



# FINANCIAL STATEMENTS

2002 - 2003

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# Brunel University

## Annual financial report for the year ended 31 July 2003

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### Scope of the financial statements

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

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

The BUEL group had approval from the University to invest £135,000 of its 2002/03 profits into commercial exploitation activities. As a result of an adjustment to the amount of Corporation Tax that was paid in respect of the year ended 31 July 2002, a sum of £7,777 was donated to the University by Gift Aid. A further £116,481 was donated to the University by Gift Aid.

### Basis of preparation

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

### Results for the year

The Group's consolidated income, expenditure and results for the year to 31 July 2003 are summarised as follows:-

	2002/03 £000	2001/02 £000
Income	<b>93,088</b>	88,721
Expenditure	<b>(90,887)</b>	<b>(87,376)</b>
	-----	-----
Surplus before tax & minority interests	<b>2,201</b>	1,345
Taxation, sale of goodwill & minority interests	<b>8</b>	<b>(35)</b>
	-----	-----
Surplus attributable to the group	<b>2,209</b>	1,310
Depreciation attributable to revaluations	<b>311</b>	310
	-----	-----
Historical cost surplus	<b>2,520</b>	1,620
	-----	-----

The Group's total income grew by 4.9% compared with 6.1% in 2001/02, and the component elements of income and expenditure are shown in the Consolidated Income and Expenditure Account. The Group achieved a historic cost surplus of £2.52 million (2.7%) for the year, resulting in an accumulated income and expenditure reserve of £45.779 million.

# **Brunel University**

## **Annual financial report (continued)**

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The Group's total expenditure increased by 4% compared with 8.3% in 2001/02. Staff costs increased by 4.3% overall, although this includes £570k restructuring costs (£273k in 2001/02).

### **Capital expenditure**

Capital expenditure on land, buildings and equipment totalled £19.25 million for the year. The major additions related to the development and refurbishment of the Uxbridge campus including the Central lecture Block (£2.2m), the part completion of a new Halls of Residence (£5.7m), the Gaskell building extension (£2.5m), development of Sports facilities (£2.0m) and the development of BitLab (£1.0m).

### **Investment performance**

Over the year to 31 July 2003, the medium-term portion of the University's investments under external management by Lazard Asset Management Ltd under-performed slightly against the chosen benchmark (FTA UK Government under 5 Years). The shorter-term portion under the management of Royal London Cash Management (formerly Union Fund Management Ltd) outperformed the Invesco Local Authority 7 Day Deposit Index, performed at the same level as the Invesco One Month CD Index, but under-performed against the Average Base Rate.

### **Borrowings**

There were no new borrowings in the year to 31 July 2003.

### **Future Developments**

In line with the University's Estate Strategy, Council approved the disposal of the Twickenham site. The University received the agreed sale proceeds in October 2003, and will lease back, at a peppercorn rent, that part of the site that is required by the University until the move of the Education department to the Uxbridge campus. The date on which the University is expected to give vacant possession of the site is the end of September 2005. The University received planning permission in September 2003 for the Master Plan, and a number of projects related to the enhancement of the infrastructure facilities on the Uxbridge site began in 2003. Discussions are taking place with the relevant local authority in relation to a planning brief for the Osterley site, and the site has recently been marketed in the same way as was adopted for the disposal of the Twickenham site.

### **University's auditors**

On 1 January 2003, the University's auditors PricewaterhouseCoopers (PwC) transferred its business to PricewaterhouseCoopers LLP (PwC LLP), a Limited Liability Partnership incorporated under the Limited Liability Partnership Act 2000. At its meeting held on 9 July 2003, Council agreed to a transfer of engagements from PwC to PwC LLP, and also to the appointment of PwC LLP as the University's auditors for the year ended 31 July 2003.

J Ellwood  
Chair of Finance Committee

**27 November 2003**

# **Brunel University**

## **Corporate Governance**

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The University is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the University has applied the principles set out in Section 1 of The Combined Code – Principles of Good Corporate Governance and Code of Best Practice (June 1998) insofar as they are applicable to Higher Education institutions. Its purpose is to help the reader of the accounts understand how the principles have been applied.

The University is an autonomous body established by Royal Charter. Like most public bodies it operates within a strong framework of regulation. Not only does the University comply with all mandatory requirements but it also strives to operate that guidance which represents best practice. The University has adopted the Guide for Members of Governing Bodies of Universities and Colleges in England, Wales and Northern Ireland published in March 1998 by the Committee of University Chairmen.

The University's Council is responsible for the University's system of internal control and for reviewing its effectiveness. It has established the processes to comply with the direction from HEFCE for the identification, evaluation and management of the key risks facing the University. The Council has responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, whilst safeguarding the public and other funds and assets for which it is responsible, in accordance with the responsibility assigned to the Council in the Charter and Statutes and the Financial Memorandum with HEFCE. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks, and to manage them efficiently, effectively and economically.

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

### **Summary of the University's structure of Corporate Governance**

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

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

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

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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 plans. 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 presents an Annual Report to Council.

## **Responsibilities of the Council of Brunel University**

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

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

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

- select suitable accounting policies and apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare financial statements on the going concern basis unless it is inappropriate to presume that the University will continue in operation. The Council has adopted the going concern basis as it is satisfied that the University has adequate resources to continue in operation for the foreseeable future.

The Council has taken reasonable steps to:

- ensure that funds from the Higher Education Funding Council for England, the Teacher Training Agency and the Learning and Skills Council are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Higher Education Funding Council and the respective Funding Agreements with the other bodies and with any other conditions which the three bodies may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the University and prevent and detect fraud;
- secure the economical, efficient and effective management of the University's resources and expenditure so that the benefits that should be derived from the application of public funds by the Council are not put at risk.

The key elements of the University's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

- clear definitions of the responsibilities of, and the authority delegated to, deans of faculty and heads of academic, administrative and support departments;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular review of key performance indicators and business risks and of financial results involving variance reporting;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the University Council;
- comprehensive Financial Regulations, promoted by Finance Committee and adopted by Council;
- a professional internal audit service with a programme approved by the Audit Committee and whose head provides that committee with a report on internal audit activity and assists it in formulating its opinion on the effectiveness of the University's system of internal control, including internal financial control.

