

Financial Statements
Year ended 31 July 2004

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Financial highlights

Results

During the year to 31 July 2004 (2003 figures are bracketed) the University Group:

- Ø Generated turnover of £111 million (£99 million)
- Ø Generated an operating surplus of £0.4 million (£1 million deficit)
- Ø Generated an historical cost surplus of £4.6 million (£0.4 million)
- Ø Increased income by £12.2 million, or 12% (£8.1 million)
- Ø Increased expenditure by £10.6 million, or 11% (£5.9 million)
- Ø Generated a net inflow of cash from operating activities of £8.9 million (£1.8 million inflow)
- Ø Generated a profit on sale of assets of £1.9 million (£0.4 million)
- Ø Spent 56% (58%) of income on payroll costs

Financial strength

At the balance sheet date the University Group had:

- Ø Cash and short-term deposits of £10.1 million (£1.6 million)
- Ø Net current liabilities of £0.8 million (£5.6 million)
- Ø Total net assets of £90.7 million (£86.6 million)

Investments and borrowings

During the year the University Group:

- Ø Invested £10.0 million in acquiring tangible fixed assets (£24.9 million)
- Ø Increased borrowing by £3.1 million (£17.1 million)
- Ø Raised cash through asset sales of £5.4 million (£0.6 million)

Staff and students

During the year the University Group:

- Ø Employed 2,679 members of staff (2,797)
- Ø Taught directly or through collaborative provision and distance learning higher education students, analysed as follows:

	Full-time	Other	2003-04 Total	2002-03 Total	Increase/ (Decrease)
Home/EU					
Undergraduate	8,862	2,522	11,384	11,091	3%
Postgraduate	1,345	2,815	4,160	5,134	(19)%
International					
Undergraduate	1,275	200	1,475	1,295	14%
Postgraduate	687	234	921	964	(5)%
2003-04 Total HE students	12,169	5,771	17,940	18,484	(3)%
2002-03 Totals	11,669	6,815	18,484		
Increase/(Decrease)	4%	(15)%	(3)%		

Board of Governors

The membership of the Board for the year ended 31 July 2004 was as follows:

Independent members

Danby Bloch (Chair to 2 July 2004)	Director, Taxbriefs Limited
Neil Ashley	Chairman of a number of public companies
Lorna Beckford	International Diversity Consultant
Angela Coulter	Chief Executive, Picker Institute Europe
Margaret Dawes (to 17 October 2003)	Retired partner of KPMG
Geoff Donnelly	Self-employed management consultant
Jill Judson (from 5 December 2003)	Headteacher, Cherwell School
David Lewis (to 5 December 2003)	Senior partner, Norton Rose
Susan Purves	Vice President, Human Resources, Astra Zeneca Limited
Tim Stevenson (Chair from 2 July 2004)	Chairman of Travis Perkins plc
Martin Wilkinson	Self-employed financial and management consultant

Co-opted members

Amy Hind (from 5 December 2003)	President of the Students' Union
Tom Nuttall (to 5 December 2003)	President of the Students' Union
Graham Badman (to 5 December 2003)	Strategic Director of Finance and Legal Services, Kent County Council
Ann Black	Elected representative of the non-teaching staff Senior analyst/programmer, Directorate of Learning Resources
David Deeks (to 5 December 2003)	Co-ordinating Secretary for the Methodist Church
Shereen Karmali	Oxfordshire County Councillor
Robert Langridge	Elected representative of the teaching staff Lecturer in Planning, School of Built Environment
Frances Young (from 5 December 2003)	Co-ordinating Secretary for the Methodist Church

Ex officio

Professor Graham Upton	Vice-Chancellor, Oxford Brookes University
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Finance and Resources Committee

Danby Bloch (Chair)	Governor
Angela Coulter	Governor
Margaret Dawes (to 17 October 2003)	Retired partner of KPMG
Geoff Donnelly (from 17 October 2003)	Governor
Tim Stevenson	Governor
Martin Wilkinson (Deputy Chair)	Governor

Audit Committee

Neil Ashley (Chair)	Governor
Stephen Dexter (Deputy Chair)	Partner, Grant Thornton
William Alden	Managing Director, The Alden Group
Graham Badman (to 17 October 2003)	Strategic Director of Finance and Legal Services, Kent County Council
David Shelmerdine	Managing Director of Central England Audit & Consultancy
Ray Mackie	Chairman of Universe Group plc
Robert Langridge	Governor
Shereen Karmali (from 17 October 2003)	Governor

Remuneration Committee

Danby Bloch (Chair)	Governor
Margaret Dawes (to 17 October 2003)	Retired partner of KPMG
Shereen Karmali	Governor
Professor Graham Upton	Vice-Chancellor and Governor
Tim Stevenson	Governor
Susan Purves (from 17 October 2003)	Governor

Employment Committee

Danby Bloch (Chair)	Governor
Graham Badman (to 17 October 2003)	Strategic Director of Finance and Legal Services, Kent County Council
Shereen Karmali	Governor
Susan Purves	Governor
Lorna Beckford	Governor
Martin Wilkinson	Governor

Senior Management Team

Professor Graham Upton	Vice-Chancellor
Professor Linda Challis	Deputy Vice-Chancellor, Academic Affairs
Rex Knight	Deputy Vice-Chancellor and Registrar
Professor Susan McRae	Pro Vice-Chancellor, Research
Professor Howard Colley	Pro Vice-Chancellor, Academic Development

Advisors

Bankers	Barclays Bank plc Oxford Corporate Banking Centre PO Box 858 11 West Way Oxford OX2 0XP
External Auditors	Blueprint Audit Limited Clifton House Bunnian Place Basingstoke Hampshire RG21 7JE
Internal Auditors	KPMG 2 Cornwall Street Birmingham B3 2DL

Report of the Board of Governors for the year ended 31 July 2004

Period of accounts

The Board of Governors of Oxford Brookes University presents its results, including the results of its subsidiaries and associated companies, for the year ended 31 July 2004.

Financial review

During the year the University has made excellent progress in implementing the strategies that were agreed towards the end of 2003. The agreed strategies are intended to place the University firmly on the path of transition from the best 'new' university to being one of the best universities.

One of the University's eight key objectives is to be 'financially self-sustaining', and we are pleased to report that the University's performance in 2003-04 puts the University on track to achieve this.

We are delighted to report a historical cost surplus for 2003-04 of £4.6 million. In 2001-02 the University incurred its first ever historical cost deficit, in 2002-03 we reported a return to generating surpluses at the modest level of £354,000, but this was nevertheless pleasing as it was achieved against an original forecast of a deficit for the year. The results for 2003-04 continue the trend of a strong and improving financial performance that is well ahead of the University's original plans for the year.

	2004	2003	2002	2001
	£000	£000	£000	£000
Income	111,059	98,849	91,076	87,508
Expenditure	110,623	99,985	94,113	88,628
Operating surplus/(deficit)	449	(999)	(2,953)	(1,181)
Historical cost surplus/(deficit)	4,615	354	(1,508)	20

It is important to recognise that this excellent result is partially attributable to the impact of asset sales, nevertheless the table below demonstrates the University's continued improvement in underlying performance.

	2004	2003	2002	2001
	£000	£000	£000	£000
Historical cost surplus/(deficit) for the year	4,615	354	(1,508)	20
<i>Plus</i> Severance payments	907	1,445	1,365	468
<i>(Less)</i> Profit on sale of assets	1,926	377	222	43
<i>(Less)</i> Revaluation realised on asset sales	1,276			
Underlying performance surplus/(deficit)	2,330	1,422	(365)	445

Between 2002-03 and 2003-04 the University's total income increased by over £12 million, boosting the University's turnover to £111 million, and cost increases were contained at below £11 million. After five years where costs increased faster than income it is pleasing that for the second year running the University has achieved an increase in income greater than the increase in costs.

