



FINANCIAL STATEMENTS

2004 - 2005

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Brunel University

Annual financial report for the year ended 31 July 2005

Scope of the financial statements

The financial statements comprise the consolidated results of the University and its subsidiary undertakings. The University's subsidiary companies consist of Brunel University Services Limited (BUSL), Brunel University Enterprises Limited (BUEL) and Brunel Science Park Limited (BSPL). 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 trades 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, and also the management of the Science Park activity. BSPL is a dormant company.

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

	Number of shares held	Nominal value	Cost (£)	% of issued share capital
FlexnLok Limited	1	£1	1	100%
Learning Interactive Limited	49	£1	49	100%
Purebreathe Limited	1	£1	1	100%
Rheomatix Limited	100	£1	100	100%
Sprintink Limited	1	£1	1	100%
Synbiogen Limited	1	£1	1	100%

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 2005 are summarised as follows:-

	2004/05 £000	2003/04 £000
Income	109,403	101,742
Expenditure	(107,206)	(97,581)
Surplus before tax & minority interests	2,197	4,161
Taxation, sale of goodwill & minority interests	0	0
Surplus on disposal of assets	0	37,559
Surplus attributable to the group	2,197	41,720
Depreciation attributable to revaluations	169	169
Realisation of property revaluation gains	0	10,897
Historical cost surplus	2,366	52,786

Brunel University

Annual financial report (continued)

The Group's total income of £109.4 million grew by 7.5% compared with 9.3% in 2003/04, and the component elements of income and expenditure are shown in the Consolidated Income and Expenditure Account. Whilst the Group achieved a historical cost surplus of £2.37 million for the year, resulting in an accumulated income and expenditure reserve of £100.9 million, the operating surplus was £2.2 million (2%).

This represents a very good performance for the year, especially taking into account the pressures faced by the University in the pursuance of its strategy to become a research-led University.

The Group's total expenditure of £107.2 million increased by 9.8% compared with 7.4% in 2003/04. Staff costs increased by 8.5% overall, although this includes £915k restructuring costs (£707k in 2003/04).

Capital expenditure

Capital expenditure on land, buildings and equipment totalled £54.7 million for the year. The major additions related to a new Student Hall of Residence (£20m), the further development and refurbishment of the Uxbridge campus (£6m), Infrastructure works (£5m), the new Energy Centre (£4m), and the refurbishment of the Central Services Building (£5m).

Investment performance

Over the year to 31 July 2005, the medium-term portion of the University's investments under external management by Lazard Asset Management Ltd achieved a return of 3.16% against a return of 3.15% by the chosen benchmark (FTA UK Government under 5 Years). The shorter-term portion is now managed in house, and outperformed the chosen benchmarks of Average Base Rate (4.79% compared with 4.75%) and the Financial Times 7 day rate (4.79% compared with 4.69%). If overnight deposits are excluded, the return is 4.95%.

Borrowings

Student halls of residence are required to be self-financing. Whilst the Group did not need to borrow any additional funds in the year, it has negotiated a loan facility of £100 million to re-finance the existing loan plus the total anticipated construction costs of the remaining student halls of residence. Borrowing costs have been fixed through the use of a 40 year interest rate swap arrangement, and this will enable the University to set its rents for the student residences at the lowest possible levels.

Future Developments

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

J McGrath
Chair of Finance Committee

29 November 2005

Brunel University

Corporate Governance

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

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

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

The Council has adopted a risk management policy, and has identified where the principal management responsibility rests for risk management. The Council is of the view that an ongoing process for identifying, evaluating and managing the University's significant risks has been in place, and operating effectively, since 31 July 2003. A Risk Management Group has been established, whose responsibilities include the commissioning and ongoing maintenance of a risk management strategy, and the identification of the control strategy for each of the significant risks. The Risk Management Group provides to the Audit Committee reports on the progress in implementing the risk strategy, which in turn provides advice to the Council on the effectiveness of the policies, and also monitors the implementation of risk management. The University's internal auditor 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.

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 progress reports thereon and on the discharge of other Council responsibilities. 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 Review Committee and Honorary Degrees Committee. Each of these committees is formally constituted with terms of reference and includes lay members of Council. In the case of the Audit Committee, it is comprised entirely of lay members appointed by Council from amongst its members, and co-opted lay members appointed by Council. The Chair of Council is ex-officio on all Council and Joint Committees, except the Audit Committee.

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

Brunel University Corporate Governance (cont'd)

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

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

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

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

Council's responsibilities for the Financial Statements

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

The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and University. This enables it to ensure that the financial statements are prepared in accordance with the University's Royal Charter, the Statement of Recommended Practice - Accounting for Further and Higher Education 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, heads of academic, administrative and support departments;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular review of key performance indicators and business risks and of financial results involving variance reporting;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the University Council;
- comprehensive Financial Regulations, promoted by Finance Committee and adopted by Council;
- a professional internal audit service with a programme approved by the Audit Committee and whose head provides that committee with a report on internal audit activity that assists it in formulating its opinion on the effectiveness of the University's system of 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 financial statements on pages 12 to 33 which comprise the consolidated income and expenditure account, the balance sheets, the consolidated cash flow statement, the statement of total recognised gains and losses and the related notes which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out in the Statement of Accounting Policies.

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's Council and the auditors

The University's Council is responsible for preparing the financial statements. Our responsibilities as independent auditors are established by statute, the Auditing Practices Board, the Higher Education Funding Council for England, and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education. 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 University's statutes and, where appropriate, with the financial memorandum dated October 2003 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 Council Report is not consistent with the financial statements, if the University has not kept proper accounting records, the accounting records do not agree with the financial statements, or if we have not received all the information and explanations we require for our audit.