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

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

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

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

The Council's responsibility for preparing the financial statements in accordance with the Accounts Direction issued by the Higher Education Funding Council for England, the Statement of Recommended Practice - Accounting for Further and Higher Education Institutions, applicable United Kingdom law and accounting standards is set out in the Statement of the Council's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and United Kingdom Auditing Standards issued by the Auditing Practices Board. This opinion has been prepared for and only for the University and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education Institutions. We also report to you whether, in our opinion, income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the institution, have been properly applied in all material respects for the purposes for which they were received, and whether income has been applied in all material respects in accordance with the institution's statutes and, where appropriate, with the Financial Memorandum dated 1 August 2000 with the Higher Education Funding Council for England, and with the Funding Agreements with the Teacher Training Agency and the Learning and Skills Council respectively. We also report to you if, in our opinion, the institution has not kept proper accounting records, the accounting records do not agree with the financial statements, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the financial statements and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises; the annual financial report and the corporate governance statement.

The maintenance and integrity of the Brunel University website is the responsibility of Council; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### **Basis of Opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board and the Audit Code of Practice issued by the 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 judgments made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group and University's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material 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)**

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### **Opinion**

In our opinion:

- (i) the financial statements give a true and fair view of the state of affairs of the University and the Group at 31 July 2003 and of the Group's surplus of income over expenditure, recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education Institutions;
- (ii) in all material respects, income from the Higher Education Funding Council for England, the Teacher Training Agency and the Learning and Skills Council, grants and income for specific purposes and from other restricted funds administered by the University have been applied only for the purposes for which they were received;
- (iii) in all material respects, income has been applied in accordance with the Royal Charter and Statutes governing Brunel University and, where applicable, in accordance with the Financial Memoranda and any other terms and conditions attached to them with the Higher Education Funding Council for England, the Teacher Training Agency, and the Learning and Skills Council.

**PricewaterhouseCoopers LLP**

**19 December 2003**

Chartered Accountants and Registered Auditors  
London.

# **Brunel University**

## **Statement of principal accounting policies**

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

Income from specific endowments and donations is included to the extent of the relevant expenditure incurred during the year together with any related contributions to overhead costs.

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)

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### 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 and Twickenham campuses as at 31 January 1995 was performed by Drivers Jonas, Chartered Surveyors. Land is held freehold and is not depreciated as it is considered to have an indefinite useful life. Buildings are depreciated over their expected useful economic lives of fifty years except in the case of certain temporary structures which warrant a shorter period. Improvements to leasehold premises are amortised over the period of the lease.

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

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

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

#### b Equipment

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

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

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

#### c Books

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

# **Brunel University**

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

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### **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 and current asset investments are stated at market value.

### **Stocks and work-in-progress**

Stocks and work-in-progress are stated at the lower of cost and net realisable value. Work-in-progress consists mainly of expenditure on research grants and contracts where the related income was recognised in accordance with the relevant accounting policy but was not due for billing at the year-end date.

### **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.

## Consolidated income and expenditure account for the year ended 31 July 2003

		2002-03 £000	2001-02 £000
<b>Income</b>			
Funding Council grants	1	40,005	39,362
Tuition fees and education contracts	2	26,487	22,192
Research grants and contracts	3	9,076	9,523
Other income	4	16,906	16,795
Endowment and investment income	5	614	849
Total income		<u>93,088</u>	<u>88,721</u>
<b>Expenditure</b>			
Staff costs	6	54,138	51,925
Other operating expenses	7	31,737	30,319
Depreciation	12	4,028	4,200
Interest payable	8	984	932
Total expenditure		<u>90,887</u>	<u>87,376</u>
Surplus on continuing operations after depreciation of fixed assets at valuation and before taxation		2,201	1,345
Taxation recoverable/(payable)	10	8	(35)
<b>Surplus on continuing operations after depreciation of fixed assets at valuation and taxation</b>		<u>2,209</u>	<u>1,310</u>

All results are from continuing operations.

### Note of historical cost surplus for the year ended 31 July 2003

	Note	Group 2002-03 £000	Group 2001-02 £000
Surplus as above	11	2,209	1,310
Difference between an historical cost depreciation charge and the charge calculated on the revalued amount	24	311	310
Historical cost surplus after taxation		<u>2,520</u>	<u>1,620</u>

**Consolidated statement of total recognised gains and losses**  
for the year ended 31 July 2003

		2002-03	2001-02
	Note	£000	£000
Surplus after depreciation of fixed assets at valuation and taxation		2,209	1,310
Net (income)/expenditure from endowments	23	(131)	(270)
New endowments	23	108	24
		<hr/>	<hr/>
<b>Total recognised gains relating to the year</b>		<b>2,186</b>	<b>1,064</b>
		<hr/> <hr/>	<hr/> <hr/>
<b>Reconciliation</b>			
Opening reserves and endowments		68,773	67,709
Total recognised gains and losses for the year		2,186	1,064
		<hr/>	<hr/>
<b>Closing reserves and endowments</b>		<b>70,959</b>	<b>68,773</b>
		<hr/> <hr/>	<hr/> <hr/>