The principal areas of increase in income were:

- € increase in funding council grants of £3.5 million. Due mainly to compensation for the increase in teachers' pension scheme contributions, HEFCE-funded growth and the achievement of an INSET contract for the TTA
- € increase in tuition fee income of £4 million. Due mainly to increased international student numbers and increased NHS-funded activity
- € increase in income from residences, catering and conferences of £4 million. Due mainly to the final phase of the Cheney Student Village being available in the year and the opening of the Clive Booth halls of residence.

The principal cost increases in the year were:

- € staffing costs increased by £6 million. This is due to increased staffing on a full time equivalent basis, the annual pay increases, increased National Insurance contributions, and increased pension contributions. (The figures reported in note 6(b) represent actual numbers of people, not full time equivalents)
- € other operating expenses increased by £4 million. About half of this is due to the rental payments for Cheney Student Village and other student accommodation
- € interest payments increased by less than £1 million. Due to the full year increased borrowing to fund Clive Booth Hall development and the purchase of Milham Ford School.

It is also notable that despite the policy implemented by HEFCE of concentrating its funding for research into a narrower range of institutions, which has seen the funding to this institution fall, the University has successfully maintained its income for research activity from other sources. In particular its income from research councils, recognising the quality and national importance of our research activity, has nearly doubled.

The University estate

In 2002-03 the University finalised its estates strategy, which will result in increasing levels of investment over the next seven years as we address the backlog maintenance issues identified through a recent condition survey, and respond to the changing needs of our stakeholders. During 2003-04:

- € work continued on the HEFCE funded project to improve access across the estate
- € major progress was made with the asset disposal programme which raised over £5 million in the year. These included the sale of Pollock House, the James Chance Wing and eleven residential properties
- € the property acquired on Marston Road was refurbished to accommodate the School of Health and Social Care and was available for the commencement of the 2004-05 academic year
- € the Clive Booth Hall of Residence was completed
- € work commenced on a new research building funded partially through SRIF and partially by the University
- € work commenced on a postgraduate teaching facility on the Wheatley campus
- € a programme to upgrade and improve teaching accommodation and facilities commenced in the year with the refurbishment and remodelling of the main lecture theatres and upgrade of audio visual equipment in teaching rooms
- € the planning and design work commenced on a new building for the School of Technology, to be built at the Wheatley campus and incorporating a training and development facility for the motor sports industry, partially funded by HEFCE and the South East England Development Agency (SEEDA).

The coming year

In 2004-05 the momentum built up in 2003-04 in implementing the University's new strategy will accelerate. Priorities for the year are:

- € ensuring the introduction of semesters is a success and that the planned benefits from the change are achieved
- € targeting investment in the improvement of University research
- € continuing the implementation of the University's Information Processes and Systems (IPS) strategy
- € completing the research building and establishing it as a key resource within the University
- € commencing the development of the technology building
- € completing the asset disposal programme which is intended to raise a further £5.5 million.

Employees

The University is committed to providing equal opportunities to all through its employment practices, services and access to its facilities. The University is striving to create a working environment where all employees and potential employees have fair and equal access to available opportunities and unbiased treatment.

The University continues to recognise its social and statutory duty to employ disabled persons and is doing all that is practicable to meet this responsibility. Full and fair consideration is given to the recruitment, training, career development and promotion of disabled persons, bearing in mind the aptitude and ability of the individual concerned.

The University is conscious of the need to keep employees informed of the progress and future plans of the University and of the mutual benefit that is engendered by good internal communications. This is achieved through staff representation on the Board of Governors and the Academic Board. In addition, the Joint Committees of Management and Staff provide valuable channels for communication and consultation on all matters. Employees are also informed of major developments by the distribution of committee papers and reports in the staff newsletter.

The University has agreed a Health and Safety Policy to meet its obligations as a corporate body. A Health and Safety Committee exists to ensure that the policy is followed and that issues of concern are investigated and resolved.

Insurance of Governors

The University maintains insurance for its Governors in respect of their duties as Governors of the University.

Creditor payment policy

The University generally pays creditors 30 days from invoice date unless specified otherwise in the terms of the contract. Group creditor days at 31 July 2004 amounted to 10 days (2003: 11 days).

Charitable status

Where activities undertaken by the University may fall outside the terms of its charitable status, these are undertaken through Oxford Brookes Enterprises Limited. The majority of the profits of that company are covenanted to the University annually, thereby minimising corporation tax on the profits generated. All the activities operated directly by the University are of a charitable nature and as such not liable to corporation tax.

Statement of Board of Governors' responsibilities

In accordance with the Education Reform Act 1988 the Board is responsible for the overall administration and management of the affairs of the University, including ensuring an effective system of internal control, and is required to present audited financial statements for each financial year.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and enable it to ensure that the financial statements are prepared in accordance with the Education Reform Act 1988, the requirements of HEFCE and the Statement of Recommended Practice on accounting in HE institutions and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed with HEFCE, the Board, 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 University and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, the Board has to ensure that:

- € suitable accounting policies are selected and applied consistently
- € judgements and estimates are made that are reasonable and prudent
- € applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- € financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation.

The Board has taken reasonable steps to:

- € ensure that funds from HEFCE, the Learning and Skills Council (LSC) and the Teaching Training Agency (TTA), are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with HEFCE and the funding agreements with the LSC and TTA, and any other conditions that the Funding Councils or Agency 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 to prevent and detect fraud
- € secure the economical, efficient and effective management of the University's resources and expenditure.

Corporate governance

Introduction

The University is committed to best practice in all aspects of its corporate governance. This summary describes the manner in which the University has applied the principles set out in Section 1 of the Combined Code on Corporate Governance issued by the London Stock Exchange in June 1998. Its purpose is to help the reader of the financial statements understand how the principles have been applied.

The Board of Governors and Senior Management Team

The Board of Governors, which meets formally six times a year, is responsible for the University's long-term objectives and for strategies in relation to the educational character and mission of the University and for providing overall financial and organisational control. The Board comprises three executive and 14 non-executive governors and there is a clear separation of the role of the non-executive Chair from that of Chief Executive, the Vice-Chancellor. The Board has determined that the Vice-Chancellor shall be the person designated as responsible for satisfying the Board that all conditions of receiving and using grant aid from HEFCE have been met. The Board has also delegated the responsibility for the University's operations to the Vice-Chancellor who, supported by the Senior Management Team, implements the Board's policies and develops and manages the University's business.

A majority of the Board must by law be independent of the University, and they bring with them a wealth of expertise from their respective fields of business and professional activity. Board members are appointed in accordance with the requirements of the Education Reform Act 1988 and appointment processes and terms of office are laid out in the procedures for the appointment of Governors adopted by the Board. The normal term of appointment is four years, after which members may be eligible for reappointment. No Board member may serve for more than two consecutive terms of four years, other than the Vice-Chancellor and the student Governor, who may remain members as long as they hold the position of Vice-Chancellor and President of the Students' Union respectively.

Finance and Resources Committee

The Finance and Resources Committee is chaired by the Chair of the Board of Governors and comprises five other non-executive governors. It meets at least four times a year, and its purpose is to advise the Board on the following matters:

- € advising the Vice-Chancellor on a recommendation to the Board for the coming year's recurrent and capital budgets, and on the cash flow forecast and draft balance sheet arising therefrom
- € considering for approval by the Board a rolling five-year strategic plan, including financial plans (both revenue and capital) projected cash flow and balance sheets, taking account of the requirements of the Funding Councils
- € recommending an estates strategy to the Board
- € reviewing and recommending to the Board borrowing or other financial vehicles necessary to fund the strategy, and the release of funds for specific projects
- € approving the acquisition or disposal of land and buildings
- € advising the Board in their consideration of budget monitoring statements.

Audit Committee

The Audit Committee meets at least three times a year and is currently chaired by Mr Neil Ashley, a non-executive Governor of the University. A further two non-executive Governors, plus four co-opted members, comprise the Committee. The Committee is responsible for advising the Board on:

- € the effectiveness of the internal audit service and ensuring that their recommendations are appropriately executed
- € the effectiveness of the internal control and risk management procedures
- € the work of the external auditors and whether they are effectively carrying out their responsibilities to the Board of Governors by reporting that the University's financial statements present a true and fair view of the year's activities
- € the existence of satisfactory arrangements to promote economy, efficiency and effectiveness. The Committee is also responsible for recommending the approval of the Annual Accounts.