We have also, at the request of the Council, reviewed whether the statement on page 4 reflects the University's compliance with the relevant provisions of the Combined Code specified for our review in so far as they apply to the Higher Education sector, and we report if it does not. We are not required to consider whether the statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the University's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Members' Report, including the corporate governance statement, and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board and the 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, and 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 of the state of affairs of the University and the Group at 31 July 2005, and of the Group's surplus of income over expenditure, recognised gains and losses and cashflows for the year then ended, and are properly prepared in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education;
- ii. in all material respects, income from the Higher Education Funding Council for England, the Teacher Training Agency and the Learning and Skills Council, and grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2005 have been applied for the purposes for which they were received; and,
- iii. in all material respects, income received during the year ended 31 July 2005 has been applied in accordance with the University's Statutes and, where appropriate, with the financial memorandum dated October 2003 with the Higher Education Funding Council for England, the funding agreement with the Teacher Training Agency, and the funding agreement with the Learning and Skills Council.

KPMG LLP
Chartered Accountants and Registered Auditors
Birmingham

December 2005

Brunel University

Statement of principal accounting policies

Basis of preparation

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

Basis of accounting

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

Basis of consolidation

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

Recognition of income

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

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

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

Maintenance of premises

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

Foreign currency translation

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at year-end rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

Brunel University

Statement of principal accounting policies (continued)

Pension schemes

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

Tangible fixed assets

a Land and buildings

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

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

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

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

b Equipment

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

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

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

c Books

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

Brunel University

Statement of principal accounting policies (continued)

Leased assets

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

Investments

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

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

Stocks

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

Cash flows and liquid resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty. No investments, however liquid, are included as cash.

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

Provisions

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

Taxation status

The University is an exempt charity within the meaning of Schedule 2 to the Charities Act 1993 and as such is a charity within the meaning of Section 506(1) of the Taxes Act 1988. Accordingly the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes.

The University receives no similar exemption in respect of Value Added Tax (VAT). Irrecoverable VAT is included within the appropriate expenditure heading. The University's subsidiary companies are subject to Corporation Tax and VAT in the same way as any other commercial organisation.

Consolidated income and expenditure account for the year ended 31 July 2005

		2004-05 £000	2003-04 £000
Income			
Funding Council grants	1	45,979	42,944
Tuition fees and education contracts	2	31,107	28,129
Research grants and contracts	3	8,701	8,675
Other income	4	21,727	20,257
Endowment and investment income	5	1,889	1,737
Total income		<u>109,403</u>	<u>101,742</u>
Expenditure			
Staff costs	6	61,817	56,958
Other operating expenses	7	39,066	35,001
Depreciation	12	5,062	4,413
Interest payable	8	1,261	1,209
Total expenditure		<u>107,206</u>	<u>97,581</u>
Surplus on continuing operations after depreciation of fixed assets at valuation and before taxation		2,197	4,161
Surplus on disposal of assets	12	<u>0</u>	<u>37,559</u>
Surplus on continuing operations after depreciation of fixed assets at valuation and disposal of assets but before taxation		2,197	41,720
Taxation recoverable/(payable)	10	<u>0</u>	<u>0</u>
Surplus on continuing operations after depreciation of fixed assets at valuation, disposal of assets and taxation	11	2,197	41,720
Surplus for the year retained within general reserves		<u>2,197</u>	<u>41,720</u>

All results are from continuing operations.

Note of historical cost surplus for the year ended 31 July 2005

	Note	Group 2004-05 £000	Group 2003-04 £000
Surplus on continuing operations after depreciation of fixed assets at valuation and disposal of assets but before taxation		2,197	41,720
Difference between historical cost depreciation and the actual charge calculated on the revalued amount	24	169	169
Realisation of property revaluation gains of previous years	24	0	10,897
Historical cost surplus before taxation		<u>2,366</u>	<u>52,786</u>
Historical cost surplus after taxation		<u>2,366</u>	<u>52,786</u>

**Consolidated statement of total recognised gains and losses
for the year ended 31 July 2005**

		2004-05	2003-04
	Note	£000	£000
Surplus on continuing operations after depreciation of fixed assets at valuation, disposal of assets and taxation		2,197	41,720
Net income from endowments	23	(109)	(65)
Appreciation/(reduction) in endowment asset investment values	23	32	(77)
New endowments	23	143	377
		<hr/>	<hr/>
Total recognised gains relating to the year		2,263	41,955
		<hr/> <hr/>	<hr/> <hr/>
Reconciliation			
Opening reserves and endowments		112,914	70,959
Total recognised gains and losses for the year		2,263	41,955
		<hr/>	<hr/>
Closing reserves and endowments		115,177	112,914
		<hr/> <hr/>	<hr/> <hr/>

Balance sheets

as at 31 July 2005

	Note	Group		University	
		2005	2004	2005	2004
		£000	£000	£000	£000
Fixed assets					
Tangible fixed assets	12	168,359	118,688	159,697	112,665
Investments	13	98	108	33	33
		168,457	118,796	159,730	112,698
Endowment assets	14	1,836	1,770	1,836	1,770
Current assets					
Stock	15	86	80	71	65
Debtors	16	11,691	12,667	19,630	18,459
Investments	17	8,188	33,023	8,188	33,023
Cash at bank and in hand		4,182	10,152	4,172	10,052
		24,147	55,922	32,061	61,599
Creditors:					
amounts falling due within one year	18	(31,718)	(22,237)	(30,072)	(21,033)
Net current assets/(liabilities)		(7,571)	33,685	1,989	40,566
Total assets less current liabilities		162,722	154,251	163,555	155,034
Creditors:					
amounts falling due after more than one year	19	(22,784)	(23,032)	(22,779)	(23,027)
Provisions for liabilities and charges	21	(1,171)	(1,175)	(1,171)	(1,175)
Net assets		138,767	130,044	139,605	130,832
Deferred capital grants	22	23,590	17,130	23,590	17,130
Endowments					
Specific	23	1,272	977	1,272	977
General	23	564	793	564	793
		1,836	1,770	1,836	1,770
Reserves					
Revaluation reserve	24	12,410	12,579	12,410	12,579
Income and expenditure reserve	25	100,931	98,565	101,769	99,353
		113,341	111,144	114,179	111,932
Total funds		138,767	130,044	139,605	130,832