**Balance sheets**

as at 31 July 2003

		Group		University	
		2003	2002	2003	2002
	Note	£000	£000	£000	£000
<b>Fixed assets</b>					
Tangible fixed assets	12	103,401	88,177	102,518	88,177
Investments	13	108	53	33	33
		<b>103,509</b>	88,230	<b>102,551</b>	88,210
<b>Endowment assets</b>	14	<b>1,535</b>	1,558	<b>1,535</b>	1,558
<b>Current assets</b>					
Stock and work in progress	15	2,104	1,681	2,089	1,666
Debtors	16	8,086	8,535	9,678	8,958
Investments	17	3,250	12,665	3,250	12,665
Cash at bank and in hand		834	1,328	675	1,205
		<b>14,274</b>	24,209	<b>15,692</b>	24,494
<b>Creditors:</b>					
amounts falling due within one year	18	(21,012)	(19,969)	(20,963)	(20,315)
<b>Net current assets</b>		<b>(6,738)</b>	4,240	<b>(5,271)</b>	4,179
<b>Total assets less current liabilities</b>		<b>98,306</b>	94,028	<b>98,815</b>	93,947
<b>Creditors:</b>					
amounts falling due after more than one year	19	(14,026)	(14,647)	(14,021)	(14,647)
<b>Provisions for liabilities and charges</b>	21	<b>(1,189)</b>	(1,447)	<b>(1,189)</b>	(1,447)
<b>Net assets</b>		<b>83,091</b>	77,934	<b>83,605</b>	77,853
<b>Deferred capital grants</b>	22	<b>12,132</b>	9,175	<b>12,132</b>	9,175
<b>Endowments</b>					
Specific	23	1,056	1,129	1,056	1,129
General	23	479	429	479	429
		<b>1,535</b>	1,558	<b>1,535</b>	1,558
<b>Reserves</b>					
Revaluation reserve	24	23,645	23,956	23,645	23,956
Income and expenditure reserve	25	45,779	43,259	46,293	43,164
		<b>69,424</b>	67,215	<b>69,938</b>	67,120
<b>Minority interests</b>		<b>0</b>	(14)	<b>0</b>	0
<b>Total funds</b>		<b>83,091</b>	77,934	<b>83,605</b>	77,853

The financial statements on pages 12 to 33 were approved by the Council on 10 December 2003 and signed on its behalf by:

W Greaves  
Chairman of Council

S Schwartz  
Vice-Chancellor  
& Principal

T Holloway  
Director of Finance

**Consolidated cash flow statement**  
for the year ended 31 July 2003

	Note	2002-03 £000	2001-02 £000
Cash flow from operating activities	26	<b>6,296</b>	11,922
Returns on investments and servicing of finance	27	<b>(370)</b>	<b>(362)</b>
Taxation	10	<b>8</b>	<b>(35)</b>
Capital expenditure and financial investment	28	<b>(15,454)</b>	<b>(12,576)</b>
Management of liquid resources	29	<b>9,415</b>	346
Financing	30	<b>(592)</b>	<b>(627)</b>
Increase/(decrease) in cash for the period	31	<b>(697)</b>	<b>(1,332)</b>

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

Increase/(decrease) in cash for the period	31	<b>(697)</b>	<b>(1,332)</b>
Increase/(decrease) in endowment asset investments	14	<b>(23)</b>	<b>(246)</b>
Cash inflow from liquid resources	29	<b>(9,415)</b>	<b>(3,744)</b>
Cash used to decrease loans	30	<b>592</b>	627
Change in net (debt) / funds		<b>(9,543)</b>	<b>(4,695)</b>
Opening net funds at 1 August	31	<b>(1,491)</b>	3,204
Closing net (debt) / funds at 31 July	31	<b>(11,034)</b>	<b>(1,491)</b>

**Notes to the accounts**

	<b>2002-03</b>	2001-02
	<b>£000</b>	£000
<b>1 Funding Council grants</b>		
Recurrent grant		
Higher Education Funding Council for England	<b>35,959</b>	34,734
Teacher Training Agency	<b>2,136</b>	1,981
Learning and Skills Council	<b>156</b>	133
Specific grants (HEFCE)		
HE Reach out to Business & Community	<b>325</b>	325
Research collaboration & development		141
Learning & teaching development	<b>160</b>	187
Rewarding & Developing Staff	<b>166</b>	761
Higher Education Initiative Fund	<b>136</b>	116
Other grants	<b>171</b>	141
Specific grants (TTA)		
Other grants	<b>243</b>	229
Specific grants (LSC)		
Other grants	<b>23</b>	0
Deferred capital grants released in year		
Buildings	<b>305</b>	308
Equipment	<b>225</b>	306
	<b>40,005</b>	39,362
<b>2 Tuition fees and education contracts</b>		
Full-time students charged home fees	<b>11,903</b>	11,139
Full-time students charged overseas fees	<b>7,071</b>	4,895
Part-time fees	<b>2,386</b>	2,406
Bench Fees	<b>64</b>	87
Research training support grants	<b>21</b>	32
Short course fees	<b>351</b>	243
NHS education contracts *	<b>4,691</b>	3,390
	<b>26,487</b>	22,192
* includes £230,148 in respect of 2001/02		
<b>3 Research grants and contracts</b>		
OST Research councils	<b>3,844</b>	3,866
UK-based charities	<b>800</b>	569
UK central & local govt., health & hospital authorities	<b>1,242</b>	1,469
UK industry, commerce & public corporations	<b>999</b>	1,529
European Commission	<b>1,496</b>	1,612
EU other	<b>70</b>	242
Other overseas	<b>207</b>	152
Other sources	<b>418</b>	84
	<b>9,076</b>	9,523

**Notes to the accounts**

	<b>2002-03</b>	2001-02
	<b>£000</b>	£000
<b>4 Other income</b>		
Residences, catering and conferences	<b>11,458</b>	11,228
Science Park	<b>744</b>	992
Libraries	<b>8</b>	0
Sports Centre	<b>667</b>	712
Rent and room hire	<b>755</b>	312
Released from deferred capital grants	<b>35</b>	38
Other services rendered	<b>827</b>	817
Other income	<b>2,412</b>	2,696
	<b><u>16,906</u></b>	<b><u>16,795</u></b>
<b>5 Endowment and investment income</b>		
Transferred from specific endowments	<b>39</b>	52
Income from general endowment asset investments	<b>16</b>	12
Income from current asset investments	<b>559</b>	785
	<b><u>614</u></b>	<b><u>849</u></b>
<b>6 Staff numbers and costs</b>	<b>Number</b>	Number
Average staff numbers during the year by major category:		
Academic and hourly paid lecturers	<b>853</b>	870
Technical	<b>89</b>	81
Administrative & academic support	<b>208</b>	187
Other, including clerical and manual	<b>906</b>	960
	<b><u>2,056</u></b>	<b><u>2,098</u></b>
	<b>£000</b>	£000
Staff costs for the above persons:		
Wages and salaries	<b>45,283</b>	44,003
Social security costs	<b>3,442</b>	3,269
Contributions to occupational pension schemes	<b>4,843</b>	4,380
Restructuring costs	<b>570</b>	273
	<b><u>54,138</u></b>	<b><u>51,925</u></b>
	<b>£000</b>	£000
Employment costs for staff on permanent contracts	<b>38,263</b>	36,781
Employment costs for staff on short-term contracts	<b>15,305</b>	14,871
Restructuring costs	<b>570</b>	273
	<b><u>54,138</u></b>	<b><u>51,925</u></b>
Aggregate amount of compensation for loss of office incurred in respect of higher paid staff:	<b><u>0</u></b>	<b><u>106</u></b>