Remuneration Committee

The Remuneration Committee, chaired by the Chair of the Board of Governors, and comprising three other non-executive governors and the Vice-Chancellor, meets as necessary to review the policy for the remuneration of the senior staff appointed by the Board of Governors. The Vice-Chancellor is excluded from matters concerning his/her own remuneration.

Employment Committee

The Employment Committee, also chaired by the Chair of the Board of Governors and comprising five other non-executive governors, meets three times a year. It is responsible for overseeing the University's Human Resources (HR) Strategy for delivering policy, for the implementation of the HR Strategy and for such industrial relations and employment issues as may be referred to it by the Board of Governors or the Vice-Chancellor.

Senior Management Team and Executive Board

The Senior Management Team of the University comprises the Vice Chancellor, who has overall managerial responsibility, two Deputy Vice Chancellors, each with a specific area of responsibility, which when combined cover all the activities of the University, and two Pro Vice Chancellors with specific responsibility for academic development and research. The Team meets formally on a fortnightly basis. On alternate weeks the team meets with the Deans of School and Directors, and is constituted as the Executive Board. The Executive Board's role derives from the executive powers of the Vice Chancellor. It is constituted in order to focus on decision making and also serves as a body which can be used by the Vice Chancellor for briefing, consultation and communication with senior managers as a group. The objective of the Executive Board is to ensure that an appropriate level of consideration is given to strategic decisions, that there is accountability for those decisions and that improved communication with the wider senior management group is achieved. Specifically, the Executive Board determines:

- € strategic and operational plans
- € the annual budget and financial forecasts for the Vice Chancellor to propose to the Board of Governors for approval
- € the implementation of policies as necessary and monitoring of the University's performance against plans
- € determination and oversight of the processes by which strategic and operational planning are undertaken, resources allocated and targets, including student numbers, are achieved
- € implementation and monitoring of the University's risk management strategy
- € consideration of reports on value for money
- € day to day 'business as usual' matters concerning the management of the University.

Academic Board

The Academic Board of the University is chaired by the Vice-Chancellor and comprises representatives of both the academic and related areas of the University, a proportion of whom are elected representatives. The Academic Board is responsible for:

- € general issues relating to the research, scholarship, teaching and courses at the University, including criteria for the admission of students; the appointment and removal of internal and external examiners; policies and procedures for assessment and examination of the academic performance of students; the content of the curriculum; academic standards and the validations and review of courses; the procedures for the award of qualifications and honorary academic titles; and the procedures for the exclusion of students for academic reasons
- € considering the development of the academic activities of the University and the resources needed to support them and for advising the Vice-Chancellor and the Board of Governors thereon
- € advising on such other matters as the Board of Governors or the Vice-Chancellor may refer to the Academic Board.

Internal control

The key elements of the University's systems of internal financial control, which are 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 and administrative departments
- € a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash-flow budgets
- € regular reviews of academic performance and monthly reviews of financial results involving variance reporting and updates of forecast outturns
- € 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
- € comprehensive financial regulations, detailing financial controls and procedures, approved by the Audit Committee and the Board of Governors
- € a professional internal audit team whose annual programme is approved by the Audit Committee.

Any systems of internal financial control can, however, only provide reasonable, but not absolute, assurance against material mis-statement or loss.

Risk management

The key elements of the University's approach during the year were:

- € a workshop to update the University's approach and attitude to risk. This included active participation from senior managers
- € two workshops to identify, evaluate and categorise by severity risks which impacted on the achievement of strategic objectives
- € the production of an updated risk register
- € the development of risk improvement plans to address the two highest categories of risk and the confirmation of the delegation of responsibility to manage the less significant risks
- € regular monitoring by the Executive Board of the risks with the highest category of severity and of the implementation of improvement plans

- € regular meetings of the Risk Management Working Group, a small group of senior managers, chaired by the Deputy Vice-Chancellor (Academic Affairs), to review both the output of the risk management process but also to consider improvements and developments to the process itself and the development of additional risk management procedures at an operational level. The Group assisted the Executive Board by evaluating the adequacy of responses to the most severe risks and directly monitoring the second highest category of risks. The group also advised on the reports to the Board of Governors and Audit Committee, and reviewed the University's risk management policy. The Group has no delegated authority itself but provides an effective forum to allow the Deputy Vice-Chancellor (Academic Affairs) and the Director of Finance and Legal Services to fulfil their responsibilities
- € regular reports both to the Board and the Audit Committee on the development of the process, the most severe risks and progress with improvement plans
- € introduction of a training course on project risk management, as part of the regular provision offered by the University's dedicated training unit, the Oxford Centre for Staff Learning and Development
- € high level involvement and support which included the Vice-Chancellor taking an active part in two of the risk workshops and chairing the Executive Board that considered the risk register and improvement plans and other reports on key aspects of the University's performance. Most members of Executive Board took an active part in at least one of the various workshops
- € that the Internal Audit team based their plan of work on the University's risk analysis, modified by their assessment. In addition, the Internal Audit Team reviewed the University's system of risk management
- € that the University implemented a plan of improvement and refinement of its system of risk management for 2003-04 based upon the evaluation of the effectiveness of the system in operation for 2002-03
- € the convening of an additional workshop to re-evaluate key risks to the successful implementation of the two-semester academic year.

Review of the effectiveness of internal control and risk management

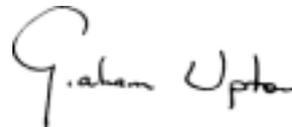
At its meeting in December 2004 the Board considered the effectiveness of the arrangements for internal control and risk management that had been in place for the financial year to 31 July 2004. The Board concluded, based upon the report from the Vice-Chancellor, endorsed by Executive Board and the Annual Report of the Audit Committee, that the arrangements in place were satisfactory to provide effective internal control and risk management throughout the year.

Going concern

After making appropriate enquiries, the Board of Governors has a reasonable expectation that the University has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.



Tim Stevenson
Chair of Governors
 10 December 2004



Professor Graham Upton
Vice-Chancellor
 10 December 2004

Independent auditors' report

We have audited the financial statements on pages 13 to 31, which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and in accordance with the accounting policies set out on pages 11 and 12.

This report is made solely to the University's Board of Governors, as a body. Our audit work has been undertaken so that we might state to the University's Board of Governors those matters we are required to state to them in an auditors' 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 University and the University's Board of Governors as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board of Governors

The Board of Governors is responsible for preparing the financial statements. Our responsibilities as independent auditors are established by statute, the Auditing Practices Board, the Audit Code of Practice issued by the Higher Education Funding Council for England (HEFCE), 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 on Accounting in Further and Higher Education Institutions. 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 income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with HEFCE and with the Funding Agreement with the Teacher Training Agency (TTA).

We also report to you if, in our opinion, the Governors' 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 read the other information contained in the Governors' report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of opinion

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

We planned and performed our audit so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of the information in the financial statements.

Opinion

- € The financial statements give a true and fair view of the state of the affairs of the University at 31 July 2004 and of the surplus and cash flows for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice on Accounting in Further and Higher Education Institutions.
- € In all material respects income from HEFCE and TTA, grants and income for specific purposes and from other restricted funds administered by the University have been applied for the purposes for which they were received.
- € In all material respects income has been applied in accordance with the University's Articles of Government and, where appropriate, with the Financial Memoranda dated July 1998 and October 2003 with HEFCE, and with the Funding Agreement with the TTA covering 1 August 2003 to 31 July 2004.

