disposed of. The significant levels of cash held by

the University as a result of the disposal ensures financial sustainability whilst the impact of the future challenges facing the higher education sector, and their impact on Brunel University, are fully assessed.

Student Accommodation

During May 2008 the final phase of construction of new student accommodation was completed, with 10 blocks within the Isambard Kingdom complex being handed over as available for occupancy. The remaining 7 blocks were handed over in August 2008. The University now has a total of approximately 4,600 units of accommodation available to students at the Uxbridge campus, the vast majority of which is en suite, offering amongst the highest quality accommodation in the sector. The total invested in student accommodation over the past 3 years exceeds £110m, aimed at significantly enhancing the experience of students whilst they study and live at Brunel.

Research Activity

During the year to 31st July 2008, the value of research grants and contracts awarded to Brunel University amounted to £18.2m. This is 9% higher than the amount awarded in the year to 31st July 2007 and 43.8% higher than that awarded in the year to 31st July 2005, evidencing the research intensive nature of Brunel.

The majority of the contracts, by value, were awarded to the School of Engineering and Design and the School of Information, Systems, Computing and Mathematics, who were awarded grants and contracts valued at £5.4m and £5.8m respectively. In addition the Specialist Research Institutes were awarded grants and contracts valued at £3.8m.

Whilst the research income is concentrated in these areas it is of note that each of the remaining six Schools within the academic structure all secured grants and awards during 2007/08. Research Councils accounted for 58.5% of the total grants and contracts, with the UK government accounting for a further 19.5%.

The outcome of the Research Assessment Exercise (RAE) completed during 2007/08 is expected in December 2008. The University anticipates that this will further demonstrate the quality of, and improvements made in its research activity over the last few years.

Current and Future Developments

Whilst the University had generated overall surpluses in recent years, this has arisen due to significant surpluses on disposals of property exceeding the operating deficits incurred for the last three financial years.

Like other universities, Brunel has benefitted from significant increases in income over recent years, and has been able to invest in its infrastructure and research activity. The sector faces significant spending pressures on pay and associated costs, utility costs and expenditure on infrastructure and estates.

As Brunel recorded operating deficits for 2005/06, 2006/07 and 2007/08 the challenge to return the University to generating operating surpluses is of greater significance. Whilst the University anticipates further improvements in its operating result in 2008/09, there remains medium to long term pressures on its costs.

The University is considering a range of steps necessary, including income generation and control over its costs, in order to ensure the University returns to consistently generating a surplus which is necessary to ensure its continued development of academic and research activity, along with further investment in its infrastructure and campus.

The fundamentals of the University remain strong. It is operating close to capacity in terms of student numbers on campus. Its academic and research performance continues to improve. Student recruitment in 2008/09 has progressed well, with all targets likely to be met. The student accommodation, including the recently completed Isambard Kingdom complex, is fully occupied. The University has significant cash reserves.

The scale of the challenges facing Brunel, in common with many other universities, is recognised. Action to return to consistent surpluses is being considered, aimed at ensuring the University achieves the objectives inherent in the Strategic Plan, 2008 to 2012, investing in success over the long term in a sustainable manner.

Professor C Jenks
Vice Chancellor

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 recommendations and 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 to Council.

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. During the year the Audit Committee reviewed the Handbook for Members of Audit Committee in Higher Education Institutions produced by the Committee for University Chairs. The Audit Committee was satisfied that its terms of reference adequately covered the recommendations contained in the Handbook.

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 review of risk management was conducted in 2008 which led to three improvements. The first was to update the Risk Management Policy and make it readily accessible across the University. The second was to assess and report the University's appetite for risk in clearly measurable terminology. The third improvement was to ensure that each risk was referenced to a key performance indicator for each of the strategic imperatives and accompanying key objectives.

The strategic risk register has been updated as a result of the review, and the ten higher risk identified are under continual review. The Head of Planning and Policy provides the Audit Committee with 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 the 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.

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 2008 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 historical cost convention and in accordance with 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 Operating and Financial Review and the financial statements in accordance with the Accounts Direction Issued by the Higher Education Funding Council for England, the Statement of Recommended Practice: Accounting for Further and Higher Education, applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities on page 12.

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. 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 the Training and Development Agency for Schools. We also report to you whether in our opinion the Operating and Financial Review is not consistent with the financial statements.

In addition we report to you, 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 Operating and Financial Review 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 the Group and University's affairs as at 31 July 2008 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;
- 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 2008 have been applied for the purposes for which they were received; and,
- iv. in all material respects, income during the year ended 31 July 2008 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 financial memorandum with the Training and Development Agency for Schools.

KPMG LLP
Chartered Accountants
Registered Auditor

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.

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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.

Interest relating to the financing of constructed building projects has been capitalised, in accordance with FRS 15.

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

Brunel University

Statement of principal accounting policies (continued)

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)

Accounting for retirement benefits

The institution contributes to the Universities Superannuation Scheme (USS), the Local Government Superannuation Scheme (LGPS) and the Teachers Pension Scheme (TPS). All schemes are defined benefit schemes but the USS and the TPS schemes are both multi-employer schemes and it is not possible to identify the assets of the scheme which are attributable to the Institution. In accordance with FRS17 Retirement Benefits, these schemes are accounted for on a defined contribution basis. Contributions to these schemes are included as expenditure in the period in which they are payable. The institution is able to identify its share of assets and liabilities of the LGPS and thus the Institution fully adopts FRS 17 Retirement Benefits.