## Notes to the accounts

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

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

	2002-03 £000	2001-02			Total £000
		Former (Aug-Sept) £000	Interim (Oct-Feb) £000	Current (Mar-July) £000	
Salary	156	31	50	58	139
Cash equivalent benefit in kind (car)	10		4	4	8
Other benefits in kind (accommodation and car)	8	3			3
	<u>174</u>	<u>34</u>	<u>54</u>	<u>62</u>	<u>150</u>
Pension contributions	25	4	7	5	16
	<u>199</u>	<u>38</u>	<u>61</u>	<u>67</u>	<u>166</u>

The emoluments of the Vice-Chancellor are shown on the same basis as for higher paid staff. For 2001-02 the emoluments shown are for the former, interim and current post holders. The 2001-02 figures include non-pensionable salary of £6,388 taken in lieu of annual leave. For the former and interim post holders, the contributions to USS were paid at the same rate as for other academic staff. For the current post holder, a contribution equivalent to the USS rate was made into a personal pension plan. The 2002-03 figure includes £3,267 in respect of 2001-02.

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

	2002-03	2001-02
£70,000-£79,999	8	2
£80,000-£89,999	0	3
£90,000-£99,999	3	0
£100,000-£109,999	2	1

### 7 Other operating expenses

	2002-03 £000	2001-02 £000
External staffing and services	2,084	1,766
I.T. expenditure (hardware and software not capitalised)	2,569	2,858
Equipment and furniture not capitalised	1,751	2,579
Books and periodicals	2,214	2,123
Fellowships, scholarships and prizes	2,407	2,337
Courses, conferences, travel and subsistence	2,497	2,192
Subscriptions and professional fees	1,759	1,652
Advertising	646	610
Consumables	1,415	1,503
Rent and rates *	1,177	742

\* 2001/02 figure includes a rates refund of £599,270.

Notes to the accounts

	2002-03 £000	2001-02 £000
<b>7 Other operating expenses (cont)</b>		
Heat, light, power and water	1,841	1,626
Repairs and maintenance	4,483	3,745
Other premises costs	1,790	1,812
Telephones and postage	846	753
Catering supplies	1,029	1,128
Grants to Union of Brunel Students	744	730
Auditors' remuneration - external audit *	69	56
Insurance	448	563
Contribution to provisions	739	626
Other expenditure	1,229	918
	<u>31,737</u>	<u>30,319</u>

\*includes £61,930 in respect of the University (2001/2 £50,525)

**8 Interest payable**

Loans wholly repayable by instalments after five years	984	932
	<u>984</u>	<u>932</u>

**9 Analysis of 2002-03 expenditure by activity**

	Staff costs £000	Other operating expenses £000	Dep'n £000	Interest payable £000	Total £000
Academic departments	30,354	7,222	406		37,982
Academic services	3,540	2,860	313		6,713
Research grants and contracts	4,865	3,204	308		8,377
Residences, catering, conferences & Science Park	4,157	5,058	1,210	888	11,313
Premises	3,673	7,950	1,458	27	13,108
Administration	4,928	3,066	245	69	8,308
Other services	2,621	2,377	88		5,086
Total per Income and Expenditure Account	<u>54,138</u>	<u>31,737</u>	<u>4,028</u>	<u>984</u>	<u>90,887</u>

The depreciation charge has been funded by:

Deferred capital grants released (Note 22)	873
Revaluation reserve released (Note 24)	311
General income	2,844
	<u>4,028</u>

**10 Taxation**

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

<u>(8)</u>	<u>35</u>
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**11 Surplus on continuing operations**

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

University surplus for the year	2,694	974
Retained (deficit)/surplus generated by the subsidiary undertakings	(609)	110
Surplus generated by the subsidiary undertakings and transferred to the University by Gift Aid	124	226
	<u>2,209</u>	<u>1,310</u>

## Notes to the accounts

## 12 Tangible fixed assets

Group

	Land & buildings £000	Assets under construction £000	Equipment £000	Total £000
<b>Cost or Valuation</b>				
At 1 August 2002:				
Valuation	26,744	0	0	26,744
Cost	66,452	9,756	11,188	87,396
Less disposals in year	0	0	(1,898)	(1,898)
Additions at cost	3,932	13,313	2,007	19,252
Transfers between accounts	5,882	(5,882)	0	0
At 31 July 2003:				
Valuation	<u>26,744</u>	<u>0</u>	<u>0</u>	<u>26,744</u>
Cost	<u>76,266</u>	<u>17,187</u>	<u>11,297</u>	<u>104,750</u>
<b>Depreciation</b>				
At 1 August 2002	19,293	0	6,670	25,963
Charge for the year	2,208	0	1,820	4,028
Eliminated in respect of disposals	0	0	(1,898)	(1,898)
At 31 July 2003	<u>21,501</u>	<u>0</u>	<u>6,592</u>	<u>28,093</u>
<b>Net book value at 31 July 2003</b>	<u><b>81,509</b></u>	<u><b>17,187</b></u>	<u><b>4,705</b></u>	<u><b>103,401</b></u>
Net book value at 31 July 2002	<u>73,903</u>	<u>9,756</u>	<u>4,518</u>	<u>88,177</u>
Inherited	24,380	0	0	24,380
Financed by capital grant	7,614	3,818	556	11,988
Other	<u>49,515</u>	<u>13,369</u>	<u>4,149</u>	<u>67,033</u>
<b>Net book value at 31 July 2003</b>	<u><b>81,509</b></u>	<u><b>17,187</b></u>	<u><b>4,705</b></u>	<u><b>103,401</b></u>

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

Land and buildings for Twickenham and Osterley were re-valued in 1995 by Drivas Jonas, a firm of independent chartered surveyors. The valuation represented the surveyors opinion of land and building values of the various properties on the basis of existing use value, depreciated replacement cost or open market value as appropriate.