Date
Blueprint Audit Limited
Registered Auditor
Basingstoke

Statement of principal accounting policies and estimation techniques

Accounting convention

The financial statements have been prepared under the historical cost convention, as modified by the inclusion of inherited land and buildings at valuation and in accordance with both the Statement of Recommended Practice: Accounting in Further and Higher Education Institutions and applicable Accounting Standards.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the University and its subsidiaries and joint venture companies. The University's interests in joint ventures have been accounted for under the equity method.

The consolidated financial statements do not include those of the Oxford Brookes University Students' Union as it is an entity in which the University has no financial interest and no control or significant influence over policy decisions.

Recognition of income

Recurrent grant income from HEFCE, the TTA and the LSC represents the support received towards the education, training and research activities of the University and is credited direct to the income and expenditure account.

Income from research, other services rendered and specific donations has been included in the financial statements to the extent of related expenditure incurred during the period, including any contribution towards overhead costs. HEFCE research income is credited direct to the income and expenditure account.

Grants received for capital purposes are credited to the deferred capital grants account and released to match the related depreciation charges. Grants due but not received for expenditure incurred on tangible fixed assets are shown as other debtors and grants received but not yet utilised are shown as payments received on account.

All tuition fee income is presented on an accruals basis.

Tangible fixed assets

Assets are shown at cost, or, in the case of freehold and leasehold properties vested in the University under the Education Reform Act 1988, at valuation. The valuation as at 1 April 1991 was carried out by an independent firm of chartered surveyors and rating consultants on the basis of depreciated replacement cost in the case of buildings, except where a market value was more appropriate, and current use market value in the case of land.

The University has adopted the transitional arrangements under FRS15 (Tangible Fixed Assets). Those assets presented in the accounts based on valuation at 1 April 1991 will be retained at that valuation and will not be revalued in future years.

All buildings are regularly reviewed for indications of impairment. Where there is an impairment the difference between the assessed recoverable value of the building and its written down cost is charged to the Income and Expenditure Account.

During the year there has been a change in accounting estimate with regard to the Halls of Residence depreciation rate. This has been changed from 50 years to 40 years resulting in an additional charge of £238,000 in the current year.

Equipment costing less than £5,000 is generally written off in the year of acquisition. All other equipment is capitalised. Depreciation is provided on all capitalised tangible fixed assets, other than freehold land, at rates calculated to write-off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Freehold buildings	10 to 50 years
Leasehold property	The lower of the length of the lease or 50 years
Building alterations and improvements	5 to 20 years
Educational equipment	3 to 10 years
Fixtures and fittings	5 to 10 years
Computer equipment	3 to 5 years
Motor vehicles	3 to 5 years

No depreciation is charged on assets in the course of construction.

A Private Finance Initiative relating to the construction and management of the new Cheney halls of residence on land owned by the University has been undertaken.

The design and construction of the accommodation was undertaken by a private sector provider who also operates the halls over a 30 year period. The construction costs totalled £18.2m. Under the agreement the University has the right to reserve all or part of the accommodation each year. At the end of the 30 year agreement the legal ownership of the property will revert to the University at no cost. A long term debtor contains a valuation of this reversionary interest. The application of this accounting policy results in a net book value in 2034 of £4.6m.

The risks and rewards have been assessed in accordance with FRS5 – Substance of Transactions. The Governors consider that the substantial risks and rewards associated with the accommodation project have been transferred to the private sector provider. The accounts do not therefore include the Cheney halls of residence as a tangible asset of the University.

Stocks and work in progress

Catering, building maintenance, trading and other bulk stock holdings are included at the lower of cost and net realisable value. Work in progress is valued at actual cost. Library books and other consumable stocks held by academic departments are excluded.

Taxation status

The University is an exempt charity within the meaning of Schedule 2 of 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 is registered for value-added tax (VAT) but is unable to recover input tax on the majority of its purchases, education and research being exempt activities under VAT legislation.

Maintenance of premises

The cost of maintenance is charged to the income and expenditure account as incurred.

Foreign currencies

Transactions denominated in foreign currencies are recorded at the rate ruling at the date of transaction. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the income and expenditure account.

Pension schemes

Retirement benefits to employees of the University are provided by defined benefit schemes that are funded by contributions from the University and employees. Payments are made to the Teachers' Pension Scheme, the Universities' Superannuation Scheme and the Local Government Pension Scheme administered by Oxfordshire County Council. These are all independently administered schemes. Pension costs are assessed on the latest 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.

Revaluation reserve

The revaluation reserve represents the net book value at the balance sheet date of the tangible fixed assets to which the University acquired unrestricted title on 1 April 1989 as a result of the Education Reform Act 1988. A sum equal to the depreciation charge on these assets is transferred from the revaluation reserve to the income and expenditure account each year. The assets were revalued in 1991.

Operating leases

Rental costs in respect of operating leases are charged to the income and expenditure account in equal annual instalments over the periods of the leases.

Finance leases

Fixed assets held under finance leases and the related lease obligations are recorded in the balance sheet at the purchase price of the leased assets at the inception of the lease. The excess of lease payments over recorded lease obligations is treated as finance charges which are amortised over the lease term to give a constant rate of charge on the remaining balance of obligations.

Investments

Both short-term and long-term investments are included in the balance sheet at the lower of cost and net realisable value.

Consolidated income and expenditure account

	Notes	2004 £000	2003 £000
INCOME			
Funding Council Grants	1	37,520	34,061
Academic fees and support grants	2	44,160	40,055
Research grants and support contracts	3	5,051	5,106
Other operating income	4	23,912	19,340
Interest receivable	5	<u>416</u>	<u>278</u>
Total income		<u>111,059</u>	<u>98,840</u>
EXPENDITURE			
Staff costs	6	63,590	57,825
Depreciation	11	4,741	4,461
Other operating expenses	8	39,160	35,302
Interest payable	9	<u>3,132</u>	<u>2,397</u>
Total expenditure	10	<u>110,623</u>	<u>99,985</u>
Surplus/(deficit) after depreciation of assets at valuation and before tax		436	(1,145)
Share of profit of joint ventures	13	13	146
Operating surplus/(deficit) after depreciation of assets at valuation		449	(999)
Exceptional item: Gain on disposal of assets		<u>1,926</u>	<u>377</u>
Operating surplus/(deficit) after depreciation of assets at valuation and exceptional item		<u>2,375</u>	<u>(622)</u>

All the above results wholly relate to continuing operations.

Note of historical cost surpluses and deficits

	Notes	2004 £000	2003 £000
Operating surplus/(deficit) after depreciation of assets at valuation		2,375	(622)
Realisation of revaluation gain		1,276	
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	20	<u>964</u>	<u>976</u>
		<u>4,615</u>	<u>354</u>

Statement of consolidated total recognised gains and losses

	Notes	2004 £000	2003 £000
Operating surplus/(deficit) after depreciation of assets at valuation		2,375	(622)
Prior year adjustment		<u>-</u>	<u>494</u>
Total gains and losses recognised since last report		<u>2,375</u>	<u>(128)</u>

The prior year adjustment reflects a recalculation of deferred grant release. This has resulted in an increase in reserves of £372,000 in 2002, £170,000 in 2001 and a reduction of £49,000 in 2000.