The financial statements on pages 9 to 33 were approved by the Council on 13 December 2005 and signed on its behalf by:

J Ellwood
Chair of Council

M Sarhadi
Acting Vice-Chancellor

T Holloway
Director of Finance

Consolidated cash flow statement
for the year ended 31 July 2005

	Note	2004-05 £000	2003-04 £000
Cash flow from operating activities	26	15,401	7,748
Returns on investments and servicing of finance	27	628	528
Taxation	10	0	0
Capital expenditure and financial investment	28	(46,661)	24,045
Management of liquid resources	29	24,861	(29,873)
Financing	30	(230)	8,901
(Decrease)/Increase in cash for the period	31	<u>(6,001)</u>	<u>11,349</u>

Reconciliation of net cash flow to movement in net debt

(Decrease)/Increase in cash for the period	31	(6,001)	11,349
Increase in endowment asset investments	31	34	312
Cash (inflow)/outflow from liquid resources	31	(24,861)	29,873
Cash used to decrease loans/(New loans)	31	230	(8,901)
Non-cash changes	31	58	(177)
Change in net (debt)/funds		<u>(30,540)</u>	<u>32,456</u>
Opening net debt at 1 August	31	21,422	(11,034)
Closing net (debt)/funds at 31 July	31	<u>(9,118)</u>	<u>21,422</u>

Notes to the accounts

	2004-05	2003-04
	£000	£000
1 Funding Council grants		
Recurrent grant		
Higher Education Funding Council for England	39,701	36,819
Teacher Training Agency	2,735	2,537
Learning and Skills Council	7	36
Specific grants (HEFCE)		
HE Reach out to Business & Community	25	211
Learning & teaching development	170	170
Rewarding & Developing Staff	214	1,426
Higher Education Innovation Fund	1,308	66
Joint Information Systems Committee	0	5
Other grants	354	384
Specific grants (TTA)		
Other grants	207	292
Specific grants (LSC)		
Other grants	0	0
Deferred capital grants released in year		
Buildings	761	528
Equipment	497	470
	45,979	42,944
2 Tuition fees and education contracts		
Full-time students charged home fees	11,464	11,483
Full-time students charged overseas fees	11,203	8,919
Part-time fees	2,614	2,402
Bench Fees	0	103
Research training support grants	10	14
Short course fees	581	243
NHS education contracts	5,235	4,965
	31,107	28,129
3 Research grants and contracts		
OST Research Councils	3,301	2,923
UK-based charities	439	809
UK central & local govt., health & hospital authorities	2,325	2,021
UK industry, commerce & public corporations	879	1,142
European Commission	1,218	1,297
EU other	42	60
Other overseas	66	122
Other sources	431	301
	8,701	8,675

Notes to the accounts

	2004-05	2003-04
	£000	£000
4 Other income		
Residences, catering and conferences	14,444	13,510
Science Park	613	726
Libraries	45	16
Sports Centre	563	645
Rent and room hire	341	455
Released from deferred capital grants	202	29
Other services rendered	737	935
Other income	4,782	3,941
	<u>21,727</u>	<u>20,257</u>

5 Endowment and investment income

Transferred from specific endowments	56	37
Income from general endowment asset investments	27	23
Income from current asset investments	1,806	1,677
	<u>1,889</u>	<u>1,737</u>

6 Staff numbers and costs

	Number	Number
Average staff numbers during the year by major category:		
Academic and hourly paid lecturers	866	863
Technical	80	85
Administrative & academic support	285	252
Other, including clerical and manual	1,006	971
	<u>2,237</u>	<u>2,171</u>

Staff numbers are based on headcount, and other staff numbers for 2004-05 include students recruited through the University's Job Shop.

	£000	£000
Staff costs for the above persons:		
Wages and salaries	50,606	46,795
Social security costs	4,397	4,007
Contributions to occupational pension schemes	5,899	5,449
Restructuring costs	915	707
	<u>61,817</u>	<u>56,958</u>

	£000	£000
Employment costs for staff on permanent contracts	60,902	40,735
Employment costs for staff on short-term contracts	0	15,516
Restructuring costs	915	707
	<u>61,817</u>	<u>56,958</u>

Notes to the accounts

6 Staff numbers and costs (cont'd)

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

	2004-05	2003-04
	£000	£000
Salary	166	156
Performance related pay	12	11
Cash equivalent benefit in kind (car)	10	10
Other benefits in kind (accommodation and private health insurance)	8	7
	<u>196</u>	<u>184</u>
Pension contributions	25	23
	<u>221</u>	<u>207</u>

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

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

	2004-05	2003-04
£70,000 - £79,999	26	20
£80,000 - £89,999	11	3
£90,000 - £99,999	3	4
£100,000 - £109,999	2	0
£110,000 - £119,999	1	3
£120,000 - £129,999	1	2
£130,000 - £139,999	1	0
£150,000 - £159,999	1	0

7 Other operating expenses

	2004-05	2003-04
	£000	£000
External staffing and services	3,910	3,212
I.T. expenditure (hardware and software not capitalised)	2,899	3,160
Equipment and furniture not capitalised	2,622	2,369
Books, periodicals and electronic resources	2,442	2,218
Fellowships, scholarships and prizes	2,823	2,599
Courses, conferences, travel and subsistence	3,516	2,780
Subscriptions and professional fees	2,706	1,991
Advertising	655	669
Consumables	1,007	1,078
Rent and rates	1,445	1,344