Land and buildings with net book value of £31,994 million have been financed by exchequer funds. It is a condition of funding imposed by the Secretary of State and the Treasury that no transaction involving these assets should be entered into without the prior approval of the Higher Education Funding Council for England.

Notes to the accounts

12 Tangible fixed assets (cont)

University

	Land & buildings £000	Assets under construction £000	Equipment £000	Total £000
<b>Cost or Valuation</b>				
At 1 August 2002:				
Valuation	26,744	0	0	26,744
Cost	66,452	9,756	11,188	87,396
Less disposals in year	0	0	(1,898)	(1,898)
Additions at cost	3,932	12,430	2,007	18,369
Transfers between accounts	5,882	(5,882)	0	0
At 31 July 2003:				
Valuation	<u>26,744</u>	<u>0</u>	<u>0</u>	<u>26,744</u>
Cost	<u>76,266</u>	<u>16,304</u>	<u>11,297</u>	<u>103,867</u>
<b>Depreciation</b>				
At 1 August 2002	19,293	0	6,670	25,963
Charge for the year	2,208	0	1,820	4,028
Eliminated in respect of disposals	0	0	(1,898)	(1,898)
At 31 July 2003	<u>21,501</u>	<u>0</u>	<u>6,592</u>	<u>28,093</u>
<b>Net book value at 31 July 2003</b>	<u>81,509</u>	<u>16,304</u>	<u>4,705</u>	<u>102,518</u>
Net book value at 31 July 2002	<u>73,903</u>	<u>9,756</u>	<u>4,518</u>	<u>88,177</u>
Inherited	24,380	0	0	24,380
Financed by capital grant	7,614	3,818	556	11,988
Other	49,515	12,486	4,149	66,150
<b>Net book value at 31 July 2003</b>	<u>81,509</u>	<u>16,304</u>	<u>4,705</u>	<u>102,518</u>

Notes to the accounts

	Group		University	
	2003 £000	2002 £000	2003 £000	2002 £000
<b>13 Fixed asset investments</b>				
Investment in CVCP Properties plc	33	33	33	33
Investment in associated companies	75	20	0	0
	<b>108</b>	<b>53</b>	<b>33</b>	<b>33</b>

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

Company	Holding	Nominal	Cost	% of issued shares
Ability Products Limited ( <i>development of medical instrumentation</i> )	5	£1	£5	50.0%
Cascade Fund Management Limited ( <i>provision of start-up finance</i> )	20	£1	£20	20.0%
Dynamic Extractions Limited ( <i>development of pharmaceutical processing equipment</i> )	224	20p	£35,000	24.9%
Extansys Limited ( <i>development of legacy system management software</i> )	5	£1	£5	25.0%
Polymus Ltd ( <i>development of plastic actuators</i> )	15	£1	£10,000	10%
R.T. Circuits Ltd ( <i>development of lithographic circuits</i> )	6,667	50p	£9,999	0.2%

**14 Endowment assets**

	Group and University	
At 1 August 2002	1,558	1,804
Additions/(reductions)	(23)	(246)
At 31 July 2003 in UK Government securities	<b>1,535</b>	<b>1,558</b>

**15 Stocks and work in progress**

	Group		University	
Stocks	81	68	66	68
Work in progress	2,023	1,613	2,023	1,598
	<b>2,104</b>	<b>1,681</b>	<b>2,089</b>	<b>1,666</b>

**16 Debtors**

	Group		University	
<b>Amounts falling due within one year:</b>				
Debtors	7,000	6,753	6,698	6,701
Loans	50	0	0	0
Amounts owed by group undertakings	0	0	1,944	475
Prepayments and accrued income	1,036	1,782	1,036	1,782
	<b>8,086</b>	<b>8,535</b>	<b>9,678</b>	<b>8,958</b>

**17 Current asset investments**

	Group and University	
U K Government securities	3,041	6,842
Eurosterling bonds	209	1,510
Floating rate notes	0	301
Certificates of Deposit	0	4,012
	<b>3,250</b>	<b>12,665</b>

**Notes to the accounts**

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

	Group		University	
	2003 £000	2002 £000	2003 £000	2002 £000
Bank loans	578	550	578	550
Overdrafts	2,048	1,845	2,000	1,845
Inherited liabilities	14	14	14	14
Trade creditors	5,404	6,197	4,939	6,126
Amounts due to group undertakings	0	0	541	574
Taxation and social security	1,403	1,284	1,403	1,249
Accruals and deferred income *	11,565	10,079	11,488	9,957
	<b>21,012</b>	<b>19,969</b>	<b>20,963</b>	<b>20,315</b>

\* includes a payment in advance of £5.4 million as a deposit on the purchase of Twickenham campus

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

Bank loans	13,690	14,302	13,690	14,302
Inherited liabilities	336	345	331	345
	<b>14,026</b>	<b>14,647</b>	<b>14,021</b>	<b>14,647</b>

**20 Borrowings**

Bank loans and overdrafts are repayable as follows:

In one year or less	2,626	2,395	2,578	2,395
Between one and two years	484	490	484	490
Between two and five years	1,652	1,551	1,652	1,551
After five years	11,554	12,260	11,554	12,260
	<b>16,316</b>	<b>16,696</b>	<b>16,268</b>	<b>16,696</b>

Inherited liabilities are repayable as follows:

In one year or less	14	14	14	14
Between one and two years	18	14	13	14
Between two and five years	33	38	33	38
After five years	285	293	285	293
	<b>350</b>	<b>359</b>	<b>345</b>	<b>359</b>

Bank loans, including mortgages, are secured on various freehold properties of the University which have an asset value of £17.65 million.