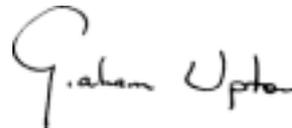
Consolidated balance sheet as at 31 July 2004

	Notes	2004 £000	2003 £000
Fixed assets			
Tangible assets	11	142,991	140,532
Investments	12	34	34
Share in gross assets of joint ventures		845	680
Share in gross liabilities of joint ventures		(1,034)	(882)
Share of net liabilities in joint venture	13	(189)	(202)
		<u>142,836</u>	<u>140,364</u>
Current assets			
Stocks and work in progress	14	935	1,313
Debtors - amounts falling due after one year	15	547	393
Debtors - amounts falling due within one year	15	7,067	5,312
Short term deposits	25	9,694	1,000
Cash at bank and in hand	25	390	631
		<u>18,633</u>	<u>8,649</u>
Creditors - amounts falling due within one year	16	(19,456)	(14,252)
Net current liabilities		<u>(823)</u>	<u>(5,603)</u>
Total assets less current liabilities		142,013	134,761
Creditors - amounts falling due after more than one year	17	(51,309)	(48,166)
Total assets less liabilities		<u>90,704</u>	<u>86,595</u>
Deferred capital grants	18	9,628	7,894
Reserves			
Revaluation reserves	19	44,046	46,286
Revenue reserves	20	37,030	32,415
Total funds		<u>90,704</u>	<u>86,595</u>

These financial statements were approved by the Board on 10 December 2004 and signed on its behalf by:



Tim Stevenson
Chair of Governors



Professor Graham Upton
Vice-Chancellor

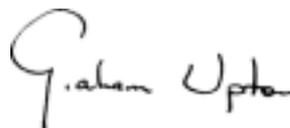
Corporation balance sheet as at 31 July 2004

	Notes	2004 £000	2003 £000
Fixed assets			
Tangible assets	11	141,171	138,645
Investments	12	<u>1,034</u>	1,034
		<u>142,205</u>	<u>139,679</u>
Current assets			
Stocks and work in progress	14	864	1,230
Debtors - amounts falling due after one year	15	547	393
Debtors - amounts falling due within one year	15	8,605	5,386
Short term deposits		9,694	1,000
Cash at bank and in hand		<u>-</u>	407
		19,710	8,416
Creditors - amounts falling due within one year	16	<u>(19,312)</u>	(13,371)
Net current assets/(liabilities)		<u>398</u>	(4,955)
Total assets less current liabilities		142,603	134,724
Creditors - amounts falling due after more than one year	17	<u>(51,309)</u>	(48,166)
Total assets less current assets/(liabilities)		<u>91,294</u>	<u>86,558</u>
Deferred capital grants	18	9,628	7,894
Reserves			
Revaluation reserves	19	44,046	46,286
Revenue reserves	20	<u>37,620</u>	32,378
Total funds		<u>91,294</u>	<u>86,558</u>

These financial statements were approved by the Board on 10 December 2004 and signed on its behalf by:



Tim Stevenson
Chair of Governors



Professor Graham Upton
Vice-Chancellor

Consolidated cash flow statement

	Notes	2004 £000	2003 £000
Net cash inflow from operating activities	22	<u>8,838</u>	<u>1,820</u>
Returns on investments and servicing of finance			
Interest received		416	278
Interest paid		<u>(3,132)</u>	<u>(2,397)</u>
Total cash outflow			
after investment return and servicing of finance		<u>(2,716)</u>	<u>(2,119)</u>
Taxation		-	18
Capital expenditure and financial investment			
Tangible fixed assets acquired		(10,023)	(24,897)
Proceeds from sale of fixed assets		5,442	594
Deferred capital grants received		<u>3,675</u>	<u>1,743</u>
Net cash outflow from investing activities		<u>(906)</u>	<u>(22,560)</u>
Cash inflow/(outflow) before use of liquid resources and financing		5,216	(22,841)
Management of liquid resources	25	(8,694)	5,500
Financing			
New loans	24	4,200	18,000
Capital element of leases	24	(198)	(315)
Consolidated loan repayment	24	-	(80)
Repayment	24	<u>(765)</u>	<u>(536)</u>
		<u>3,237</u>	<u>17,069</u>
Reduction in cash	25	<u>(241)</u>	<u>(272)</u>

The principles of FRS1 have been adopted in presenting the cash flow statement. Cash at bank and in hand includes cash in hand and bank deposits repayable within 24 hours without penalty. All other bank deposits are included in liquid resources.

Notes to the financial statements

1 – Funding Council grants

	2004 £000	2003 £000
Recurrent grants		
Teaching: HEFCE	27,950	26,042
Teaching: TTA	3,872	2,832
Teaching: LSC	229	154
Research: HEFCE	1,914	2,145
Specific grants		
Reimbursement of debt charge interest	-	3
Special initiatives	2,889	2,215
Deferred grants released in year (Note 18)		
HEFCE	666	670
	37,520	34,061

2 – Academic fees and support grants

	2004 £000	2003 £000
Full time undergraduate students charged home fees	8,633	8,257
Full time undergraduate students charged overseas fees	7,402	6,533
Part time students	787	716
Research student tuition fees	791	348
Health authorities	9,032	8,338
Postgraduate, short and full-cost course fees	17,515	15,863
	44,160	40,055

3 – Research grants and support contracts

	2004 £000	2003 £000
Research Councils	1,761	1,008
UK Based Charities	617	511
UK Central Government, Local Authorities	1,392	1,682
UK Industry, Commerce, Public Corporations	574	1,086
European Commission	326	522
EU Other	175	8
Other overseas	108	121
Other sources	98	168
	5,051	5,106

4 – Other operating income

	2004 £000	2003 £000
Residences, catering and conferences	15,720	11,775
Other services rendered	2,922	2,629
Health Authorities	400	600
Released from deferred capital grants (Note 18)	67	78
Other income	4,803	4,258
	<u>23,912</u>	<u>19,340</u>

5 – Interest receivable

	2004 £000	2003 £000
Bank interest	397	256
Other loan interest	19	22
	<u>416</u>	<u>278</u>

6 – Staff

	2004 £000	2003 £000
a) Employment costs		
Wages and salaries	53,491	50,072
Social security costs	4,246	3,506
Other pension costs (Note 27)	5,399	4,043
Recruitment costs etc	454	204
	<u>63,590</u>	<u>57,825</u>

(b) Number of staff

The average number of employees during the year was made up as follows:

	Number	Number
Teaching and research including management	864	863
Part time lecturers	538	662
Administrative, professional, technical and clerical	1,025	999
Manual	252	273
	<u>2,679</u>	<u>2,797</u>

(c) Remuneration of higher paid staff (excluding employers pension contributions)

	Number	Number
£70,001 - £80,000	5	7
£80,001 - £90,000	4	-
£90,001 - £100,000	2	1
£130,001 - £140,000	-	1
£140,001 - £150,000	1	-

7 – Emoluments of Governors

(a) The remuneration received by Governors of the University is wholly in respect of their duties as members of staff

(b) Governors receiving emoluments (excluding employers' pension contributions) were as follows:

	2004	2003
	£000	£000
Ann Black	34	32
Janet Thorn	-	35
Robert Langridge	43	41
Professor Graham Upton	<u>150</u>	<u>137</u>
	<u>227</u>	<u>245</u>

The other Governors received no remuneration.

(c) The emoluments of the Chair and highest paid Governors were:

	2004	2003
	£000	£000
Chairman: Danby Bloch	-	-
Highest paid governor: Graham Upton:		
Salary	150	137
Employers' pension	<u>14</u>	<u>69</u>
	<u>164</u>	<u>206</u>

During the prior year the Board, on the recommendation of the Remuneration Committee, approved the purchase of two additional years of service within the Universities' Superannuation Scheme for the Vice-Chancellor at an initial cost of £55,876. The Vice-Chancellor has agreed to bear 33% of the cost of this enhancement by a reduction in his salary of £4,656 in each of the next four years, commencing 2003-04. This arrangement was submitted to HEFCE for approval and approval was received in a letter dated 24 July 2003.

(d) Governors are eligible to join the pension scheme applicable to their post in the University. Details of these schemes are set out in Note 27.