Accounting for charitable donations

a Unrestricted donations

Charitable donations are recognised in the accounts when the charitable donation has been received or if, before receipt, there is sufficient evidence to provide the necessary certainty that the donation will be received and the value of the incoming resources can be measured with sufficient reliability.

b Endowment funds

Where charitable donations are restricted to a particular objective specified by a donor, these are accounted for as an endowment. Restricted permanent endowments refer to where the capital fund is maintained (and is therefore restricted) but the income thereon can be applied to the general purposes of the Institution and is therefore unrestricted. Unrestricted permanent endowments are expendable at the discretion of the trustees with no requirement that capital be maintained. Expendable endowments refer to where the trustees have the power of discretion to convert endowed capital into income.

c Donations for fixed assets

Donations received to be applied to the cost of a tangible fixed asset are shown on the balance sheet as a deferred capital grant. The deferred capital grant is released to the income and expenditure account over the same estimated useful life that is used to determine the depreciation charge associated with the tangible fixed asset.

d Gifts in kind, including donated tangible fixed assets

Gifts in kind are included in endowment and investment income in the income and expenditure account either using a reasonable estimate of their gross value or the amount actually realised.

Consolidated income and expenditure account

for the year ended 31 July 2008

| | | 2007-08 £000 | 2006-07 £000 |
|---|----|----------------------|----------------------|
| Income | | | |
| Funding Council grants | 1 | 50,530 | 50,456 |
| Tuition fees and education contracts | 2 | 47,184 | 40,436 |
| Research grants and contracts | 3 | 14,868 | 12,192 |
| Other income | 4 | 26,047 | 27,312 |
| Endowment and investment income | 5 | <u>2,607</u> | <u>1,387</u> |
| Total income | | <u>141,236</u> | <u>131,783</u> |
| Expenditure | | | |
| Staff costs | 6 | 83,606 | 77,920 |
| Other operating expenses | 7 | 49,568 | 50,156 |
| Depreciation | 11 | 9,189 | 8,467 |
| Interest payable | 8 | <u>2,962</u> | <u>3,515</u> |
| Total expenditure | | <u>145,325</u> | <u>140,058</u> |
| Deficit after depreciation of fixed assets at valuation and before tax | | (4,089) | (8,275) |
| Taxation | 9 | 0 | 0 |
| (Deficit) before exceptional items | | <u>(4,089)</u> | <u>(8,275)</u> |
| Exceptional items: continuing operations | | | |
| Disposal of fixed assets | 10 | 44,351 | 20,801 |
| Surplus on continuing operations after depreciation of fixed assets at valuation, disposal of assets and tax | | <u>40,262</u> | <u>12,526</u> |
| Transfer from/(to) accumulated income endowment funds | | 0 | 0 |
| Surplus for the year retained within general reserves | | <u><u>40,262</u></u> | <u><u>12,526</u></u> |

The Income and Expenditure Account is in respect of continuing operations.

Note of historical cost surplus for the year ended 31 July 2008

| | Note | Group 2007-08 £000 | Group 2006-07 £000 |
|---|------|--------------------------|--------------------------|
| Surplus/(Deficit) on continuing operations after depreciation of fixed assets at valuation and disposal of assets but before taxation | | 40,262 | 12,526 |
| Difference between historical cost depreciation and the actual charge calculated on the revalued amount | | 0 | 169 |
| Realisation of property revaluation gains of previous years | | 0 | 0 |
| Historical cost surplus/(deficit) before taxation | | <u>40,262</u> | <u>12,695</u> |
| Historical cost surplus/(deficit) after taxation | | <u><u>40,262</u></u> | <u><u>12,695</u></u> |

Statement of Group Total Recognised Gains and Losses

for the year ended 31 July 2008

| | Note | 2007-08 £000 | 2006-07 £000 |
|--|------|-----------------|-----------------|
| Surplus/(Deficit) on continuing operations after depreciation of fixed assets at valuation, disposal of assets and tax | | 40,262 | 12,526 |
| Endowment income retained in year | 21 | 0 | (150) |
| Endowments withdrawn | 21 | (175) | 0 |
| Appreciation in endowment asset investment values | 21 | 95 | 0 |
| Actuarial gain/(loss) in respect of pension scheme | 25 | (6,294) | 6,533 |
| New endowments | 21 | 53 | 151 |
| Total recognised gains/(losses) relating to the year | | 33,941 | 19,060 |
| Reconciliation | | | |
| Opening reserves and endowments | | 99,922 | |
| Total recognised gains for the year | | 33,941 | |
| Closing reserves and endowments | | 133,863 | |