Notes to the accounts

	2004-05 £000	2003-04 £000
7 Other operating expenses (cont)		
Heat, light, power and water	2,279	1,860
Repairs and maintenance	4,361	3,884
Premises costs	2,022	2,005
Telephones and postage	818	993
Catering supplies	1,094	1,017
Grants to Union of Brunel Students	795	770
Auditors' remuneration - external audit *	51	66
- internal audit	45	53
Insurance	535	505
Contribution to provisions	1,703	809
Other expenditure	1,338	1,619
	<u>39,066</u>	<u>35,001</u>

*includes £47,210 in respect of the University (2003/04 £56,136)

8 Interest payable

Loans wholly repayable by instalments within five years	7	0
Loans wholly repayable by instalments after five years	1,254	1,209
	<u>1,261</u>	<u>1,209</u>

9 Analysis of 2004-05 expenditure by activity

	Staff costs £000	Other operating expenses £000	Dep'n £000	Interest payable £000	Total £000
Academic departments	34,687	7,928	632	0	43,247
Academic services	4,483	4,745	410	0	9,638
Research grants and contracts	4,569	3,937	142	0	8,648
Residences, catering, conferences & Science Park	4,305	6,760	1,148	1,251	13,464
Premises	3,540	7,495	2,400	0	13,435
Administration	6,276	4,077	280	7	10,640
Other services	3,957	4,124	50	3	8,134
Total per Income and Expenditure Account	<u>61,817</u>	<u>39,066</u>	<u>5,062</u>	<u>1,261</u>	<u>107,206</u>

The depreciation charge has been funded by:

Deferred capital grants released (Note 22)	1,603
Revaluation reserve released (Note 24)	169
General income	3,290
	<u>5,062</u>

10 Taxation

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

<u>0</u>	<u>0</u>
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11 Surplus on continuing operations

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

University surplus for the year	2,247	3,931
Surplus on sale of asset	0	37,559
Retained deficit generated by the subsidiary undertakings	(50)	(274)
Surplus generated by the subsidiary undertakings and transferred to the University by Gift Aid	0	504
	<u>2,197</u>	<u>41,720</u>

Notes to the accounts

12 Tangible fixed assets

Group

	Land & buildings £000	Assets under construction £000	Equipment £000	Total £000
Cost or Valuation				
At 1 August 2004:				
Valuation	14,435	0	0	14,435
Cost	95,367	27,178	9,614	132,159
Less disposals in year	0	0	0	0
Additions at cost	0	54,734	0	54,734
Transfers between accounts	24,897	(26,285)	1,388	0
At 31 July 2005:				
Valuation	<u>14,435</u>	<u>0</u>	<u>0</u>	<u>14,435</u>
Cost	<u>120,264</u>	<u>55,627</u>	<u>11,002</u>	<u>186,893</u>
Depreciation				
At 1 August 2004				
	22,238	0	5,668	27,906
Charge for the year	3,394	0	1,669	5,063
Eliminated in respect of disposals	0	0	0	0
At 31 July 2005				
	<u>25,632</u>	<u>0</u>	<u>7,337</u>	<u>32,969</u>
Net book value at 31 July 2005	<u>109,067</u>	<u>55,627</u>	<u>3,665</u>	<u>168,359</u>
Net book value at 1 August 2004	<u>87,564</u>	<u>27,178</u>	<u>3,946</u>	<u>118,688</u>
Inherited	12,410	0	0	12,410
Financed by capital grant	17,294	3,305	2,991	23,590
Other	79,363	52,322	674	132,359
Net book value at 31 July 2005	<u>109,067</u>	<u>55,627</u>	<u>3,665</u>	<u>168,359</u>

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

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

Land and buildings with net book value of £31.26 million have been financed by exchequer funds. It is a condition of funding imposed by the Secretary of State and the Treasury that no transaction involving these assets should be entered into without the prior approval of the Higher Education Funding Council for England.

Notes to the accounts

12 Tangible fixed assets (cont)

University

	Land & buildings £000	Assets under construction £000	Equipment £000	Total £000
Cost or Valuation				
At 1 August 2004:				
Valuation	14,435	0	0	14,435
Cost	95,367	21,155	9,614	126,136
Less disposals in year	0	0	0	0
Additions at cost	0	51,914	0	51,914
Transfers between accounts	16,054	(17,442)	1,388	0
At 31 July 2005:				
Valuation	<u>14,435</u>	<u>0</u>	<u>0</u>	<u>14,435</u>
Cost	<u>111,421</u>	<u>55,627</u>	<u>11,002</u>	<u>178,050</u>
Depreciation				
At 1 August 2004	22,238	0	5,668	27,906
Charge for the year	3,217	0	1,665	4,882
Eliminated in respect of disposals	0	0	0	0
At 31 July 2005	<u>25,455</u>	<u>0</u>	<u>7,333</u>	<u>32,788</u>
Net book value at 31 July 2005	<u>100,401</u>	<u>55,627</u>	<u>3,669</u>	<u>159,697</u>
Net book value at 1 August 2004	<u>87,564</u>	<u>21,155</u>	<u>3,946</u>	<u>112,665</u>
Inherited	12,410	0	0	12,410
Financed by capital grant	17,294	3,305	2,991	23,590
Other	<u>70,697</u>	<u>52,322</u>	<u>678</u>	<u>123,697</u>
Net book value at 31 July 2005	<u>100,401</u>	<u>55,627</u>	<u>3,669</u>	<u>159,697</u>

Notes to the accounts

	Group		University	
	2005 £000	2004 £000	2005 £000	2004 £000
13 Fixed asset investments				
Investment in CVCP Properties plc	33	33	33	33
Investment in associated companies	65	75	0	0
	98	108	33	33