8 – Other operating expenses

	2004	2003
	£000	£000
Severance payments	907	1,445
Premises related:		
Maintenance	6,017	6,436
Rent	5,743	3,741
Books, publications and periodicals	1,269	1,187
Information technology related equipment. Supplies and consumables	2,742	2,537
Other equipment supplies and consumables	831	836
Food and catering supplies and services	1,724	1,503
Stationery, photocopying and printing	1,537	790
Temporary staff, professional services and consultants	3,963	3,485
Other hired and contracted services	1,527	1,606
Examiners fees	110	148
Communications and marketing	1,575	1,075
Placements, teaching practice and educational visits	691	791
Conferences, training and tuition fees	997	748
Subscriptions and copyright fees	553	465
Transport and travel related	2,057	2,282
Students' Union Grant	708	669
External auditors' remuneration in respect of audit services	43	49
Equipment operating lease rentals	895	568
Insurance	510	546
Other costs	<u>4,761</u>	<u>4,395</u>
	<u>39,160</u>	<u>35,302</u>

9 – Interest payable

	2004	2003
	£000	£000
Bank loans (repayable wholly or partly in more than five years)	2,767	2,089
Lease (repayable wholly or partly in more than five years)	365	305
Consolidated Loans Fund (repayable within five years, by instalments)	-	3
	<u>3,132</u>	<u>2,397</u>

10 – Analysis of expenditure by activity

	Staff costs	Depreciation	Other operating expenses	Interest payable	Total
	£000	£000	£000	£000	£000
Academic schools	39,889	80	10,715	-	50,684
Academic support services	4,233	70	2,391	-	6,694
Administration	9,803	221	6,259	-	16,283
Residences, catering and conferences	3,024	1,036	9,001	2,649	15,710
Premises	2,487	3,288	5,778	483	12,036
Research	2,402	26	2,423	-	4,851
Other costs	1,752	20	2,593	-	4,365
	<u>63,590</u>	<u>4,741</u>	<u>39,160</u>	<u>3,132</u>	<u>110,623</u>

The depreciation charge has been funded by:

	Note	2004	2003
		£000	£000
Deferred capital grants released	18	733	748
Revaluation reserve released	19	964	976
General income		<u>3,044</u>	<u>2,737</u>
		<u>4,741</u>	<u>4,461</u>

11 – Tangible fixed assets

Group	Assets in course of construction £000	Freehold land & buildings £000	Long leasehold property £000	Equipment £000	Total £000
Cost or valuation					
At 1 August 2003	27,428	114,977	21,422	20,988	184,815
Reclassifications	(27,428)	27,454	(26)	-	-
Additions	-	8,870	8	1,838	10,716
Disposals	-	(3,659)	(160)	(38)	(3,857)
At 31 July 2004	-	147,642	21,244	22,788	191,674
Depreciation					
At 1 August 2003	-	(20,872)	(3,560)	(19,851)	(44,283)
Charge for the year	-	(3,063)	(939)	(739)	(4,741)
Disposals	-	278	25	38	341
At 31 July 2004	-	(23,657)	(4,474)	(20,552)	(48,683)
Net book value					
At 31 July 2004	-	123,985	16,770	2,236	142,991
At 31 July 2003	<u>27,428</u>	<u>94,105</u>	<u>17,862</u>	<u>1,137</u>	<u>140,532</u>
Corporation					
Cost or valuation					
At 1 August 2003	27,428	113,180	21,185	19,878	181,671
Reclassifications	(27,428)	27,454	(26)	-	-
Additions	-	8,870	8	1,779	10,657
Disposals	-	(3,659)	(160)	(16)	(3,835)
At 31 July 2004	-	145,845	21,007	21,641	188,493
Depreciation					
At 1 August 2003	-	(20,734)	(3,475)	(18,817)	(43,026)
Additions	-	(3,027)	(915)	(673)	(4,615)
Disposals	-	278	25	16	319
At 31 July 2004	-	(23,483)	(4,365)	(19,474)	(47,322)
Net book value					
At 31 July 2004	-	122,362	16,642	2,167	141,171
At 31 July 2003	<u>27,428</u>	<u>92,446</u>	<u>17,710</u>	<u>1,061</u>	<u>138,645</u>

As a result of the Education Reform Act 1988, freehold and leasehold properties occupied by the University together with the equipment contained therein were vested in the University with effect from 1 April 1989. A professional valuation was carried out in 1992 on the inherited buildings. The valuation, which was as at 1 April 1991, was on the basis of depreciated replacement costs in the case of buildings except where a market value was more appropriate and current use market value in the case of land. The total valuation amounted to £64,380,000.

The University has received grant funding from HM Treasury sources towards certain buildings with a cost of £2,836,000. If the University sells these buildings then it will be required to pay the proceeds to HM Treasury unless it is able to use the proceeds in accordance with the scheme set out within the Financial Memorandum with HEFCE. The largest single item affected is the library on the University's Headington Campus.

The University is in the process of negotiating the sale of a portion of the land relating to Milham Ford.

During the year the University sold inherited assets with a Net Book Value of £1,217,000 generating sales proceeds of £1,875,000.

12 – Investments

	2004		2003	
	Group £000	Corporation £000	Group £000	Corporation £000
At 1 August	34	1,034	64	1,064
Less impairment			(30)	(30)
At 31 July	<u>34</u>	<u>1,034</u>	<u>34</u>	<u>1,034</u>

Investments include £34,000 for 34,093 ordinary shares in CVCP Properties plc. The remaining investment of the corporation represents one million one hundred £1 shares in Oxford Brookes Enterprises Limited, a wholly owned subsidiary.

13 – Share of net liabilities of joint ventures – group

Joint Ventures	Issued share capital	% control	Country of incorporation	Activities
Oxford Institute of Legal Practice Limited	Limited by guarantee	50%	England & Wales	Legal courses
			2004	2003
			£000	£000
Share of net liabilities at 1 August			202	348
Share of profits for the year			(13)	(146)
Taxation			-	-
Balance at 31 July			<u>189</u>	<u>202</u>
Group Share of joint venture's turnover			<u>1,419</u>	<u>1,424</u>
Group share of joint venture's interest payable			<u>19</u>	<u>21</u>

14 – Stocks

	2004		2003	
	Group £000	Corporation £000	Group £000	Corporation £000
Raw materials & consumables	251	180	270	187
Research work-in-progress	684	684	1,043	1,043
	<u>935</u>	<u>864</u>	<u>1,313</u>	<u>1,230</u>

15 – Debtors

	2004		2003	
	Group £000	Corporation £000	Group £000	Corporation £000
Amounts falling due after more than one year				
Amount due from joint venture company	395	395	393	393
Cheney Hall residual value	152	152	-	-
	<u>547</u>	<u>547</u>	<u>393</u>	<u>393</u>
Amount falling due within one year				
Trade debtors	4,722	4,326	4,030	3,416
Amount due from subsidiary companies	-	2,793	-	962
Amount due from joint ventures	186	186	-	-
Prepayments and accrued income	1,057	497	1,087	871
Other debtors	1,102	803	195	137
	<u>7,067</u>	<u>8,605</u>	<u>5,312</u>	<u>5,386</u>

16 – Creditors: amounts falling due within one year

	2004		2003	
	Group £000	Corporation £000	Group £000	Corporation £000
Bank loans and overdraft	895	1,228	741	741
Finance leases and other loans	137	137	197	197
Payments received in advance	5,894	5,833	5,767	5,474
Trade creditors	3,261	2,847	853	764
Social Security costs	1,631	1,641	1,537	1,526
Accruals	4,713	4,446	2,360	1,862
Other creditors	2,925	3,180	2,797	2,807
	<u>19,456</u>	<u>19,312</u>	<u>14,252</u>	<u>13,371</u>

The University has entered into an arrangement with a financial training organisation and the Association of Chartered Certified Accountants to provide an accredited MBA course. As part of the arrangement a bank account has been opened in the name of Oxford Brookes University. At the year end the account held fees in advance of £701,000. The bank account and associated deferred income have not been shown in the financial statements as the University do not have unfettered access to these funds.

17 – Creditors: amounts falling due after more than one year

	2004		2003	
	Group £000	Corporation £000	Group £000	Corporation £000
Long-term bank loans (a)	44,349	44,349	41,069	41,069
Lease (b)	6,960	6,960	7,097	7,097
	<u>51,309</u>	<u>51,309</u>	<u>48,166</u>	<u>48,166</u>

(a) The interest rates on the bank loans currently vary between 4.45% and 7.41%. The loans are due to be repaid by 2029 according to an agreed repayment schedule. These loans are secured on certain freehold properties.