Balance sheets

as at 31 July 2008

| | Note | Group | | University | |
|--|------|----------------|-----------------|----------------|-----------------|
| | | 2008 £000 | 2007 £000 | 2008 £000 | 2007 £000 |
| Fixed assets | | | | | |
| Tangible fixed assets | 11 | 274,865 | 232,771 | 274,865 | 232,771 |
| Investments | 12 | 130 | 123 | 33 | 33 |
| | | <u>274,995</u> | <u>232,894</u> | <u>274,898</u> | <u>232,804</u> |
| Endowment assets | 13 | 1,837 | 1,864 | 1,837 | 1,864 |
| Current assets | | | | | |
| Stock | | 125 | 96 | 125 | 96 |
| Debtors | 14 | 12,987 | 10,712 | 12,904 | 11,620 |
| Investments | 15 | 24,063 | 4,430 | 24,063 | 4,430 |
| Cash at bank and in hand | | 2,748 | 2,167 | 2,730 | 1,855 |
| | | <u>39,923</u> | <u>17,405</u> | <u>39,822</u> | <u>18,001</u> |
| Creditors: | | | | | |
| amounts falling due within one year | 16 | (31,651) | (30,698) | (31,512) | (30,518) |
| Net current assets/(liabilities) | | <u>8,272</u> | <u>(13,293)</u> | <u>8,310</u> | <u>(12,517)</u> |
| Total assets less current liabilities | | 285,104 | 221,465 | 285,045 | 222,151 |
| Creditors: | | | | | |
| amounts falling due after more than one year | 17 | (97,609) | (73,700) | (97,604) | (73,695) |
| Provisions for liabilities and charges | 19 | (1,173) | (1,067) | (1,173) | (1,067) |
| Net assets excluding pension liability | | 186,322 | 146,698 | 186,268 | 147,389 |
| Pension liability | 25 | (21,660) | (14,737) | (21,660) | (14,737) |
| Net assets including pension liability | | <u>164,662</u> | <u>131,961</u> | <u>164,608</u> | <u>132,652</u> |
| Deferred capital grants | 20 | 30,799 | 32,039 | 30,799 | 32,039 |
| Endowments | | | | | |
| Permanent | 21 | 488 | 465 | 488 | 465 |
| Expendable | 21 | 1,349 | 1,399 | 1,349 | 1,399 |
| | | <u>1,837</u> | <u>1,864</u> | <u>1,837</u> | <u>1,864</u> |
| Reserves | | | | | |
| Income and expenditure reserve excluding pension liability | 22 | 153,686 | 112,795 | 153,632 | 113,486 |
| Pension reserve | | (21,660) | (14,737) | (21,660) | (14,737) |
| Income and expenditure reserve including pension liability | | <u>132,026</u> | <u>98,058</u> | <u>131,972</u> | <u>98,749</u> |
| Total funds | | <u>164,662</u> | <u>131,961</u> | <u>164,608</u> | <u>132,652</u> |

The financial statements on pages 14 to 35 were approved by the Council on 26 November 2008 and signed on its behalf by:

T Webb
Chair of Council

Prof. C. Jenks
Vice-Chancellor
& Principal

R. Eastwood
Director of Finance

Consolidated cash flow statement

for the year ended 31 July 2008

| | Note | 2007-08 £000 | 2006-07 £000 |
|---|------|-----------------|-----------------|
| Cash flow from operating activities | 23 | 342 | (2,727) |
| Returns on investments and servicing of finance | | | |
| Income from investments | 21 | 95 | 92 |
| Other interest received | 5 | 2,512 | 1,295 |
| Interest paid | 7 | (2,962) | (3,515) |
| | | <u>(355)</u> | <u>(2,128)</u> |
| Taxation | | 0 | 0 |
| Capital expenditure and financial investment | | | |
| Payments made to acquire fixed assets | 11 | (51,437) | (45,922) |
| Proceeds from sales of fixed assets | | 44,504 | 23,239 |
| Fixed asset investment disposal | | (7) | 0 |
| Deferred capital grants received | | 2,967 | 12,131 |
| | | <u>(3,973)</u> | <u>(10,552)</u> |
| Management of liquid resources | 24 | (19,632) | 3,680 |
| Financing | 24 | 24,199 | 14,444 |
| Increase in cash | | <u>581</u> | <u>2,717</u> |

Reconciliation of net cash flow to movement in net debt

| | | |
|---------------------------------|-----------------|-----------------|
| Increase in cash for the period | 581 | 2,717 |
| Change in short term deposits | 19,606 | (10,741) |
| Change in debt | (24,199) | (14,444) |
| Change in net funds | <u>(4,012)</u> | <u>(22,468)</u> |
| Net debt at beginning of year | (65,923) | (43,455) |
| Closing net debt at 31 July | <u>(69,935)</u> | <u>(65,923)</u> |

Notes to the accounts

| | 2007-08 £000 | 2006-07 £000 |
|---|-----------------|-----------------|
| 1 Funding Council grants | | |
| Recurrent grant | | |
| Higher Education Funding Council for England | 44,220 | 42,920 |
| Teacher Development Agency | 2,207 | 2,323 |
| Specific grants (HEFCE) | | |
| Learning & teaching development | 339 | 338 |
| Rewarding & Developing Staff | 43 | 627 |
| Higher Education Innovation Fund | 1,464 | 1,047 |
| Other grants | 0 | 26 |
| Specific grants (TDA) | | |
| Other grants | 82 | 267 |
| Deferred capital grants released in year | | |
| Buildings | 1,221 | 1,973 |
| Equipment | 954 | 935 |
| | <u>50,530</u> | <u>50,456</u> |
| 2 Tuition fees and education contracts | | |
| Full-time students charged home fees | 21,821 | 16,728 |
| Full-time students charged overseas fees | 16,542 | 14,630 |
| Part-time fees | 2,393 | 2,530 |
| Doctoral Training Grant | 500 | 349 |
| Short course fees | 1,306 | 964 |
| Other fees | 95 | 73 |
| NHS education contracts | 4,527 | 5,162 |
| | <u>47,184</u> | <u>40,436</u> |
| 3 Research grants and contracts | | |
| Research Councils | 5,897 | 4,420 |
| UK-based charities | 595 | 290 |
| UK Government and health authorities | 4,456 | 3,740 |
| UK industry, commerce and public corporations | 1,150 | 1,054 |
| European Commission | 1,623 | 1,622 |
| EU other | 186 | 171 |
| Other overseas | 441 | 217 |
| Other sources | 520 | 678 |
| | <u>14,868</u> | <u>12,192</u> |