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

Company	Number of shares held	Nominal value	Cost	% of issued share capital
Ability Products Limited (<i>development of medical instrumentation</i>)	5	£1	£5	50%
Active Fasteners Limited (<i>commercialisation of active disassembly technology</i>)	35	20p	£7	36.5%
Advanced Acoustic Emissions (<i>development of early fault detection</i>)	98	£1	£98	49%
BioRegional MiniMills (UK) Limited (<i>development of small scale clean technology</i>)	2	£1	£2	0.5%
Cascade Fund Management Limited (<i>provision of start-up finance</i>)	20	£1	£20	20%
Dynamic Extractions Limited (<i>development of pharmaceutical processing equipment</i>)	224	20p	£35,000	24.9%
Extansys Limited (<i>development of legacy system management software</i>)	24	£1	£24	30.4%
ForceSenSys (<i>development of multi-beam resonating sensor technology</i>)	1	£1	£1	50%
Lifelab Innovations Limited (<i>development of technology in respiratory physiology</i>)	27	£1	£20,000	25.2%
Performance Brunel (<i>development of analysis of sporting performance</i>)	13	£1	£13	41.94%
Polymus Ltd (<i>development of plastic actuators</i>)	15	£1	£10,000	10%
R.T. Circuits Ltd (<i>development of lithographic circuits</i>) (see Note)	6,667	50p	£0	0.2%

Note: R.T. Circuits Ltd is in liquidation and the shares cost £9,999

14 Endowment assets

	Group and University	
	2005 £000	2004 £000
Valuation at 1 August 2004	1,770	1,535
Additions	226	437
Disposals	(192)	(125)
Increase/(Reduction) in endowment asset investment values	32	(77)
Valuation at 31 July 2005	1,836	1,770

Endowment asset investments are stated net of impairment of £45,340.

15 Stock

	Group		University	
	2005 £000	2004 £000	2005 £000	2004 £000
Stock	86	80	71	65

Accrued income in respect of Research projects is shown in Note 16 - Prepayments and accrued income. The amounts for the Group and University are £1.774 million for 2005 and £1.763 million for 2004.

16 Debtors

	Group		University	
	2005 £000	2004 £000	2005 £000	2004 £000
Amounts falling due within one year:				
Debtors	7,765	8,997	6,794	8,496
Taxation and social security	0	476	0	476
Amounts owed by group undertakings	0	0	9,197	6,353
Prepayments and accrued income	3,754	3,127	3,639	3,127
	11,519	12,600	19,630	18,452
Amounts falling due after one year:				
Loans	172	67	0	7
	11,691	12,667	19,630	18,459

17 Current asset investments

	Group and University	
	2005 £000	2004 £000
U K Government securities	2,990	2,425
Eurosterling bonds	198	198
Certificates of Deposit	0	1,500
Money market deposits	5,000	28,900
	8,188	33,023

Current asset investments are stated net of impairment of £73,828.

Notes to the accounts

18 Creditors: amounts falling due within one year

	Group		University	
	2005 £000	2004 £000	2005 £000	2004 £000
Bank loans	491	473	491	473
Overdrafts	49	18	0	0
Inherited liabilities	0	0	0	0
Trade creditors	14,582	9,612	13,277	8,404
Amounts due to group undertakings	0	0	0	43
Taxation and social security	44	1,331	22	1,331
Accruals and deferred income *	16,552	10,803	16,282	10,782
	31,718	22,237	30,072	21,033

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

19 Creditors: amounts falling due after more than one year

Bank loans	22,657	23,027	22,657	23,027
Other loans	122	0	122	0
Inherited liabilities	5	5	0	0
	22,784	23,032	22,779	23,027

20 Borrowings

Bank loans and overdrafts are repayable as follows:

In one year or less	540	473	491	473
Between one and two years	517	498	517	498
Between two and five years	1,723	1,657	1,723	1,657
After five years	20,417	20,872	20,417	20,872
	23,197	23,500	23,148	23,500

Inherited liabilities are repayable as follows:

In one year or less	0	0	0	0
Between one and two years	5	5	0	0
Between two and five years	0	0	0	0
After five years	0	0	0	0
	5	5	0	0

Bank loans, including mortgages, are secured on various freehold properties of the University which have an asset value of £19.76 million.

Notes to the accounts

21 Provisions for liabilities and charges

	Group and University
	Pensions- related £000
At 1 August 2004	1,175
Expenditure in the year	(69)
Transferred from income and expenditure account	65
At 31 July 2005	<u>1,171</u>

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 2004:			
Land and buildings	12,099	1,104	13,203
Equipment	3,721	206	3,927
	<u>15,820</u>	<u>1,310</u>	<u>17,130</u>
Cash received:			
Land and buildings	5,130	1,800	6,930
Equipment	999	134	1,133
	<u>6,129</u>	<u>1,934</u>	<u>8,063</u>
Released to Income and Expenditure Account:			
Land and buildings	761	201	962
Equipment	497	144	641
	<u>1,258</u>	<u>345</u>	<u>1,603</u>
At 31 July 2005:			
Land and buildings	16,468	2,703	19,171
Equipment	4,223	196	4,419
	<u>20,691</u>	<u>2,899</u>	<u>23,590</u>

All deferred capital grants relate to the University.

23 Endowments

	Group and University		
	Specific £000	General £000	Total £000
At 1 August 2004	977	793	1,770
Additions	131	12	143
Transfers	217	(217)	0
Increase in endowment asset investment values	22	10	32
Investment income and appreciation	56	27	83
Release to Income and Expenditure Account	(131)	(61)	(192)
At 31 July 2005	<u>1,272</u>	<u>564</u>	<u>1,836</u>

Notes to the accounts

23 Endowments (cont'd)

	Group and University		
	Specific £000	General £000	Total £000
Scholarship funds	609	0	609
Chairs and lectureships funds	167	0	167
Prize funds	83	0	83
Other funds	413	564	977
Total	1,272	564	1,836

All endowments relate to the University.