(b) In May 1999 the University granted a lease on a hall of residence for 10 years, extendable for a further 20 years by the University, to CITYTWOINC, a wholly owned subsidiary of a finance company, in exchange for a lease premium. In return CITYTWOINC granted a reciprocal lease to the University for a similar period for the payment of an annual lease that increases each year at the rate of 3%. If the University does not extend the lease at year 10, or for any reason it is necessary under the lease contract to cancel the lease, then the University is obliged to purchase the shares of CITYTWOINC at a price that ensures the return of any remaining net investment to the finance company.

Maturity analysis of financial liabilities

The maturity profile of the carrying amount of the group's financial liabilities, other than short-term creditors and accruals at 31 July 2004, was as follows:

	2004		2003	
	Group £000	Corporation £000	Group £000	Corporation £000
Within 1 year	1,032	1,032	938	938
Between 2 and 5 years	4,949	4,949	10,669	10,669
Over 5 years by instalments	41,864	41,864	32,913	32,913
Over 5 years not by instalments	4,496	4,496	4,584	4,584
	<u>52,341</u>	<u>52,341</u>	<u>49,104</u>	<u>49,104</u>

18 – Deferred capital grants – group and corporation

	HEFCE £000	Other grants £000	Total £000
At 1 August 2003			
Buildings	5,174	1,992	7,166
Equipment	700	28	728
Total	5,874	2,020	7,894
Receivable			
Buildings	2,098	325	2,423
Equipment	1,155	97	1,252
Total	3,253	422	3,675
Released to Income and Expenditure			
Buildings	437	40	477
Equipment	229	27	256
	666	67	733
Transferred to short term creditors			
Buildings	(1,118)	-	(1,118)
Equipment	-	(90)	(90)
	(1,118)	(90)	(1,208)
At 31 July 2004			
Buildings	5,717	2,277	7,994
Equipment	1,626	8	1,634
Total	7,343	2,285	9,628

19 – Revaluation reserve – group and corporation

This reserve relates to fixed assets transferred from Oxfordshire County Council at valuation.

	2004 £000	2003 £000
At 1 August	46,286	47,262
Realisation of gain on asset disposal	(1,276)	-
Transfer from income and expenditure account in respect of depreciation	(964)	(976)
At 31 July	44,046	46,286

20 – Revenue reserves

	2004		2003	
	Group £000	Corporation £000	Group £000	Corporation £000
Balance at 1 August	32,415	32,378	31,567	32,026
Prior year adjustment	-	-	494	494
Balance as at 1 August restated	32,415	32,378	32,061	32,520
Surplus before tax and exceptional items	2,375	3,002	(622)	(1,118)
Realisation of gain on asset disposal	1,276	1,276	-	-
Depreciation on revalued assets	964	964	976	976
	37,030	37,620	32,415	32,378

21 – Financial commitments – group and corporation

(a) Capital Commitments

	2004 £000	2003 £000
Contracted for	6,898	5,427
Authorised but not contracted for	14,000	9,630

(b) Operating leases

At 31 July 2004 the group had annual commitments under operating leases as follows:

	2004 Land & Buildings £000	2004 Other £000	2003 Land & Buildings £000	2003 Other £000
Expiring within 1 year	38	-	1,942	-
Expiring within 2 to 5 years	145	1,071	153	21
Expiring after 5 years	<u>2,995</u>	-	<u>2,926</u>	-
	<u>3,178</u>	<u>1,071</u>	<u>5,021</u>	<u>21</u>

(c) Lease commitments

The University has entered into a contract with a private sector provider to build, operate and service halls of residence. In accordance with the provisions of FRS5 these halls are not shown as assets in the balance sheet and no associated financing has been recognised. Under the agreement the University can commit to renting the accommodation on an annual basis. The amount committed is £2,765,000 in 2005 (£2,665,000 in 2004)

22 – Reconciliation of consolidated operating deficit to net cash inflow from operating activities

	Notes	2004 £000	2003 £000
Operating profit after depreciation of assets at valuation		2,375	(622)
Share of profit of joint venture companies		(13)	(146)
Interest receivable	5	(416)	(278)
Interest payable	9	3,132	2,397
Release of capital grant	18	(733)	(748)
Depreciation	11	4,741	4,461
Profit on disposal of fixed assets	4	(1,926)	(377)
Investment impairment		-	30
Decrease in stocks and Work in progress		378	-
(Increase)/decrease in debtors		(1,910)	18
Increase/(decrease) in creditors		<u>3,210</u>	<u>(2,915)</u>
Net cash inflow from operating activities		<u>8,838</u>	<u>1,820</u>

23 – Reconciliation of net cash flow to movements in net debt

		2004 £000	2003 £000
Decrease cash in the year		(241)	(272)
(Decrease)/increase in short-term deposits		8,694	(5,500)
Increase in debt	24	(4,200)	(18,000)
Repayment of debt	24	<u>963</u>	<u>930</u>
Change in net debt		5,216	(22,842)
Net debt at 1 August	25	<u>(47,473)</u>	<u>(24,631)</u>
Net debt at 31 July	25	<u>(42,257)</u>	<u>(47,473)</u>

24 – Analysis of changes in consolidated financing during the year

	Consolidated loans fund £000	Property finance leases £000	Bank loans £000	Finance leases &c £000	Total £000
At 1 August 2002	80	7,306	24,346	302	32,034
New loans	-	-	18,000	-	18,000
Repayments	(80)	(96)	(536)	(218)	(930)
At 31 July 2003	-	7,210	41,810	84	49,104
New loans	-	-	4,200	-	4,200
Repayments	-	(114)	(765)	(84)	(963)
At 31 July 2004	-	7,096	45,245	-	52,341

25 – Analysis of changes in net debt

	2004		Cash flow		2003	
	£000	£000	£000	£000	£000	£000
Cash at bank and in hand		390		(241)		631
Short-term deposits		9,694		8,694		1,000
Debt due within one year	(1,032)		(94)		(938)	
Debt due after one year	(51,309)		(3,143)		(48,166)	
		<u>(52,341)</u>		<u>(3,237)</u>		<u>(49,104)</u>
		<u>(42,257)</u>		<u>5,216</u>		<u>(47,473)</u>

26 – Interests in group undertakings

Listed below are the University's interests in subsidiaries and joint ventures consolidated in the financial statements. All companies are registered in England and have a financial year-end of 31 July unless otherwise stated.

Name of company	Nature of Business	Percentage of voting rights held by University
Subsidiaries		
Oxford Brookes Enterprises Limited	Trading activities, including the supply of library, print services and nurse training contracts	100
Joint Ventures		
Oxford Institute of Legal Practice Limited	Education	50
Oxford Centre for Rugby Excellence Limited (year end is 30 November)	Dormant	50

27 – Pension schemes

The two principal pension schemes for the University's staff are the Teachers' Pensions Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are both independently administered schemes. The schemes are defined benefit schemes that are funded by contributions from the University and its employees.

The TPS is valued every five years by the Government Actuary. Contributions are paid by the University at the rate specified by the government actuary. The LGPS is valued every three years by a professionally qualified independent actuary using the projected unit method. The rates of contribution are determined by the actuary.

The institution also participates, for a strictly limited membership, in the Universities' Superannuation Scheme (USS), a pension scheme that also provides benefits based on final pensionable salary. The assets of the USS are held in a separate trustee-administered fund. The pension valuation is assessed using the projected unit method. The level of contributions paid by the employing institutions takes into account the surpluses 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.

Pension summary

	TPS	LGPS	USS Past Service Liabilities	USS Future Service Liabilities
Latest actuarial valuation	31/3/01	31/3/01	31/3/99	31/3/99
Investment returns per annum	7.0%	6.85%	4.5%	5.5%
Salary rate increase per annum	5.0%	4.3%	3.6%	3.5%
Pension increase per annum	5.0%	2.5%	2.6%	2.5%
Market value of assets at date of last valuation	£142,880m*	£685m	£18,870m	
Proportion of members actual benefits covered by the actual valuation of the assets:	100%	91%	108%	

* The assets of TPS are notional assets.