**Notes to the accounts**

**21 Provisions for liabilities and charges**

	Group and University		
	Pensions-related £000	Premature retirement £000	Total £000
At 31 July 2002	1,185	262	1,447
Utilised in the year	(69)	(262)	(331)
Charge to Income and Expenditure Account	73	0	73
At 31 July 2003	1,189	0	1,189

*All provisions relate to the University.*

**22 Deferred capital grants**

	Group and University		
	Funding councils £000	Other grants & benefactions £000	Total £000
At 1 August 2002:			
Land and buildings	7,086	913	7,999
Equipment	814	362	1,176
	7,900	1,275	9,175
Cash received:			
Land and buildings	2,845	0	2,845
Equipment	841	144	985
	3,686	144	3,830
Released to Income and Expenditure Account:			
Land and buildings	305	30	335
Equipment	225	313	538
	530	343	873
At 31 July 2003:			
Land and buildings	9,626	883	10,509
Equipment	1,430	193	1,623
	11,056	1,076	12,132

*All deferred capital grants relate to the University.*

**23 Endowments**

	Group and University		
	Specific £000	General £000	Total £000
At 1 August 2002	1,129	429	1,558
Additions	25	83	108
Investment income and appreciation	39	16	55
Release to Income and Expenditure Account	(137)	(49)	(186)
At 31 July 2003	1,056	479	1,535

**Notes to the accounts**

**23 Endowments (cont'd)**

	Group and University		
	Specific £000	General £000	Total £000
Scholarship funds	462		462
Chairs and lectureships funds	266		266
Prize funds	70		70
Other funds	258	479	737
<b>Total</b>	<b>1,056</b>	<b>479</b>	<b>1,535</b>

*All endowments relate to the University.*

**24 Revaluation reserve**

	Group £000	University £000
At 1 August 2002	23,956	23,956
Transfer to income and expenditure reserve in respect of depreciation on revalued assets	(311)	(311)
At 31 July 2003	<b>23,645</b>	<b>23,645</b>

**25 Income and expenditure reserve**

	Group £000	University £000
Surplus after depreciation of assets at valuation and taxation *	2,209	2,818
Release from revaluation reserve	311	311
Historical cost surplus after tax and minorities	2,520	3,129
Balance at 1 August 2002	43,259	43,164
Balance at 31 July 2003	<b>45,779</b>	<b>46,293</b>

\* The University's surplus for the year includes £340,914 in respect of income received for the assets transferred to Brunel University Services Limited

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

	2002-03 £000	2001-02 £000
Surplus/(deficit) after depreciation of assets at valuation:		
Continuing operations	2,201	1,345
Depreciation (Note 12)	4,028	4,200
Deferred capital grants released to income (Note 22)	(873)	(1,287)
Investment income (Note 5)	(614)	(849)
Interest payable (Note 8)	984	932
(Increase)/Decrease in stocks and work-in-progress (Note 15)	(423)	501
(Increase)/decrease in debtors (Note 16)	449	(10)
Increase in creditors (Note 18)	802	6,986
Increase/(decrease) in provisions (Note 21)	(258)	104
<b>Net cash inflow from operating activities</b>	<b>6,296</b>	<b>11,922</b>

**Notes to the accounts**

	2002-03 £000	2001-02 £000
<b>27 Returns on investments and servicing of finance</b>		
Income received from endowment asset investments (Note 23)	55	70
Income received from current asset investments (Note 5)	559	770
Interest paid (Note 8)	(984)	(1,202)
Net cash outflow from returns on investments and servicing of finance	<u>(370)</u>	<u>(362)</u>
<b>28 Capital expenditure and financial investment</b>		
Tangible fixed assets acquired (Note 12)	(19,252)	(15,505)
Fixed asset investment (acquired)/redeemed (Note 23)	(55)	(20)
Endowment asset investments (acquired)/liquidated (Note 23)	131	246
Deferred capital grants received (Note 22)	3,830	2,679
Endowments received (Note 23)	(108)	24
Net cash outflow from capital expenditure and financial investment	<u>(15,454)</u>	<u>(12,576)</u>
<b>29 Management of liquid resources</b>		
Sale of investments	9,477	2,076
Placing of deposits	(62)	(1,730)
Net cash inflow from management of liquid resources	<u>9,415</u>	<u>346</u>
<b>30 Financing</b>		
Debt due beyond a year: Capital repayments (Note 19)	592	627
Net cash outflow from financing	<u>592</u>	<u>627</u>

**Notes to the accounts**

**31 Analysis of changes in net funds**

	At 1 August £000	Cash flows £000	At 31 July £000
Cash at bank and in hand	1,328	(494)	834
Overdrafts	(1,846)	(203)	(2,049)
<b>Net cash</b>	<b>(518)</b>	<b>(697)</b>	<b>(1,215)</b>
Short-term investments:			
Endowment assets	1,558	(23)	1,535
Other	12,665	(9,415)	3,250
Debt due within one year	(550)	(28)	(578)
Debt due after one year	(14,646)	620	(14,026)
<b>Net funds</b>	<b>(1,491)</b>	<b>(9,543)</b>	<b>(11,034)</b>

**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 Pension Fund (LPFA) for other staff. The schemes are defined benefit schemes based on a final pensionable salary. The University also pays pension contributions into a personal defined contribution pension plan (at the same rate as USS contributions) on behalf of the Vice Chancellor.

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

	2002-03 £000	2001-02 £000
Contributions to USS	3,275	3,046
Contributions to TSS	394	329
Contributions to LPFA	1,043	919
Contributions to other pension schemes	58	5
Provision for ex-WLIHE pensions increases	73	81
<b>Total pension cost</b>	<b>4,843</b>	<b>4,380</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 1999 valuation has regard to the surplus disclosed, the benefit improvements introduced subsequent to the valuation, and the need to spread the surplus in a prudent manner over the future working lifetime of current scheme members.

**32 Pension schemes (cont'd)**

**SSAP 24**

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

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

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

**FRS 17**

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

***Teachers Pension Scheme***

TPS is an unfunded defined benefit scheme administered by the Teachers Pensions Agency in accordance with the Teachers' Superannuation (Consolidation) Regulations 1988.