Notes to the accounts

| | 2007-08 £000 | 2006-07 £000 |
|--|----------------------|----------------------|
| 4 Other income | | |
| Residences, catering and conferences | 18,370 | 19,433 |
| Science Park | 404 | 741 |
| Sports Centre | 623 | 593 |
| Rent and room hire | 492 | 323 |
| Released from deferred capital grants | 207 | 395 |
| Other services rendered | 988 | 530 |
| Other income | <u>4,963</u> | <u>5,297</u> |
| | <u><u>26,047</u></u> | <u><u>27,312</u></u> |
| 5 Endowment and investment income | | |
| Income from permanent endowments | 24 | 59 |
| Income from expendable endowments | 71 | 33 |
| Income from current asset investments | <u>2,512</u> | <u>1,295</u> |
| | <u><u>2,607</u></u> | <u><u>1,387</u></u> |
| 6 Staff numbers and costs | Number | Number |
| Average staff numbers during the year by major category: | | |
| Academic and hourly paid lecturers | 928 | 932 |
| Technical | 74 | 76 |
| Administrative and academic support | 367 | 344 |
| Other, including clerical and manual | <u>1,065</u> | <u>1,055</u> |
| | <u><u>2,434</u></u> | <u><u>2,407</u></u> |
| | £000 | £000 |
| Staff costs for the above persons: | | |
| Wages and salaries | 68,278 | 63,224 |
| Social security costs | 5,807 | 5,434 |
| Contributions to occupational pension schemes | 8,422 | 7,578 |
| Pension liabilities | 537 | 752 |
| Restructuring costs | <u>562</u> | <u>932</u> |
| | <u><u>83,606</u></u> | <u><u>77,920</u></u> |
| | £000 | £000 |
| Employment costs for staff on permanent contracts | 68,506 | 62,235 |
| Employment costs for staff on short-term contracts | 14,001 | 14,001 |
| Pension liabilities | 537 | 752 |
| Restructuring costs | <u>562</u> | <u>932</u> |
| | <u><u>83,606</u></u> | <u><u>77,920</u></u> |

Notes to the accounts

6 Staff numbers and costs (cont'd)

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

| | 2007-08 £000 | 2006-07 £000 |
|-----------------------|-----------------|-----------------|
| Emoluments | 206 | 177 |
| Pension contributions | 26 | 25 |
| | <u>232</u> | <u>202</u> |

The emoluments of the Vice-Chancellor are shown on the same basis as for higher paid staff. The University's pension contributions to USS are paid at the same rates as for other academic staff.

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

| | 2007-08 | 2006-07 |
|---------------------|---------|---------|
| £100,000 - £109,999 | 12 | 5 |
| £110,000 - £119,999 | 3 | 6 |
| £120,000 - £129,999 | 3 | 1 |
| £130,000 - £139,999 | 2 | 0 |
| £140,000 - £149,999 | 1 | 0 |
| £150,000 - £159,999 | 0 | 1 |
| £160,000 - £169,999 | 1 | 1 |
| £170,000 - £179,999 | 0 | 0 |
| £180,000 - £189,999 | 0 | 0 |
| £190,000 - £199,999 | 0 | 0 |
| £200,000 - £200,999 | 0 | 1 |

7 Interest payable

| | 2007-08 £000 | 2006-07 £000 |
|---|-----------------|-----------------|
| Loans wholly repayable by instalments within five years | 5 | 16 |
| Loans wholly repayable by instalments after five years | 3,980 | 3,771 |
| Capitalisation of Interest on constructed assets | (1,115) | (508) |
| Net charge on pension scheme | 92 | 236 |
| | <u>2,962</u> | <u>3,515</u> |

8 Other Operating Expenses

| | Staff costs £000 | Other operating expenses £000 | Dep'n £000 | Interest payable £000 | Total £000 |
|--|------------------------|--|---------------|-----------------------------|----------------|
| Academic departments | 49,093 | 13,431 | 1,420 | 0 | 63,944 |
| Academic services | 5,967 | 4,408 | 148 | 0 | 10,523 |
| Research grants and contracts | 5,592 | 5,088 | 511 | 0 | 11,191 |
| Residences, catering, conferences & Science Park | 6,023 | 7,673 | 2,694 | 2,865 | 19,255 |
| Premises | 3,407 | 12,061 | 4,281 | 0 | 19,749 |
| Administration | 7,666 | 4,601 | 125 | 97 | 12,489 |
| Other services | 5,858 | 2,306 | 10 | 0 | 8,174 |
| Total per Income and Expenditure Account | <u>83,606</u> | <u>49,568</u> | <u>9,189</u> | <u>2,962</u> | <u>145,325</u> |

Notes to the accounts

8 Other Operating Expenses (cont'd)

Other operating expenses include

| | 2007-08 £000 | 2006-07 £000 |
|---|-----------------|-----------------|
| External Auditors remuneration | 95 | 27 |
| (The 2007/08 expenditure includes an under accrual of £21k relating to 2006/07) | | |
| External Auditors remuneration in respect of non-audit services | 26 | 25 |

9 Taxation

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

| | |
|---|---|
| 0 | 0 |
|---|---|

10 Exceptional items

| | | |
|--------------------------|--------|--------|
| Surplus on sale of asset | 44,351 | 20,801 |
|--------------------------|--------|--------|

During 2007/08 the Runnymede campus was disposed of, and during 2006/07 the Osterley Campus was disposed of. The University is now located on a single campus in Uxbridge, where new academic and residential accommodation has been constructed, part funded by the sale proceeds of other campus sites.