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

	2004 £000	2003 £000
Contributions to TPS	2,834	1,934
Contributions to LGPS	2,521	2,023
Contributions to USS and other schemes	44	86
	5,399	4,043

The contributions of the institution are presently 13.5% of pensionable salary to TPS, 14% for USS, and for LGPS since 1 April 2004 11.64% for salaried staff and 9.7% for manual staff. Between 1 April 2003 and 31 March 2004 the institution's contribution rates to the LGPS were 10.56% for salaried staff and 8.8% for manual staff.

FRS17 Disclosures

Teachers Pension Scheme (TPS)

Under the definitions set out in FRS17 Retirement Benefits, the TPS is a multi-employer pension scheme. The University is unable to identify its share of the underlying (notional) assets and liabilities of the scheme. Accordingly, the University has used the exemption in FRS17 and contributions to the scheme and has accounted for its contribution to the scheme as if it were a defined contribution scheme. The University has set out above the information available on the deficit in the scheme.

Universities' Superannuation Scheme (USS)

The USS is a defined benefits scheme which is externally funded and contracted out of the State Earnings-Related Pension Scheme. The assets of the scheme are held in a separate trustee-administered fund. It is not possible to identify its share of the underlying assets and liabilities in the scheme and hence, using the exemption under FRS17, contributions to the scheme are accounted for as if it were a defined contribution scheme. The cost recognised within the surplus for the year in the income and expenditure account being equal to the contributions payable to the scheme.

Local Government Pension Scheme (LGPS)

The LGPS is regulated by statute, with separate regulations for (a) England and Wales, and (b) Scotland. The benefits of the LGPS are determined nationally by regulation and meet the definition of a defined benefit scheme.

It is a funded scheme, with some 100 separate funds administered locally by administering authorities. Each fund has many employing authorities. The Oxfordshire County Council is the administering authority with the District Councils in their County being employing authorities within that scheme. Each fund will also have scheduled and admitted bodies, such as education institutions, whose employees are members of the LGPS. The LGPS is not therefore a national multi-employer scheme, but each separate LGPS fund is a multi-employer scheme.

In line with the requirements of FRS17, the University has obtained actuarial valuations of its share of the scheme assets and liabilities as at 31 July 2004 and 31 July 2003. The required disclosures are set out below:

Major assumptions:

	2004 % pa	2003 % pa
Inflation rate	2.90	2.50
Discount rate	5.70	5.40
Expected return on assets	7.30	7.00
Expected rate of salary increases	4.70	4.30
Rate of pension increases in payment	2.90	2.50
Rate of pension increases in deferment	2.90	2.50

Scheme assets and expected rate of return

	At 31 July 2004		At 31 July 2003	
	£000	% pa	£000	% pa
Equities	31,972	8.00	23,929	8.00
Property	2,160	7.00	1,781	6.70
Corporate bonds	6,913	5.20	2,626	4.70
Fixed interest gilts	-	-	3,901	5.40
Cash	2,161	4.80	2,454	3.50
Total	43,206		34,691	

The following amounts were measured in accordance with the requirements of FRS17 at 31 July:

	2004 £m	2003 £m
Total market value of assets	43.2	34.7
Present value of scheme liabilities	(71.1)	(60.2)
Deficit in the Scheme - Net pension deficit	(27.9)	(25.5)

If the above amounts had been recognised in the financial statements, the Institution's net assets and general reserve would be as follows at 31 July 2004:

	2004 £m	2003 £m
Net assets excluding pension asset	92.0	86.6
Net pension deficit	(27.9)	(25.5)
Net assets including pension liability	64.1	61.1
General reserve excluding pension liability	37.1	31.7
Pension reserve	(27.9)	(25.5)
General reserve including pension reserve	9.2	6.2

Additionally, if the pension cost had been recognised in accordance with FRS17, the following components of the pensions charge would have been recognised in the income and expenditure account and statement of recognised gains and losses for the year ended 31 July 2004.

Analysis of amounts charged to the income and expenditure account

	2004	2003
	£000	£000
Analysis of amounts charged to the income and expenditure account		
Current service costs	4,377	3,600
Past service costs	64	-
Financing:		
- (gain)/loss due to curtailments	-	288
- expected return on pension scheme	(2,540)	(2,324)
- interest on expected scheme liabilities	<u>3,388</u>	<u>2,646</u>
- net return	<u>848</u>	610
Total charge to income and expenditure before deduction for tax	<u>5,289</u>	<u>4,210</u>

Analysis of amounts recognised in statement of total recognised gains and losses:

	2004	2003
	£000	£000
Actual return less expected return on pension Scheme assets	1,842	1,213
Experience gains and losses arising on Scheme liabilities	(330)	-
Changes in assumptions underlying the present value of Scheme liabilities	<u>(1,131)</u>	5,847
Total actuarial loss recognised	<u>381</u>	<u>7,060</u>

The total movement in the institution's share of the scheme's deficit during the year is made up as follows:

	2004	2003
	£000	£000
Deficit in Scheme at 1 August 2003	(25,544)	(16,475)
Movement in year:		
- current service cost	(4,377)	(3,600)
- contributions	2,561	2,200
- past service costs	(64)	-
- curtailment cost	-	(288)
- expected return on pension fund assets	2,540	-
- other financial income/ (charge)	(3,388)	(322)
- actuarial gain/(loss)	<u>381</u>	<u>(7,059)</u>
Deficit in Scheme at 31 July 2004	<u>(27,891)</u>	<u>(25,544)</u>

The full actuarial valuation at 31 July 2004 showed an increase in the deficit from £25,544,000 to £27,891,000. Employer contributions increased to 11.64% of pensionable pay on 1 April 2004.

The gains and losses for the year ended 31 July 2004 were as follows:

Difference between the expected and actual return on scheme assets:

	2004	2003
	£000	£000
	1,842	1,213
% of Scheme assets	4.30%	3.50%

Experience gains and losses on scheme liabilities:

	2004	2003
	£000	£000
% of the present value of Scheme liabilities	(330)	-
	0%	0%

Total amount recognised in the statement of total recognised gains and losses:

	2004	2003
	£000	£000
% of the present value of Scheme liabilities	1,131	7,059
	1.60%	11.72%

28 – Access funds

The University received and distributed HEFCE Access Funds as follows:

	2004	2003
	£000	£000
At 1 August	36	79
Grant received	566	566
Interest accrued	3	8
Distributed to students	(605)	(617)
At 31 July	-	36

Access funds are available solely for students: the University acts only as paying agent. The grants and related disbursements are, therefore, excluded from the income and expenditure account.

29 – Contingent liabilities

The University has a potential contingent liability in respect of claims by part-time staff who may have had rights to belong to the Teachers Pension Scheme or the Local Government Pension Scheme. A final ruling on this case by the House of Lords is still awaited. It has not been possible to quantify the University's potential liability at the date of these accounts.

30 – Related party transactions

Due to the nature of the University's operations and the composition of the Board of Governors (being drawn from local public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of the Board of Governors may have an interest. A register of Governors' interests is maintained by the University. All transactions involving organisations in which a member of the Board may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procedures. The following transactions, relating to the Oxford Institute of Legal Practice Limited, were identified which should be disclosed under FRS8 (Related Party Disclosures):

Oxford Institute of Legal Practice Limited

Three of the Institute's nine directors are appointed by the University. These are listed below with their positions in the University:

Rex Knight	Deputy Vice-Chancellor and Registrar
Diana Woodhouse	Assistant Dean, School of Social Science and Law
Susan McRae	Pro Vice-Chancellor, Research

The Institute was financed by interest-bearing loans from the University and the University of Oxford. The loan balances due to this University are shown in Note 15.

In addition, most of the Institute's expenses are borne by the University in the first instance and recharged to them monthly. The value of these recharges for the year was £2,010,618 (2003: £1,323,749).