Contributions on a 'pay-as-you-go' basis are paid to the Exchequer under arrangements governed by the Superannuation Act 1972.

**SSAP 24**

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

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

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

For the period 1 April 2002 to 31 March 2003, the employer contribution rate was 8.35% and from 1 April 2003 to date 13.5%.

**32 Pension schemes (cont'd)**

**FRS 17**

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

***London Pensions Fund Authority***

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

**SSAP 24**

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

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

**FRS 17**

The following information regarding the LPFA pension fund is based upon the full actuarial valuation of the fund as at 31 March 2001, rolled forward to 31 July 2003 by Hymans Robertson, an independent firm of actuaries. The major assumptions are:

	At 31 July '03	At 31 July '02
Inflation	2.6%	2.4%
Rate of increase in salaries	4.1%	3.9%
Rate of increase for pensions	2.6%	2.4%
Discount rate	6.2%	6.0%

**Notes to the accounts**

**32 Pension schemes (cont'd)**

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

The following amounts at 31 July 2003 were measured in accordance with the requirements of FRS 17:

	At 31 July '03 £000	At 31 July '02 £000
Estimated asset share	32,910	32,610
Present value of scheme liabilities	(44,240)	(40,951)
Present value of unfunded liabilities	<u>(30)</u>	<u>(14)</u>
Surplus / (Deficit) in the scheme	<u><u>(11,360)</u></u>	<u><u>(8,355)</u></u>

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

	At 31 July '03 £000	At 31 July '02 £000
<b>Net assets</b>		
Net assets excluding FRS 17 pension (liability) / asset	83,091	77,934
Net pension (liability) / asset	<u>(11,360)</u>	<u>(8,355)</u>
Net assets including FRS 17 pension (liability) / asset	<u><u>71,731</u></u>	<u><u>69,579</u></u>
<b>Income and expenditure (I&amp;E) reserve</b>		
I&E reserve excluding FRS 17 pension (liability) / asset	45,779	43,259
Pension reserve	<u>(11,360)</u>	<u>(8,355)</u>
I&E reserve including FRS 17 pension (liability) / asset	<u><u>34,419</u></u>	<u><u>34,904</u></u>

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

**Notes to the accounts**

**32 Pension schemes (cont'd)**

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

	Year ended 31 July 2003 £000
<b>Analysis of amount charged to income and expenditure account</b>	
Current service cost	1,440
Past service cost	50
Curtailments and Settlements	50
Total operating charge	<u>1,540</u>

**Analysis of net return on pension returns**

Expected return on pension scheme assets	2,490
Interest on pension liabilities	<u>(2,460)</u>
Net return	<u>30</u>

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

Actual return less expected return on pension scheme assets	(2,540)
Experience gains and losses arising on the scheme liabilities	(20)
Changes in assumptions underlying the present value of the scheme liabilities	<u>0</u>
Actuarial gain / (loss) recognised in STRGL	<u>(2,560)</u>

**Movement in surplus / (deficit) during the year**

Deficit in scheme at 1 August	(8,355)
Movement in year:	
Current service costs	(1,440)
Contributions	1,065
Past service costs	(50)
Impact of Curtailments and Settlements	(50)
Net return on assets	30
Actuarial gain / (loss)	<u>(2,560)</u>
Deficit in scheme at 31 July	<u>(11,360)</u>

**History of experience gains and losses**

Difference between the expected and actual return on assets	(2,540)
Value of Assets	32,910
Percentage of scheme assets	(7.7%)
Experience gains / (losses) on scheme liabilities	(20)
Present value of Liabilities	44,270
Percentage on the present value of liabilities	(0.0%)
Total amount recognised in STRGL	(2,560)
Present value of Liabilities	44,270
Percentage of the present value of scheme liabilities	(5.8%)

**Notes to the accounts**

**33 Post Balance Sheet Events**

On 1 October 2003 the University sold the Twickenham campus, although it will continue to occupy part of the site for another two years for a peppercorn rent. The net carrying value of the Twickenham site at 31 July 2003 was £12.71 million.

**34 Capital commitments**

**Consolidated and University**

	<b>2003</b>	2,002
	<b>£000</b>	£000
Commitments contracted for at 31 July	<u><b>14,877</b></u>	<u>1,440</u>

**35 Contingent liabilities**

A claim against the University has been made in the ordinary course of business. The University has sought legal advice, and it is not anticipated that any significant liability will be incurred. In view of the uncertainty, no financial provision has been made in these accounts as it is not considered practical to estimate the potential liability at this stage.

**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 2003, the University paid grant of £744,294 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)**

	<b>2002-03</b>	2001-02
	<b>£000</b>	£000
Balance brought forward at 1 August	77	28
Funding Council grants	741	717
Disbursed to students	<b>(775)</b>	<b>(582)</b>
Balance to return to HEFCE	<b>0</b>	<b>(86)</b>
Balance carried forward at 31 July	<u><b>43</b></u>	<u>77</u>

**Notes to the accounts**

<b>38 SSSS* hardship funds (TTA)</b>	<b>2002-03</b>	2001-02
	<b>£000</b>	£000
Balance brought forward at 1 August	<b>0</b>	0
Funding Council grants	<b>33</b>	73
Disbursed to students	<b>(33)</b>	<b>(73)</b>
Balance carried forward at 31 July	<b>0</b>	<b>0</b>

\* *Secondary Shortage Subject Scheme*

<b>39 Teacher Training Bursaries</b>	<b>2002-03</b>	2001-02
	<b>£000</b>	£000
Teacher Training Agency grant received	<b>1,682</b>	1,527
Disbursed to students	<b>(1,548)</b>	<b>(1,369)</b>
Balance due to / (from) Teacher Training Agency	<b>134</b>	<b>158</b>

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.