11 Tangible fixed assets

Group & University

| | Land & buildings £000 | Assets under construction £000 | Equipment £000 | Total £000 |
|---------------------------------------|--------------------------|-----------------------------------|-------------------|----------------|
| Cost or Valuation | | | | |
| At 1 August 2007: | | | | |
| Cost | 215,432 | 42,182 | 10,869 | 268,483 |
| Additions at cost | 0 | 51,409 | 28 | 51,437 |
| Less disposals in year | (640) | 0 | (1,412) | (2,052) |
| Transfers between accounts | 52,143 | (55,631) | 3,488 | 0 |
| At 31 July 2008 | | | | |
| Cost | <u>266,935</u> | <u>37,960</u> | <u>12,973</u> | <u>317,868</u> |
| Depreciation | | | | |
| At 1 August 2007 | 29,977 | 0 | 5,735 | 35,712 |
| Charge for the year | 6,677 | 0 | 2,512 | 9,189 |
| Eliminated in respect of disposals | (486) | 0 | (1,412) | (1,898) |
| At 31 July 2007 | <u>36,168</u> | <u>0</u> | <u>6,835</u> | <u>43,003</u> |
| Net book value at 31 July 2008 | <u>230,767</u> | <u>37,960</u> | <u>6,138</u> | <u>274,865</u> |
| Net book value at 1 August 2006 | <u>36,168</u> | <u>0</u> | <u>6,835</u> | <u>43,003</u> |
| Financed by capital grant | 25,591 | 3,550 | 3,155 | 32,296 |
| Other | 205,176 | 34,410 | 2,983 | 242,569 |
| Net book value at 31 July 2008 | <u>230,767</u> | <u>37,960</u> | <u>6,138</u> | <u>274,865</u> |

The transitional rules set out in FRS 15 Tangible Fixed Assets - have been applied and accordingly, the book values at implementation have been retained.

Notes to the accounts

| | Group | | University | |
|------------------------------------|------------|------------|------------|-----------|
| | 2008 | 2007 | 2008 | 2007 |
| | £000 | £000 | £000 | £000 |
| 12 Fixed asset investments | | | | |
| Investment in CVCP Properties plc | 33 | 33 | 33 | 33 |
| Investment in associated companies | 97 | 90 | 0 | 0 |
| | <u>130</u> | <u>123</u> | <u>33</u> | <u>33</u> |

13 Endowment asset investments

| | Group and University | |
|---|----------------------|--------------|
| | 2008 | 2007 |
| | £000 | £000 |
| Valuation at 1 August 2007 | 1,864 | 1,863 |
| Additions | 250 | 243 |
| Disposals | (277) | (242) |
| Increase in endowment asset investment values | 0 | 5 |
| Valuation at 31 July 2008 | <u>1,837</u> | <u>1,869</u> |
| Bank Balances | <u>1,837</u> | <u>1,864</u> |

Endowment assets are stated net of impairment of £NIL

14 Debtors

| | Group | | University | |
|---|---------------|---------------|---------------|---------------|
| | 2008 | 2007 | 2008 | 2007 |
| | £000 | £000 | £000 | £000 |
| Amounts falling due within one year: | | | | |
| Debtors | 8,842 | 7,600 | 8,735 | 7,424 |
| Amounts owed by group undertakings | 0 | 0 | 329 | 1,342 |
| Prepayments and accrued income | 3,840 | 2,854 | 3,840 | 2,854 |
| | <u>12,682</u> | <u>10,454</u> | <u>12,904</u> | <u>11,620</u> |
| Amounts falling due after one year: | | | | |
| Loans | 305 | 258 | 0 | 0 |
| | <u>12,987</u> | <u>10,712</u> | <u>12,904</u> | <u>11,620</u> |

15 Current asset investments

| | Group and University | |
|--------------------------|----------------------|--------------|
| | 2008 | 2007 |
| | £000 | £000 |
| Money market deposits | 24,063 | 2,136 |
| Assets held for disposal | 0 | 2,294 |
| | <u>24,063</u> | <u>4,430</u> |

Notes to the accounts

| 16 Creditors: amounts falling due within one year | Group | | University | |
|---|---------------|---------------|---------------|---------------|
| | 2008 | 2007 | 2008 | 2007 |
| | £000 | £000 | £000 | £000 |
| Bank loans | 974 | 684 | 974 | 684 |
| Trade creditors | 17,187 | 15,903 | 17,159 | 15,851 |
| Amounts due to group undertakings | 0 | 0 | 0 | 59 |
| Taxation and social security | 255 | 156 | 250 | 146 |
| Accruals and deferred income | 13,235 | 13,955 | 13,129 | 13,778 |
| | <u>31,651</u> | <u>30,698</u> | <u>31,512</u> | <u>30,518</u> |

17 Creditors: amounts falling due after more than one year

| | | | | |
|-----------------|---------------|---------------|---------------|---------------|
| Bank loans | 97,455 | 73,546 | 97,455 | 73,546 |
| Other loans | 149 | 149 | 149 | 149 |
| Other Creditors | 5 | 5 | 0 | 0 |
| | <u>97,609</u> | <u>73,700</u> | <u>97,604</u> | <u>73,695</u> |

18 Borrowings

| Analysis of secured and unsecured loans | Group and University | |
|---|----------------------|---------------|
| In one year or less | 974 | 684 |
| Between one and two years | 1,170 | 876 |
| Between two and five years | 3,357 | 2,392 |
| After five years | 93,077 | 70,427 |
| | <u>98,578</u> | <u>74,379</u> |

Of the loans outstanding, the interest rate exposure is managed through an interest rate swap for three loans totalling £98.4m. The rates for each of the loans are £48.9m at 4.588%, £24.6m at 4.5843% and £24.9m at 4.5823%. All loans are repayable by instalment until June 2045.