24 Revaluation reserve

	Group £000	University £000
At 1 August 2004	12,579	12,579
Eliminated in respect of disposal	0	0
Transfer to income and expenditure reserve in respect of depreciation on revalued assets	(169)	(169)
At 31 July 2005	12,410	12,410

25 Income and expenditure reserve

	Group £000	University £000
Surplus after depreciation of assets at valuation and taxation	2,197	2,247
Release from revaluation reserve	169	169
Historical cost surplus after tax and minorities	2,366	2,416
Balance at 1 August 2004	98,565	99,353
Balance at 31 July 2005	100,931	101,769

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

	2004-05 £000	2003-04 £000
Surplus after depreciation of assets at valuation:		
Continuing operations	2,197	41,720
Depreciation (Note 12)	5,063	4,413
Deferred capital grants released to income (Note 22)	(1,603)	(1,188)
Surplus on disposal of tangible fixed asset (Note 12)	0	(37,559)
Investment income (Note 5)	(1,889)	(1,737)
Interest payable (Note 8)	1,261	1,209
(Increase)/Decrease in stocks (Note 15)	(6)	1
Decrease/(Increase) in debtors (Note 16)	976	(2,558)
Increase in creditors (Note 18)	9,432	3,361
Decrease in provisions (Note 21)	(4)	(14)
Current asset investment (appreciation)/impairment	(26)	100
Net cash inflow from operating activities	15,401	7,748

Notes to the accounts

	2004-05	2003-04
	£000	£000
27 Returns on investments and servicing of finance		
Income received from endowment asset investments (Note 5)	83	60
Income received from current asset investments (Note 5)	1,806	1,677
Interest paid (Note 8)	(1,261)	(1,209)
Net cash inflow from returns on investments and servicing of finance	628	528
28 Capital expenditure and financial investment		
Tangible fixed assets acquired (Note 12)	(54,734)	(32,543)
Proceeds on disposal of tangible fixed assets (Note 12)	0	50,402
Fixed asset investment (acquired)/redeemed (Note 13)	10	0
Payments to acquire endowment assets (Note 23)	(143)	(377)
Deferred capital grants received (Note 22)	8,063	6,186
Endowments received (Note 23)	143	377
Net cash (outflow)/inflow from capital expenditure and financial investment	(46,661)	24,045
29 Management of liquid resources		
Sale of investments	961	541
Withdrawals from deposits	23,900	0
Placing of deposits	0	(30,414)
Net cash inflow/(outflow) from management of liquid resources	24,861	(29,873)
30 Financing		
Debt due beyond a year:		
New loans (Notes 18 and 19)	122	9,548
Capital repayments (Notes 18 and 19)	(352)	(647)
Net cash (outflow)/inflow from financing	(230)	8,901

Notes to the accounts

31 Analysis of changes in net funds

	At 1 August £000	Cash flows £000	Other changes £000	At 31 July £000
Cash at bank and in hand	10,152	(5,970)	0	4,182
Overdrafts	(18)	(31)	0	(49)
Net cash	10,134	(6,001)	0	4,133
Short-term investments:				
Endowment asset investments	1,770	34	32	1,836
Other	33,023	(24,861)	26	8,188
Debt due within one year	(473)	(18)	0	(491)
Debt due after one year	(23,032)	248	0	(22,784)
Net funds	21,422	(30,598)	58	(9,118)

32 Pension schemes

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

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

	2004-05 £000	2003-04 £000
Contributions to USS	4,007	3,565
Contributions to TSS	496	470
Contributions to LPFA	1,166	1,176
Contributions to other pension schemes	161	159
Provision for ex-WLIHE pensions increases	69	79
Total pension cost	5,899	5,449

Universities Superannuation Scheme

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

32 Pension schemes (cont'd)

SSAP 24

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

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

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

FRS 17

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

Teachers Pension Scheme

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

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

SSAP 24

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

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

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

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

32 Pension schemes (cont'd)

FRS 17

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

London Pensions Fund Authority Pension Scheme (LPFA)

The University participates as an Admitted Body in the LPFA which is administered in accordance with the Local Government Pensions Scheme Regulations 1997. The fund is valued every three years by actuaries, and the projected unit method is used in respect of the Active Sub-Fund in which the University participates. Each participating employer has their own contribution rate reflecting its long term future service rate, adjusted for the funding level in respect of past service. For the year ended 31 July 2005, the employer's contribution rate was 9.8%, the employee's rate was 6%, the employer's contributions were £1.17 million and the employees' contributions were £0.67 million.

SSAP 24

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

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

FRS 17

The following information regarding the LPFA is based upon the full actuarial valuation of the fund as at 31 March 2001, rolled forward to 31 July 2005 by Hymans Robertson, an independent firm of actuaries. The major assumptions are:

	At 31 July '05	At 31 July '04	At 31 July '03
Inflation	2.8%	2.9%	2.6%
Rate of increase in salaries	4.3%	4.4%	4.1%
Rate of increase for pensions	2.8%	2.9%	2.6%
Discount rate	5.0%	6.5%	6.2%

32 Pension schemes (cont'd)

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

	At 31 July '05		At 31 July '04		At 31 July '03	
	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	7.3%	29,960	7.9%	28,047	8.0%	26,892
Bonds	4.7%	3,662	5.4%	4,090	5.0%	4,338
Property	5.4%	2,579	6.7%	2,697	6.0%	1,681
Cash	4.5%	1,777	4.5%	449	3.5%	0
Total market value of assets		<u>37,978</u>		<u>35,283</u>		<u>32,911</u>