<b>40 SRB Challenge Fund - Executive Studio</b>	<b>2002-03</b>	2001-02
	<b>£000</b>	£000
London Development Agency funding	<b>0</b>	130
Grant payments to Executive Studio	<b>0</b>	<b>(130)</b>
	<b>0</b>	<b>0</b>

The University assumed the role of Accountable Body for the above scheme from 1st April 2001, for the final year of a five year programme. The previous Accountable Body was the West London Training and Enterprise Council.

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

**2003      2002      2001      2000      1999**  
 £000      £000      £000      £000      £000

**Income and expenditure account**

Funding Council grants	40,005	39,362	37,681	37,529	35,776
Tuition fees and education contracts	26,487	22,192	20,733	18,688	18,517
Research grants and contracts	9,076	9,523	7,645	7,304	8,320
Other income	16,906	16,795	16,354	14,829	15,005
Endowment and investment income	614	849	1,237	939	1,238
<b>Total income</b>	<b>93,088</b>	<b>88,721</b>	<b>83,650</b>	<b>79,289</b>	<b>78,856</b>
Staff costs	53,568	51,652	47,854	46,443	44,729
Restructuring costs	570	273	280	758	406
Other operating expenses	31,737	30,319	27,718	25,393	25,033
Depreciation	4,028	4,200	3,662	3,318	3,452
Interest payable	984	932	1,157	841	794
<b>Total expenditure</b>	<b>90,887</b>	<b>87,376</b>	<b>80,671</b>	<b>76,753</b>	<b>74,414</b>
<b>Surplus before tax and minorities</b>	<b>2,201</b>	<b>1,345</b>	<b>2,979</b>	<b>2,536</b>	<b>4,442</b>

**Balance Sheet**

Fixed assets	103,509	88,230	74,603	72,653	69,643
Endowment asset investments	1,535	1,558	1,804	1,628	1,634
Net current assets	(6,738)	4,240	15,616	15,770	10,617
Creditors: due after more than one year	(14,026)	(14,647)	(15,261)	(15,896)	(8,832)
Provisions for liabilities and charges	(1,189)	(1,447)	(1,343)	(1,509)	(2,193)
<b>Total net assets</b>	<b>83,091</b>	<b>77,934</b>	<b>75,419</b>	<b>72,646</b>	<b>70,869</b>
Deferred capital grants	12,132	9,175	7,724	8,106	8,893
Endowments	1,535	1,558	1,804	1,628	1,634
Revaluation reserve	23,645	23,956	24,266	24,575	24,766
Income and expenditure reserve	45,779	43,259	41,639	38,351	35,549
Minority interests	0	(14)	(14)	(14)	27
<b>Total funds</b>	<b>83,091</b>	<b>77,934</b>	<b>75,419</b>	<b>72,646</b>	<b>70,869</b>

**Key ratios**

External borrowings : General endowments plus Income and expenditure reserves

Brunel	0.35	0.38	0.38	0.41	0.25
England mean		0.50	0.48	0.45	0.45

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

Brunel	17	54	82	88	68
England mean		58	49	52	61

Current assets : Current liabilities

Brunel	0.68	1.21	2.20	2.42	1.86
England mean		1.24	1.34	1.42	1.48

Staff costs : Total expenditure (%)

Brunel	59.6	59.4	59.7	60.5	60.1
England mean		57.8	58.0	57.7	57.5

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

Brunel	2.4	1.5	3.6	3.2	5.6
England mean		0.8	0.4	1.9	1.7

**Brunel University**  
**Membership of Council during the 2002-03 year**

	Status of Appointment	Date appointed in-year	Date resigned in year	Committees Served
The Rt Hon. Lord Wakeham DL	Chancellor			
Dr H W Try CBE	Pro Chancellor		28/01/03	
Dr D Kingsmill	Pro Chancellor	01/04/03		
Professor S Schwartz	Vice-Chancellor and Principal			
Professor M Sarhadi	Vice-Principal			
Mr W Greaves	Independent Lay Member			Chair: Council, Finance Committee
Mr V Allport	Independent Lay Member			
Cllr M Cranfield-Adams	Independent Lay Member			
Ms R Davies	Independent Lay Member			
Cllr C Ellar	Independent Lay Member			
Mr J Ellwood	Independent Lay Member			Chair: Finance Committee
Mr J Fallow	Independent Lay Member			
Mr J S Flemming	Independent Lay Member			
Mr C H Glass	Independent Lay Member			
Mr J Grant	Independent Lay Member			
Cllr A Haas	Independent Lay Member			
Mr A Hall	Independent Lay Member		19/07/03	Finance Committee
Mr A Kilker	Independent Lay Member			Audit Committee
Revd. S Orchard	Independent Lay Member			Finance Committee
Dr D Payne	Independent Lay Member			
Mr B Rigby	Independent Lay Member			Finance Committee
Dr D Rimmer	Independent Lay Member			
Cllr J M Sheasby	Independent Lay Member			Chair: Audit Committee
Mr P M Smith	Independent Lay Member			
Mrs S Staples	Independent Lay Member			Finance Committee
Mr T A C Webb	Independent Lay Member			
Mrs R Wingrove	Independent Lay Member			Finance Committee
Professor W Balachandran	Appointed by Senate		31/08/02	Finance Committee
Professor A Choo	Appointed by Senate		31/08/02	
Professor L De Souza	Appointed by Senate			
Professor C Ioannidis	Appointed by Senate			Finance Committee
Professor A Irwin	Appointed by Senate			
Professor R Newbold	Appointed by Senate			
Professor A Olowofoyeku	Appointed by Senate	01/08/02		
Professor R Paul	Appointed by Senate			Finance Committee
Professor S Watts	Appointed by Senate	01/08/02		
Ms M Gallagher	Elected Academic Member			
Professor G Mitra	Elected Academic Member	01/08/02		
Dr J Newby	Elected Academic Member			
Mr T Watson	Elected Academic Member			
Mr S Finley	Student Members			Finance Committee
Ms A Bennett	Student Members			
Mr S Townley	Student Members			
Ms E Xinos	Student Members			

**Professional Advisers**

**Bankers**

HSBC Bank plc, Uxbridge

**Investment managers**

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

**Legal advisers**

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

**Indirect tax advisers**

Ellis Chapman & Associates,  
 Manchester