19 Provisions for liabilities and charges

| | Group and University |
|---|------------------------|
| | Enhanced Pensions £000 |
| At 1st August 2007 | 1,067 |
| Expenditure in the year | (75) |
| Transferred from Income and Expenditure account | 181 |
| At 31st July 2008 | <u>1,173</u> |

All provisions relate to the University

Notes to the accounts

20 Deferred capital grants

| | Funding Councils £000 | Other grants & benefactions £000 | Total £000 |
|---|--------------------------|-------------------------------------|---------------|
| At 1 August 2007: | | | |
| Land and buildings | 25,585 | 2,145 | 27,730 |
| Equipment | 3,959 | 350 | 4,309 |
| | <u>29,544</u> | <u>2,495</u> | <u>32,039</u> |
| Cash received: | | | |
| Land and buildings | 223 | 387 | 610 |
| Equipment | 183 | 677 | 860 |
| | <u>406</u> | <u>1,064</u> | <u>1,470</u> |
| Released to Income and Expenditure Account: | | | |
| Land and buildings | 1,221 | 207 | 1,428 |
| Equipment | 954 | 511 | 1,465 |
| | <u>2,175</u> | <u>718</u> | <u>2,893</u> |
| plus Capital grants on land and buildings held for disposal | 86 | 97 | 183 |
| As at 31st July 2008 | <u>27,861</u> | <u>2,938</u> | <u>30,799</u> |
| At 31 July 2008: | | | |
| Land and buildings | 24,673 | 2,422 | 27,095 |
| Equipment | 3,188 | 516 | 3,704 |
| | <u>27,861</u> | <u>2,938</u> | <u>30,799</u> |

All deferred capital grants relate to the University.

21 Endowments

| | Group and University | | | | Total £000 |
|---|--------------------------------|-------------------------------|------------------------------|--------------------------|---------------|
| | Unrestricted Permanent £000 | Restricted Expendable £000 | Restricted Permanent £000 | Restricted Total £000 | |
| Restated balances at 1st August 2007 | | | | | |
| Capital value | 0 | 1,399 | 356 | 1,755 | 1,755 |
| Accumulated income | 0 | 0 | 109 | 109 | 109 |
| At 1st August 2007 | <u>0</u> | <u>1,399</u> | <u>465</u> | <u>1,864</u> | <u>1,864</u> |
| Additions | 0 | 52 | 1 | 53 | 53 |
| Investment income and appreciation | 0 | 71 | 24 | 95 | 95 |
| Income | 0 | 102 | 0 | 102 | 102 |
| Expenditure | 0 | (275) | (2) | (277) | (277) |
| At 31 July 2008 | <u>0</u> | <u>1,349</u> | <u>488</u> | <u>1,837</u> | <u>1,837</u> |
| Represented by: | | | | | |
| Capital Value | 0 | 1,278 | 355 | 1,633 | 1,633 |
| Release to Income and Expenditure Account | 0 | 71 | 133 | 204 | 204 |
| At 31 July 2007 | <u>0</u> | <u>1,349</u> | <u>488</u> | <u>1,837</u> | <u>1,837</u> |

| | Group and University | | |
|-------------------------------|----------------------|--------------------|---------------|
| | Permanent £000 | Expendable £000 | Total £000 |
| Scholarship funds | 297 | 370 | 667 |
| Chairs and lectureships funds | 0 | 13 | 13 |
| Prize funds | 191 | 35 | 226 |
| Other funds | 0 | 931 | 931 |
| Total | <u>488</u> | <u>1,349</u> | <u>1,837</u> |

All endowments relate to the University.

Notes to the accounts

| 22 Reserves | Group | University |
|---|----------------|----------------|
| | £000 | £000 |
| Balance at 1 August 2007 | 98,058 | 98,749 |
| Surplus for the year | 40,262 | 39,517 |
| Actuarial loss in respect of pension scheme | (6,294) | (6,294) |
| Balance at 31 July 2008 | <u>132,026</u> | <u>131,972</u> |

Balance represented by:

| | | |
|--------------------------------|----------------|----------------|
| Income and expenditure reserve | 153,686 | 153,632 |
| Pension reserve | (21,660) | (21,660) |
| Balance at 31 July 2008 | <u>132,026</u> | <u>131,972</u> |

23 Reconciliation of (deficit) before tax and profit on disposal of assets to net cash flow

| | 2007-08 | 2006-07 |
|--|------------|----------------|
| | £000 | £000 |
| (Deficit) before tax | (4,089) | (8,275) |
| Depreciation (Note 11) | 9,189 | 8,467 |
| Deferred capital grants released to income (Note 20) | (2,710) | (3,673) |
| Investment income (Note 5) | (2,607) | (1,387) |
| Interest payable (Note 7) | 2,962 | 3,515 |
| Increase in stocks | (29) | (1) |
| (Increase)/Decrease in debtors (Note 14) | (2,275) | 1,828 |
| (Decrease) in creditors (Note 16) | (834) | (4,153) |
| Increase/(Decrease) in provisions (Note 19) | 106 | (36) |
| FRS 17 Pension costs less contribution payable (Note 25) | 629 | 988 |
| Net cash flow/(outflow) from operating activities | <u>342</u> | <u>(2,727)</u> |