The following amounts at 31 July 2005 were measured in accordance with the requirements of FRS 17:

	At 31 July '05 £000	At 31 July '04 £000	At 31 July '03 £000
Estimated asset share	37,978	35,283	32,910
Present value of scheme liabilities	(56,897)	(47,360)	(44,240)
Present value of unfunded liabilities	(29)	(52)	(30)
Deficit in the scheme	<u>(18,948)</u>	<u>(12,129)</u>	<u>(11,360)</u>

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

	At 31 July '05 £000	At 31 July '04 £000	At 31 July '03 £000
Net assets			
Net assets excluding FRS 17 pension (liability) / asset	138,767	130,044	83,091
Net pension (liability) / asset	(18,948)	(12,129)	(11,360)
Net assets including FRS 17 pension (liability) / asset	<u>119,819</u>	<u>117,915</u>	<u>71,731</u>
Income and expenditure (I&E) reserve			
I&E reserve excluding FRS 17 pension (liability) / asset	100,931	98,565	45,779
Pension reserve	(18,948)	(12,129)	(11,360)
I&E reserve including FRS 17 pension (liability) / asset	<u>81,983</u>	<u>86,436</u>	<u>34,419</u>

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

Notes to the accounts

32 Pension schemes (cont'd)

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

	Year ended 31 July 2005 £000	Year ended 31 July 2004 £000	Year ended 31 July 2003 £000
Analysis of amount charged to income and expenditure account			
Current service cost	1,628	1,431	1,440
Past service cost	6	45	50
Curtailments and Settlements	61	89	50
Total operating charge	<u>1,695</u>	<u>1,565</u>	<u>1,540</u>
Analysis of net return on pension scheme			
Expected return on pension scheme assets	2,622	2,464	2,490
Interest on pension liabilities	(2,756)	(2,762)	(2,460)
Net return	<u>(134)</u>	<u>(298)</u>	<u>30</u>
Analysis of amounts recognised in statement of total gains and losses (STRGL)			
Actual return less expected return on pension scheme assets	3,972	21	(2,540)
Experience gains and losses arising on the scheme liabilities	693	66	(20)
Changes in assumptions underlying the present value of the scheme liabilities	(10,791)	(67)	0
Actuarial gain/(loss) recognised in STRGL	<u>(6,126)</u>	<u>20</u>	<u>(2,560)</u>
Movement in deficit during the year			
Deficit in scheme at 1 August	(12,128)	(11,360)	(8,355)
Movement in year:			
Current service costs	(1,628)	(1,431)	(1,440)
Contributions	1,132	1,070	1,065
Contributions in respect of Unfunded Benefits	3	5	0
Past service costs	(6)	(45)	(50)
Impact of Curtailments and Settlements	(61)	(89)	(50)
Net return on assets	(134)	(298)	30
Actuarial (loss)/gain	(6,126)	20	(2,560)
Deficit in scheme at 31 July	<u>(18,948)</u>	<u>(12,128)</u>	<u>(11,360)</u>
History of experience gains and losses			
Difference between the expected and actual return on assets	3,972	21	(2,540)
Value of Assets	37,978	35,283	32,910
Percentage of scheme assets	10.5%	0.1%	(7.7%)
Experience gains/(losses) on scheme liabilities	693	66	(20)
Present value of Liabilities	56,926	47,411	44,270
Percentage of the present value of scheme liabilities	1.2%	0.1%	(0.1%)
Total amount recognised in STRGL	(6,126)	20	(2,560)
Present value of Liabilities	56,926	47,411	44,270
Percentage of the present value of scheme liabilities	(10.8%)	0.0%	(5.8%)

Notes to the accounts

33 Post Balance Sheet Events

On 20 February 2004 the University agreed to sell at a future date the Osterley campus, although it will continue to occupy the site until 1 November 2006. The net carrying value of the Osterley site at 31 July 2005 was £13.9 million. An advance payment of £3 million has been received in connection with this sale.

34 Capital commitments

Consolidated and University

	2005	2004
	£000	£000
Commitments contracted for at 31 July	<u>52,737</u>	<u>10,400</u>

35 Contingent liabilities

A claim against the University has been made in the ordinary course of business. The University has received legal advice that it has a very strong case to defend the claim and, as a consequence, no financial provision has been made in these accounts. It is considered that if the University were to be unsuccessful in its defence of the claim, the costs to be incurred could be in the region of £3 million.

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 2005, the University paid a grant of £795,100 to the Union, and provided the Union with accommodation on all campuses free of rent and most other occupancy costs.

37 Access and hardship funds (HEFCE)

2004-05

2003-04

	£000	£000
Balance brought forward at 1 August	5	43
Funding Council grants	633	735
Disbursed to students	(549)	(773)
Balance carried forward at 31 July	<u>89</u>	<u>5</u>

Notes to the accounts

38 SSSS* hardship funds (TTA)	2004-05	2003-04
	£000	£000
Balance brought forward at 1 August	(1)	0
Funding Council grants	31	57
Disbursed to students	(30)	(58)
Balance carried forward at 31 July	<u>0</u>	<u>(1)</u>

* *Secondary Shortage Subject Scheme*

39 Teacher Training Bursaries	2004-05	2003-04
	£000	£000
Teacher Training Agency grant received	2,160	1,989
Disbursed to students	(2,007)	(1,790)
Balance due to Teacher Training Agency	<u>153</u>	<u>199</u>

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

40 Financial Commitments

At 31 July 2005, the University had annual commitments under non-cancellable operating leases as follows:

	2004-05	2003-04
	£000	£000
Within one year	1,453	1,227
Within two to five years	295	31
After five years	<u>0</u>	<u>0</u>
	<u>1,748</u>	<u>1,258</u>

Brunel University

5 year summary of consolidated financial statements (unaudited)