24 Analysis of changes in net funds

| | At 1 August | Cash | Other | At 31 July |
|--------------------------|-----------------|----------------|----------|-----------------|
| | 2007 | flows | changes | 2008 |
| | £000 | £000 | £000 | £000 |
| Cash at bank and in hand | | | | |
| Endowment Assets | 1,864 | (27) | 0 | 1,837 |
| Other | 2,167 | 581 | 0 | 2,748 |
| | <u>4,031</u> | <u>554</u> | <u>0</u> | <u>4,585</u> |
| Short-term investments: | 4,430 | 19,632 | 1 | 24,063 |
| Debt due within one year | (684) | (290) | 0 | (974) |
| Debt due after one year | (73,700) | (23,909) | 0 | (97,609) |
| | <u>(65,923)</u> | <u>(4,013)</u> | <u>1</u> | <u>(69,935)</u> |

Notes to the accounts

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

| | 2007-08 | 2006-07 |
|---|--------------|--------------|
| | £000 | £000 |
| Contributions to USS | 5,944 | 5,458 |
| Contributions to TPS | 362 | 379 |
| Contributions to LPFA | 1,934 | 1,652 |
| Contributions to other pension schemes | 1 | 54 |
| Provision for ex-WLIHE pensions increases | 181 | 35 |
| Total pension cost | 8,422 | 7,578 |

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

25 Pension schemes (cont'd)

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% |
| 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.

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 2008, the employer's contribution rates were 15.4% until 31 March 2008 and 17.3% from 1 April 2008. The employee's rate was 6% until 31st March 2008 and from 1 April 2008 is based on a banded earnings schedule. The employer's contributions were £1.63 million and the employees' contributions were £0.75 million.

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 2008 by Hymans Robertson, an independent firm of actuaries. The major assumptions are:

| | At 31 July '08 | At 31 July '07 | At 31 July '06 |
|-------------------------------|----------------|----------------|----------------|
| Inflation | 3.8% | 3.3% | 3.1% |
| Rate of increase in salaries | 5.3% | 4.8% | 4.6% |
| Rate of increase for pensions | 3.9% | 3.3% | 3.1% |
| Discount rate | 6.7% | 5.8% | 5.1% |

Notes to the accounts

25 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 '08 | | At 31 July '07 | | At 31 July '06 | |
|-------------------------------------|--------------------------|--------------------|--------------------------|--------------------|--------------------------|--------------------|
| | 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 | 7.6% | 26,014 | 7.9% | 29,392 | 7.6% | 25,819 |
| Bonds | 6.3% | 8,723 | 6.6% | 10,447 | 6.3% | 8,143 |
| Property | 6.8% | 9,899 | 7.0% | 6,383 | 6.7% | 5,031 |
| Cash | 4.8% | (171) | 5.1% | 1,527 | 4.8% | 3,325 |
| Total market value of assets | | 44,465 | | 47,749 | | 42,318 |

The following amounts at 31 July 2008 were measured in accordance with the requirements of FRS 17:

| | At 31 July '08 £000 | At 31 July '07 £000 | At 31 July '06 £000 |
|---------------------------------------|------------------------|------------------------|------------------------|
| Estimated asset share | 44,465 | 47,749 | 42,318 |
| Present value of scheme liabilities | (66,125) | (62,486) | (62,582) |
| Present value of unfunded liabilities | 0 | 0 | (18) |
| Deficit in the scheme | (21,660) | (14,737) | (20,282) |

Movement in surplus/(deficit) during the year:

Analysis of amount charged to income and expenditure account

| | Year ended 31 July 2008 £000 | Year ended 31 July 2007 £000 |
|--|------------------------------------|------------------------------------|
| Current service cost (net of employee contributions) | 1,905 | 2,370 |
| Past service cost | 556 | 0 |
| Curtailments and Settlements | 64 | 211 |
| Total operating charge | 2,525 | 2,581 |

Analysis of net return on pension scheme

| | | |
|--|-------------|--------------|
| Expected return on pension scheme assets | 3,552 | 2,984 |
| Interest on pension liabilities | (3,644) | (3,220) |
| Net return | (92) | (236) |

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

| | | |
|---|----------------|--------------|
| Actual return less expected return on pension scheme assets | (6,975) | 2,104 |
| Experience gains and losses arising on the scheme liabilities | 1,443 | 20 |
| Changes in assumptions underlying the present value of the scheme liabilities | (762) | 4,409 |
| Actuarial loss recognised in STRGL | (6,294) | 6,533 |

| | | |
|---|-----------------|-----------------|
| Deficit in scheme at 1 August | (14,737) | (20,282) |
| Movement in year: | | |
| Current service costs | (1,905) | (2,370) |
| Contributions | 1,986 | 1,829 |
| Contributions in respect of Unfunded Benefits | 2 | 0 |
| Past service costs | (556) | 0 |
| Impact of Curtailments and Settlements | (64) | (211) |
| Net return on assets | (92) | (236) |
| Actuarial (loss)/gain | (6,294) | 6,533 |
| Deficit in scheme at 31 July | (21,660) | (14,737) |

Notes to the accounts

25 Pension schemes (cont'd)

| History of experience gains and losses | Year ended |
|---|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | 31 July 2008 £000 | 31 July 2007 £000 | 31 July 2006 £000 | 31 July 2005 £000 | 31 July 2004 £000 |
| Difference between the expected and actual return on assets | (6,975) | 2,104 | 1,728 | 3,972 | 21 |
| Value of Assets | 44,465 | 47,749 | 42,318 | 37,978 | 35,283 |
| Percentage of scheme assets | (15.7%) | 4.4% | 4.1% | 10.5% | 0.1% |
| Experience gains/(losses) on scheme liabilities | 1,443 | 20 | 11 | 693 | 66 |
| Present value of Liabilities | 66,125 | 62,486 | 62,600 | 56,926 | 47,411 |
| Percentage of the present value of scheme liabilities | 2.2% | 0.0% | 0.0% | 1.2% | 0.1% |
| Total amount recognised in STRGL | (6,294) | 6,533 | (255) | (6,126) | 20 |
| Present value of Liabilities | 66,125 | 62,486 | 62,600 | 56,926 | 47,411 |
| Percentage of the present value of scheme liabilities | (9.5%) | 10.5% | (0.4%) | (10.8%) | 0.0% |

26 Capital commitments

Consolidated and University
2007 2007
£000 £000

| | | |
|---------------------------------------|-------|--------|
| Commitments contracted for at 31 July | 1,939 | 49,080 |
|---------------------------------------|-------|--------|

27 Contingent liabilities

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

28 Related party transactions

Transactions between Brunel University and its subsidiary undertakings, Brunel University Enterprises 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 2008, the University paid a grant of £882,600 to the Union (2007 £860,100), and provided the Union with accommodation on all campuses free of rent and most other occupancy costs.

29 Access and hardship funds (HEFCE)

2007-08 2006-07
£000 £000

| | | |
|-------------------------------------|------------|------------|
| Balance brought forward at 1 August | 157 | 31 |
| Funding Council grants received | 234 | 439 |
| Interest earned | 7 | 7 |
| Disbursed to students | (280) | (313) |
| Contribution to fund running costs | (7) | (7) |
| Balance carried forward at 31 July | <u>111</u> | <u>157</u> |

Funding Council Access grants 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.

Notes to the accounts

| 30 SSSS* hardship funds (TDA) | 2006-07 | 2006-07 |
|---|----------|----------|
| | £000 | £000 |
| Balance brought forward at 1 August | 7 | 14 |
| Funding Council grants received/(claw back) | (7) | (7) |
| Disbursed to students | 0 | 0 |
| Balance carried forward at 31 July | <u>0</u> | <u>7</u> |

* *Secondary Shortage Subject Scheme*

| 31 Teacher Training Bursaries | 2007-08 | 2006-07 |
|---|------------|------------|
| | £000 | £000 |
| Balance brought forward at 1 August | 440 | 285 |
| Teacher Development Agency grant received | 1,674 | 2,161 |
| Disbursed to students | (1,886) | (2,006) |
| Balance due to Teacher Development Agency | <u>228</u> | <u>440</u> |

Funding Council hardship funds and bursaries, as detailed in noted 30 and 31 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.

32 Financial Commitments

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

| | 2006-07 | 2006-07 |
|--------------------------|--------------|--------------|
| | £000 | £000 |
| Within one year | 1,692 | 1,759 |
| Within two to five years | 895 | 799 |
| After five years | 41 | 0 |
| | <u>2,628</u> | <u>2,558</u> |

Brunel University Membership of Council during the 2007-08 year

| | Status of Appointment | Date appointed in-year | Date resigned in year | Committees Served |
|-----------------------------|-------------------------------|------------------------|--|--|
| The Rt Hon. Lord Wakeham DL | Chancellor | | | |
| Sir Robert Balchin | Pro Chancellor | | | |
| Professor C Jenks | Vice-Chancellor and Principal | | | |
| Professor M Sarhadi | Vice-Principal | | | |
| Mr J Ellwood | Independent Member | 1.04.2008 | | Chair: Council, Chair: Nominations Committee, Chair: Remuneration Committee, Finance Committee |
| Mr V Allport | Independent Member | | Finance Committee | |
| Mt T Belisario | Independent Member | | | |
| 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 P M Smith | Independent Member | | | |
| Mr C Thorneycroft-Smith | Independent Member | | Chair: Audit Committee | |
| Mr T A C Webb | Independent Member | | Finance Committee, Remuneration Committee, Nominations Committee | |
| Dr M Lycett | Appointed by Senate | | | |
| Professor L DeSouza | Appointed by Senate | | | Finance Committee |
| Professor A Olowofoyeku | Appointed by Senate | | | |
| Professor S Capel | Appointed by Senate | | | |
| Professor K Darby-Dowman | Elected Academic Member | | | Finance Committee |
| Professor I Campbell | Elected Academic Member | | | |
| Dr M Rand-Weaver | Elected Academic Member | | | |
| Mr D Snowden | Elected Staff Member | | | |
| Mr B Stiff | Elected Staff Member | | | |
| Mr J Patel | Student Member | | | Finance Committee |

Professional Advisers

Bankers

HSBC Bank plc, Uxbridge

External auditors

KPMG LLP, London

Legal advisers

Eversheds, London

Nabarro Nathanson, London

Indirect tax advisers

Ellis Chapman & Associates,

Knutsford, Cheshire