2005 **2004** **2003** **2002** **2001**
 £000 £000 £000 £000 £000

Income and expenditure account

Funding Council grants	45,979	42,944	40,005	39,362	37,681
Tuition fees and education contracts	31,107	28,129	26,487	22,192	20,733
Research grants and contracts	8,701	8,675	9,076	9,523	7,645
Other income	21,727	20,257	16,906	16,795	16,354
Endowment and investment income	1,889	1,737	614	849	1,237
Total income	109,403	101,742	93,088	88,721	83,650
Staff costs	60,902	56,251	53,568	51,652	47,854
Restructuring costs	915	707	570	273	280
Other operating expenses	39,066	35,001	31,737	30,319	27,718
Depreciation	5,062	4,413	4,028	4,200	3,662
Interest payable	1,261	1,209	984	932	1,157
Total expenditure	107,206	97,581	90,887	87,376	80,671
Operating surplus before tax and minorities	2,197	4,161	2,201	1,345	2,979
Surplus on sale of assets	0	37,559	0	0	0
Realisation of property revaluation gains	0	10,897	0	0	0

Balance Sheet

Fixed assets	168,457	118,796	103,509	88,230	74,603
Endowment asset investments	1,836	1,770	1,535	1,558	1,804
Net current assets	(7,571)	33,685	(6,738)	4,240	15,616
Creditors: due after more than one year	(22,784)	(23,032)	(14,026)	(14,647)	(15,261)
Provisions for liabilities and charges	(1,171)	(1,175)	(1,189)	(1,558)	(1,343)
Total net assets	138,767	130,044	83,091	77,823	75,419
Deferred capital grants	23,590	17,130	12,132	9,175	7,724
Endowments	1,836	1,770	1,535	1,558	1,804
Revaluation reserve	12,410	12,579	23,645	23,956	24,266
Income and expenditure reserve	100,931	98,565	45,779	43,259	41,639
Minority interests	0	0	0	(14)	(14)
Total funds	138,767	130,044	83,091	77,934	75,419

Key ratios

External borrowings : General endowments plus Income and expenditure reserves

Brunel	0.23	0.24	0.35	0.38	0.38
England mean		0.50	0.51	0.50	0.48

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

Brunel	44	169	17	54	82
England mean		65	63	58	49

Current assets : Current liabilities

Brunel	0.76	2.51	0.68	1.21	2.20
England mean		1.27	1.24	1.24	1.34

Staff costs : Total expenditure (%)

Brunel	57.7	58.4	59.6	59.4	59.7
England mean		58.2	58.4	57.8	58.0

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

Brunel	2.0	4.1	2.4	1.5	3.6
England mean		2.4	1.7	0.8	0.4

Brunel University
Membership of Council during the 2004-05 year

	Status of Appointment	Date appointed in-year	Date resigned in year	Committees Served
The Rt Hon. Lord Wakeham DL	Chancellor			
Dr D Kingsmill	Pro Chancellor			Remuneration Committee, Nominations Committee
Professor S Schwartz	Vice-Chancellor and Principal			
Professor M Sarhadi	Vice-Principal			
Mr J Ellwood	Independent Lay Member			Chair: Council, Chair: Nominations Committee, Chair: Remuneration Committee, Finance Committee
Mr V Allport	Independent Lay Member			
Cllr R Cadbury	Independent Lay Member			
Cllr M Cranfield-Adams	Independent Lay Member			
Mr J Fallow	Independent Lay Member			
Mr W Greaves	Independent Lay Member			
Cllr A Haas	Independent Lay Member			
Mr A Kilkerr	Independent Lay Member			Audit Committee
Mr R Lougee	Independent Lay Member	26.10.04		Audit Committee
Dr J McGrath	Independent Lay Member			Chair: Finance Committee, Remuneration Committee
Mr J Mitchell	Independent Lay Member	01.02.05		
Dr J Murphy	Independent Lay Member			
Revd. S Orchard	Independent Lay Member			Finance Committee
Dr D Payne	Independent Lay Member			
Dr D Rimmer	Independent Lay Member			
Cllr G J Samuel	Independent Lay Member	16.03.05		
Mr J M Sheasby	Independent Lay Member			Chair: Audit Committee
Mr P M Smith	Independent Lay Member			
Mrs S Staples	Independent Lay Member			Finance Committee
Mr T A C Webb	Independent Lay Member			Finance Committee, Nominations Committee
Mrs R Wingrove	Independent Lay Member			Finance Committee
Dr S Benson	Appointed by Senate		26.10.04	
Professor L De Souza	Appointed by Senate			Finance Committee
Professor D Lloyd	Appointed by Senate	26.10.04		
Professor M Irving	Appointed by Senate	26.10.04		
Professor R Macredie	Appointed by Senate	26.10.04		
Professor A Olowofoyeku	Appointed by Senate			
Professor R Paul	Appointed by Senate		26.10.04	Finance Committee
Dr M Rand-Weaver	Appointed by Senate	26.10.04		
Professor S Tassou	Appointed by Senate	26.10.04		Finance Committee
Professor S Watts	Appointed by Senate		26.10.04	
Ms M Gallagher	Elected Academic Member			
Professor K Darby-Dowman	Elected Academic Member	26.10.04		
Dr M Reed	Elected Academic Member	26.10.04		
Mr T Watson	Elected Academic Member			
Mr B Milliken	Student Member			Finance Committee
Ms S Batt	Student Member			
Mr J Singh-Sohal	Student Member			
Mr H Patel	Student Member			

Professional Advisers

Bankers

HSBC Bank plc, Uxbridge

External auditors

KPMG LLP, Birmingham

Investment managers

Lazard Asset Management Ltd, London

Legal advisers

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

Indirect tax advisers

Ellis Chapman & Associates,
Manchester